

Delphi Protocol Summary Auction Methodology

Note:

This summary is based on the auction methodology in the Revised 2005 Delphi CDS Index Protocol, as published by ISDA on October 28, 2005 (the "Protocol"), and is for information purposes only. It is not a summary of the entire Protocol and is subject to the Protocol in all respects. Market participants should examine the text of the Protocol itself before deciding whether to adhere to the Protocol or take any other action with respect thereto. Neither ISDA nor any of the CDX Members (as defined in the Protocol) make any representation or warranty as to the accuracy or completeness of any information contained in this summary and neither ISDA nor any of the CDX Members accepts any liability for the accuracy or completeness of such information.

Important Dates:

- October 28 → Protocol Published
- November 2 → Cut-Off Date for Adherence
- November 4 → Auction Date
- November 10 → Notice for Bond Settlement
- November 16 → Bond Settlement Date for trades matched under the Protocol
- November 18 → Cash Settlement Date for Covered Index Transactions between Adhering Parties

Coverage of Index and Index Tranche Trades:

- Dow Jones CDX.NA.HY Series 5 (and the HB sub-index), Dow Jones CDX.NA.HY Series 4 (and the BB and HB sub-indices), Dow Jones CDX.NA.IG Series 3 (and the INDU and HVOL sub-indices), Dow Jones CDX.NA.IG Series 2 (and the INDU and HVOL sub-indices) and iBoxx CDX.NA.IG (which is also known as Dow Jones CDX.NA.IG) (and the INDU and HVOL sub-indices).
- Dow Jones TRAC-X NA Series 2 March 2009 Index, Dow Jones TRAC-X NA Series 2 March 2014 Index, the Dow Jones TRAC-X NA Series 2 High Beta March 2009 Index, the Dow Jones TRAC-X NA Series 2 High Beta March 2014 Index, the TRAC-X NA Series 1 September 2008 Index and the TRAC-X NA Series 1 BBB September 2008 Index.
- TRACERS, TRACERS BBB and TRACERS 49.

Auction Methodology:

1. Determination of "Inside Market Midpoint"

- Participating Bidders submit \$10 million by \$10 million markets with maximum spread of two percent of par on any bond from the list of Deliverable Obligations between 9:45am and 10:00am on the Auction Date.
- Touching and crossing markets are paired highest-to-lowest and each pair trades ("Automatic Trades") at the midpoint.
- The best half (based on tightness of spreads) of the non-tradeable markets are averaged to determine the Inside Market Midpoint.
- The Deliverable Obligations are:

<u>Issuer</u>	<u>Coupon</u>	<u>Maturity</u>	<u>CUSIP</u>	<u>ISIN</u>
Delphi Corporation	6.55%	15 June 2006	247126AD7	US247126AD76
Delphi Corporation	6.50%	1 May 2009	247126AB1	US247126AB11
Delphi Corporation	6.50%	15 August 2013	247126AE5	US247126AE59
Delphi Corporation	7.125%	1 May 2029	247126AC9	US247126AC93

2. First Auction

- Participating Bidders submit “Limit Orders” and “Market Orders.”
 - Limit Orders = competitive Firm Bids and Firm Offers in \$1 million increments that touch or fall outside the inside market submitted by that Participating Bidder. These include (1) the non-tradeable inside markets and (2) additional bids and/or offers submitted on behalf of clients.
 - Market Orders = non-competitive Firm Bids and Firm Offers in \$1 million increments to buy/sell Deliverable Obligations at the Final Price.
 - Market Orders of Participating Bidders must represent, at the time of submission, to the best of their knowledge and belief, (i) the aggregate amount of Deliverable Obligations such Participating Bidders would have to buy or sell in order to obtain a net neutral result with respect to all Covered Index Transactions to be settled pursuant to the Protocol both before and after settlement under the Protocol (*i.e.*, such amount as is necessary to maintain an identical risk profile under all Covered Index Transactions both before and after settlement under the Protocol) plus or minus, as the case may be, (ii) each market order such Participating Bidders receive from clients who have adhered to the Protocol and who have outstanding Covered Index Transactions to be settled pursuant to the Protocol with them, or one of their affiliates, representing a risk profile that approximately corresponds to such market order.
- Market Orders are aggregated and netted to find the Open Interest, and the smaller side of the Market Orders is matched with the larger side. The netted trades are “**Market Order Trades**”.
 - If there is no Open Interest → **Final Price** is the Inside Market Midpoint.
- The Open Interest is then matched to the Limit Orders, starting with the lowest offer or highest bid, depending on the direction of the Open Interest (the “**Matched Limit Order Trades**”) until either (i) the full Open Interest is matched, (ii) all Limit Orders are matched or (iii) the last Limit Order that is matched is 15 percent of par from the Inside Market Midpoint.
 - Scenario 1: All Open Interest filled → **Final Price** is the last Limit Bid/Offer matched to Open Interest.
 - Scenario 2: All Limit Orders filled, and the sum of Market Orders Trades plus Matched Limit Order Trades is 90% or more of the aggregate of the larger side of Market Orders → **Final Price** is the last Limit Bid/Offer matched to Open Interest.
 - Scenario 3: After the last Limit Order that is 15 percent or less of par from the Inside Market Midpoint is filled, the sum of Market Orders Trades plus Matched Limit Order Trades is less than 90% → there will be a Second Auction.

3. Second Auction

- The Second Auction occurs between 2 and 3 hours following the announcement by the Administrators that a Second Auction is required.
 - Market Order Trades and Matched Limit Order Trades from the First Auction are discarded. Automatic Trades from the First Auction are not discarded.

- Each Participating Bidder *must* submit Subsequent Market Orders, which (1) if the original Market Order was on the larger side of Market Orders, can be reduced from the original Market Order and (2) if the original Market Order was on the smaller side of Market Orders, can be increased from the original Market Order.
- Each Participating Bidder *may* submit (1) Replacement Limit Orders if the Replacement Limit Orders (a) are in the same direction, (b) are for the same or a larger notional than the originals and (c) state a price which is closer to the Inside Market Midpoint than, or equal to, the original Limit Orders and/or (2) Subsequent Limit Orders that would potentially be matched with the remaining Open Interest from the First Auction.
- The Matched Limit Order Trades from the First Auction are discarded.
- Subsequent Market Orders are aggregated and netted to find the Subsequent Open Interest, and the smaller side of the Subsequent Market Orders is matched with the larger side. The netted trades are “**Subsequent Market Order Trades**”.
- The Replacement and Subsequent Limit Orders will be compiled with the unreplaced Limit Orders and, starting with the lowest offer or highest bid, depending on the direction of the Subsequent Open Interest, will be matched with the Subsequent Open Interest (such matches forming “**Matched Limit Order Trades**”), until either: (a) the Subsequent Open Interest is filled; (b) all Replacement Limit Orders, Subsequent Limit Orders and Limit Orders are filled; or (c) all such Limit Orders 15 percent or less of par from the Inside Market Midpoint are filled.
- The **Final Price** is the last Limit Bid/Offer matched to Subsequent Open Interest.

Where do trades occur and at what price?

- The Delphi Portions of all index and index tranche trades covered by the Protocol are cash settled at the **Final Price**.
- **Market Order Trades, Subsequent Market Order Trades and Matched Limit Order Trades** (each of which are bond trades) trade at the **Final Price**.
- Participating Bidder Inside Markets that are **Automatic Trades** trade at the midpoint with the corresponding bid/offer.