

Subject: FW: Delphi -- Meeting w/CFO
Date: Tuesday, February 10, 2009 8:19:05 PM ET
From: House Joseph
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From: House Joseph
Sent: Tuesday, February 10, 2009 7:17 PM
To: james.lambright@do.treas.gov; Michael.Tae@do.treas.gov
Subject: Delphi -- Meeting w/CFO

Jim and Mike:

John Sheehan (CFO of Delphi) reached out earlier this week and let us know that you are scheduled to meet with him tomorrow morning. We expect he'll include in his presentation some representations about Delphi's recent coordination with PBGC. As a result, we thought it might be helpful to lay out for you some of the thoughts we discussed with you when we were together a couple of weeks ago.

One important note -- we have not forgotten your suggestion to prepare a written summary of pension issues related to the auto industry for the President's Designee; that briefing is near-final and we will be transmitting it later this week. This e-mail is simply to provide a high-level refresher on PBGC's perspective of the Delphi situation. Hope you find it helpful.

Background

·Delphi Corporation is a former GM subsidiary spun-off from GM in 1999. At the time of the spin-off, GM entered into a contractual obligation with the UAW (the "Benefit Guarantee" under which GM agreed to cover the losses associated with pension participants if Delphi were to fail and PBGC took over the Delphi Hourly Pension Plan. Under the Benefit Guarantee, GM covers the portion of plan participants' benefits above the legal guarantee limits of the PBGC.

·Last September, GM entered into an agreement with Delphi to assume substantially all of Delphi's Hourly Plan (the pension plan subject to the Benefit Guarantee). Effective September 29, 2008, GM's Hourly Pension Plan assumed the first tranche of net pension liabilities (approximately \$2.1 billion) from Delphi's Hourly Plan. GM agreed to accept the rest of the Delphi Hourly Plan, subject to a number of conditions, including Delphi's successful emergence from Chapter 11 and the delivery to GM of preferred securities (valued at \$2 billion) in reorganized Delphi. However, largely because of the significant decline in Delphi's enterprise value since September 2008, Delphi can no longer provide the agreed-to value.

Current Situation

·Delphi is currently engaged in discussions with GM on a number of operational and financial initiatives that Delphi hopes will allow it to successfully reorganize and avoid liquidation. In particular, Delphi is discussing with GM the terms under which GM would acquire most of Delphi's remaining U.S. plants, which employ the great majority of Delphi's remaining U.S. hourly and salaried workforce.

·Given that GM would be assuming most of Delphi's employees (both hourly and salaried), Delphi has proposed that GM also take on the pension liabilities for the Hourly and Salaried plans. In discussions with Delphi and directly with PBGC, GM has stated that it can not assume responsibility for either the previously-agreed-to Hourly plan pension obligations or the Delphi's Salaried plan pension obligations, as doing so would represent taking on additional pension obligations in violation of the pension covenant in GM's TARP loan.

·PBGC met with Delphi on January 30 (CFO John Sheehan, CEO Rod O'Neal, Chairman Steve Miller & Delphi's recently-retained government-relations consultant, Dick Gephardt). Delphi said that the company needs government action/assistance to help it secure immediate liquidity for emergence from

Chapter 11 and to secure GM's agreement to assume Delphi's pensions as part of the solution. Delphi's asked that PBGC consider (and perhaps facilitate) a meeting involving GM, Delphi, PBGC and Treasury to discuss a global resolution to Delphi's situation. PBGC told Delphi that such a meeting would be sensible only if GM and Delphi had a consensual proposal for consideration by the government; we do not believe Delphi has made material progress in reaching consensus with GM on a global resolution.

- Since the January 30 meeting, Delphi has met with several Members of Congress and staff (Senators Stabenow, Levin, Bayh, as well as staff to Banking Committee Chairman Dodd; Representatives Levin, Donnelly, and Waters).
- Currently, PBGC estimates that Delphi's pension plans are underfunded by \$7.4 billion, of which \$5.7 billion would be guaranteed by the PBGC. If GM does not absorb Delphi's pension liabilities, the cost to the U.S. government (Treasury and PBGC) for resolving GM/Delphi may increase by almost \$6 billion, as PBGC's insurance funds will be called upon to honor benefit obligations under the Delphi pension plans.