GE INDUSTRIAL OF PR, LLC

Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)

KPMG LLP
American International Plaza
Suite 1100
250 Muñoz Rivera Avenue
San Juan, PR 00918-1819

Independent Auditors' Report

The Board of Managers
GE Industrial of PR, LLC:

We have audited the accompanying financial statements of GE Industrial of PR, LLC (the Company), which comprise the balance sheet as of December 31, 2015, and the related statements of income, comprehensive income, changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GE Industrial of PR, LLC as of December 31, 2015, and the results of its operations and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

San Juan, Puerto Rico
August 26, 2016

Stamp No. E248400 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

GE_SG001457

GE INDUSTRIAL OF PR, LLC

Balance Sheet

December 31, 2015

Assets

Current assets:		
Cash and cash equivalents	$	10,310,732
Accounts receivable:		
Affiliates		13,499,899
Trade and other receivables		11,952,134
Total accounts receivable		25,452,033
Inventories, net		35,935,936
Prepaid expenses		1,222,885
Prepaid income tax		632,770
Deferred tax asset		93,062
Loans receivable from General Electric Company		169,305,220
Total current assets		242,952,638
Deferred tax asset		12,450,873
Equipment and leasehold improvements, net		32,489,432
Total assets	$	287,892,943

Liabilities and Member's Equity

Current liabilities:		
Accounts payable:		
Trade	$	30,464,153
Affiliates		77,023,418
Total accounts payable		107,487,571
Accrued expenses		11,652,757
Pension and postretirement liabilities		849,790
Total current liabilities		119,990,118
Pension and postretirement liabilities		33,749,921
Total liabilities		153,740,039
Member's equity:		
Member's interest		129,081,200
Retained earnings		50,380,678
Accumulated other comprehensive loss		(45,308,974)
Total member's equity		134,152,904
Commitments and contingencies		
Total liabilities and member's equity	$	287,892,943

See accompanying notes to financial statements.

GE_SG001458

GE INDUSTRIAL OF PR, LLC

Statement of Income

Year ended December 31, 2015

Net sales	$ 346,960,641
Cost of sales	205,198,805
Gross profit	141,761,836
General and administrative expenses	69,534,220
Operating profit	72,227,616
Interest income	714,971
Earnings before income tax expense	72,942,587
Income tax benefit	(739,363)
Net income	$ 73,681,950

See accompanying notes to financial statements.

GE_SG001459

GE INDUSTRIAL OF PR, LLC

Statement of Comprehensive Income

Year ended December 31, 2015

Net income	$	73,681,950
Other comprehensive income (loss), net of tax:		
Defined-benefit pension and postretirement plans:		
Net actuarial gain		10,380,861
Less:		
Amortization of prior service cost included in net periodic pension cost		87,690
Other comprehensive income		10,468,551
Other comprehensive income	$	84,150,501

See accompanying notes to financial statements.

GE_SG001460

GE INDUSTRIAL OF PR, LLC

Statement of Changes in Member's Equity

Year ended December 31, 2015

		Member's interest	Retained earnings	Accumulated other comprehensive income (loss)	Total member's equity
Balance, December 31, 2014	$	126,422,091	86,698,728	(55,777,525)	157,343,294
Dividend paid		—	(110,000,000)	—	(110,000,000)
Net income		—	73,681,950	—	73,681,950
Capital contribution		2,659,109	—	—	2,659,109
Other comprehensive income		—	—	10,468,551	10,468,551
Balance, December 31, 2015	$	129,081,200	50,380,678	(45,308,974)	134,152,904

See accompanying notes to financial statements.

GE_SG001461

GE INDUSTRIAL OF PR, LLC

Statement of Cash Flows

Year ended December 31, 2015

Cash flows from operating activities:		
Income from operations	$	73,681,950
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		9,612,146
Deferred tax benefit		(1,015,228)
Decrease (increase) in:		
Accounts receivable from affiliates		53,959,016
Trade and other receivables		(4,681,061)
Inventories		163,407
Prepaid expenses		153,821
Prepaid income tax		(501,636)
Increase (decrease) in:		
Accounts payable – trade		(2,188,195)
Accounts payable to affiliates		16,734,053
Accrued expenses		(11,969,360)
Pension and post retirement liabilities		8,094,294
Net cash provided by operating activities		142,043,207
Cash flows from investing activities:		
Capital expenditures		(16,966,302)
Loans to General Electric Company		(169,305,220)
Net cash used in investing activities		(186,271,522)
Cash flows from financing activities:		
Dividend paid		(110,000,000)
Net cash used in financing activities		(110,000,000)
Net decrease in cash and cash equivalents		(154,228,315)
Cash, beginning of year		164,539,047
Cash and cash equivalents, end of year	$	10,310,732
Supplementary information on noncash operating transactions affecting cash flows activities at December 31, 2015:		
Change in liability for pension and postretirement benefits (in thousands)	$	(10,682)
Additional noncash capital contribution (in thousands)		2,659
Supplemental disclosures of cash flow information:		
Income taxes paid	$	652,500

See accompanying notes to financial statements.

(1) Nature of Business and Summary of Significant Accounting Policies

GE Industrial of PR, LLC (the Company) was organized on November 6, 2006 under the laws of Puerto Rico. The Company is a limited liability company and up to March 22, 2013 was owned by Caribe GE International of Puerto Rico, Inc. and Caribe GE Manufacturing, LLC which are ultimately owned by the General Electric Company (General Electric). On March 22, 2013, Caribe GE International of Puerto Rico, Inc. purchased the common stock owned by Caribe GE Manufacturing, LLC and became the sole owner of the Company. The Company is engaged in the manufacture of electrical products through a number of manufacturing plant facilities, which are located at different municipalities in Puerto Rico. Sales are primarily made to affiliates.

The accounting policies conform to U.S. generally accepted accounting principles. The significant accounting policies followed by the Company are the following:

(a) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amount of equipment and leasehold improvements, valuation of inventories, deferred tax assets, environmental liabilities, and assets and obligations related to employee benefits.

(b) Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. At December 31, 2015, cash equivalents amounting to $4,657,997 consisted primarily of money market accounts.

(c) Inventories

Inventories consist primarily of raw materials and finished goods and are stated at the lower of cost, using the first-in, first-out method, or market, net of obsolescence reserve, amounting to $3,803,289 at December 31, 2015.

(d) Depreciation and Amortization

The cost of equipment is depreciated using an accelerated method over the estimated useful lives of the assets. Improvements to leased premises are amortized on the straight-line method over the term of the lease or the estimated useful life of the improvement, whichever is shorter.

(e) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences

are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses.

(f) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(g) Revenue Recognition

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

(h) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(i) Pensions and Other Postretirement Plans

The Company participates in a contributory defined-benefit pension plan (the Plan) covering the Company's employees and other General Electric employees in Puerto Rico. The Company records annual amounts relating to its pension and postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates, and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods using the corridor method. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

(2) Inventories

At December 31, 2015, inventories consist of the following:

Raw materials	$ 36,977,967
Work in process	2,761,258
Reserve for slow-moving or obsolete inventory	(3,803,289)
	$ 35,935,936

(3) Equipment and Leasehold Improvements, Net

Equipment and leasehold improvements at December 31, 2015 consist of the following:

Machinery and equipment	$ 132,049,062
Leasehold improvements	2,838,143
	134,887,205
Less accumulated depreciation and amortization	(122,871,466)
Improvements in progress	20,473,693
Equipment and leasehold improvements, net	$ 32,489,432

The estimated useful life of machinery and equipment ranges from 5 to 15 years. Amortization of leasehold improvements is provided over the term of the lease or the useful life of the asset, whichever is shorter. Depreciation and amortization expense for the year ended December 31, 2015 was approximately $9,612,146.

(4) Intercompany Transactions

Substantially, all sales and purchases are transacted with General Electric and affiliates. Significant transactions with General Electric and affiliates during the year ended December 31, 2015 are summarized as follows:

Sales	$ 346,960,641
Purchases	38,316,989
Allocated general and administrative expenses	6,152,231
Corporate assessments	128,270
Interest income	194,180
Royalty expenses	12,753,139

Loans receivable from General Electric represents advances with quarterly repayment terms, which at December 31, 2015 amounted to $169,305,220. The interest rate on the loans changes on a weekly basis based on the commercial paper rate. As of December 31, 2015 the loans had a rate of 0.37%. The loans were collected on January 2, 2016 for the outstanding balance at December 31, 2015.

Expenses related to plant closures are assumed by General Electric on behalf of the Company. The Company is not expected to repay these amounts to General Electric. Consequently, the transaction has been presented as a capital contribution in the accompanying statement of changes in member's equity. The total expected costs to be incurred by the Company at the conclusion of these closings amounts to $14.3 million composed of accelerated depreciation and employee terminations.

As of December 31, 2015, the Company has incurred costs amounting to $11.5 million which includes costs of $2.8 million dollars related to current year severance for employees and accelerated depreciation of $5.6 million dollars to bring these assets to salvage value as these assets have no future use. Incurred costs also include a reserve established to accrue for the costs related to employee severance as follows:

Reserve balance as of December 31, 2014	$ 4,743,687
Severance payments made during the year	(1,649,905)
Reserve balance as of December 31, 2015	$ 3,093,782

All costs related to the plant closure are presented as general and administrative expenses in the statement of income.

(5) Income Taxes

The Company along with other affiliates in Puerto Rico (collectively known as the Companies) has been granted a new tax exemption decree (the Grant) pursuant to the provisions of the Puerto Rico Tax Incentives Act No. 135 of 1998 (Act No. 135) for a period of ten (10), fifteen (15), twenty (20), and twenty-five (25) years depending on the municipality the exempted businesses is located. The effective date of the tax exemption was January 1, 2009.

Under the Grant, the Company's manufacturing operation is subject to an income tax rate in a range between 2% and 7%, subject to compliance with certain employment requirements, and shall make an additional investment of $50 million within seven (7) years, commencing on January 1, 2009. Dividends and liquidating distributions of the Company's earnings and profits from industrial development income are not subject to income taxes or to any withholding tax at source.

In addition, the Company's manufacturing operations are exempt as follows:

- 90% from municipal and Commonwealth taxes on real and personal property.
- 60% from license fees, excise, and other municipal taxes, levied by any ordinance of any municipality.
- 100% from excise taxes imposed under Subtitle B of the Puerto Rico Internal Revenue Code, to the extent provided in Section 6(c) of the Act.

The Company announced the closure of its San Germán, Humacao and Vega Baja manufacturing plants which is consistent with its' overall strategy of consolidating manufacturing operations to reduce the global footprint and lower the overall cost to manufacture by December 31, 2016. The Company has been in communication with the government of the Commonwealth of Puerto Rico regarding this matter, and requested an amendment to its Grant of Industrial Tax Exemption in order to realign its headcount level. The request for amendment was filed during 2014 and, approval from the Puerto Rico Industrial Development Company (PRIDCO) was received in May 2015, but with effective date of January 1, 2014. As part of the amendment, PRIDCO agreed to provide the Company with an incentive where PRIDCO will reimburse the Company an amount up to $6 million spent in infrastructure improvements and equipment. As of December 31, 2015 the Company has incurred and claimed a total of $4.3 million in improvements.

Pursuant to Law No. 226 of August 29, 2002, the manufacturing operation located in Vieques was granted 90% exemption from property and municipal license taxes, and 100% exemption from income tax on industrial development income for a period of 10 years. Renovation of the contract in 2009 extended the exemption period for another 10 years.

On August 19, 2004, the Companies' and the Secretary of the Treasury entered into a closing agreement pursuant to Section 6126 of the Puerto Rico Internal Revenue Code of 1994, as amended, whereby the Companies are entitled to the income tax overpayments resulting from reallocations made by the Internal Revenue Service's (IRS) to taxable years 1983 through 1999, pursuant to Section 482 of the U.S. Internal Revenue Code. The income tax overpayments will be available as credits to the Companies or its successor in interest against any future liability for Puerto Rico income taxes, provided that such credit may not be used to reduce the total Puerto Rico income tax liability by more than 50% for any given year.

The expected income tax expense differs from the actual tax benefit mainly due to the reduction in income taxes resulting from the Puerto Rico Tax Incentives Act No. 135 of 1998, tax credits available per closing agreements with Secretary of the Treasury, and other tax credits provided by Act 73 of May 28, 2008.

On July 1, 2014, the Governor of the Commonwealth of Puerto Rico signed House Bill 1919 into law, which became Act 77-2014 (the Act). The Act, which amends the Puerto Rico Internal Revenue Code of 2011 and Act 73-2008, also known as the "Economic Incentives for the Development of Puerto Rico Act", includes several new tax measures applicable to financial and non financial entities. The main provisions of the Act include:

- A mechanism to impose a 10% tax on a deemed dividend amount resulting from the holding of certain foreign assets, as defined.
- The exclusion of loans or credit transactions between affiliates, with some limited exceptions, for purposes of determining the Puerto Rico net assets as part of the computation of the dividend equivalent amount of foreign corporations subject to the branch profits tax.
- Elimination of the former Gross Income Tax as a component of the alternative minimum tax (AMT) for non financial institutions for taxable years commencing on January 1, 2014. Effective for taxable years commencing after December 31, 2014, a tax on gross income is imposed in addition to the regular income tax, the AMT or the alternative basic tax at graduated rates ranging from 20% to 85%. This gross income tax is deductible in arriving at taxable income.
- Limitation of the amount of the tax credit to be claimed against the current year regular tax with respect to the AMT paid in prior years (AMT Credit) to 25% of the current net regular tax over the AMT for such taxable year.
- Increase in tax rates on: (a) net long term capital gains for corporations from 15% to 25%, and (b) dividends from certain corporations from 10% to 15%.
- The holding period to determine whether a gain or loss from the sale of capital assets is considered long-term is increased from six-months to one year.

Total income tax expense (benefit) recorded by the Company for the year ended December 31, 2015 was allocated as follows:

Current	$	275,865
Deferred		(1,015,228)
Total	$	(739,363)

The tax effects of temporary differences that give rise to significant portions of the deferred taxes at December 31, 2015 is presented below:

Deferred tax assets:		
Pension, postretirement and medical benefits	$	691,994
Inventories, principally due to reserve for inventory obsolescence		76,066
Other general and environmental reserve		56,359
Depreciation expense difference between book and tax basis		87,632
Tax credit per closing agreement		1,756,323
Tax credits granted under Act No. 73 of 2008		10,180,847
Deferred tax assets		12,849,221
Deferred tax liability-equipment, due to differences in depreciation and deduction of capital expenditures		305,286
Net deferred tax assets	$	12,543,935

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences at December 31, 2015. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The 2011 Code for a New Puerto Rico (the New Code) requires that entities exceeding a predefined volume of business submit audited financial statements for filing with local taxing authorities. This predefined volume of business is determined on a “controlled group” basis, as defined in the New Code. Among the requirements imposed by the New Code, entities that are part of a controlled group should file consolidated or combined audited financial statements, including a consolidating schedule presenting the financial condition and result of operations of each entity. The Department of the Treasury of the Commonwealth of Puerto Rico issued Administrative Determination No. 1407 to provide an alternative requirement in lieu of the consolidated financial statements.

For tax year 2015, entities required to file audited financial statements with their income tax returns may file statutory audited financial statements and, in lieu of providing audited consolidated statements, should disclose in the notes to the statutory audited financial statements the names of related entities engaged in active trade or business in Puerto Rico, as defined by the New Code. The following related entities are engaged in active trade or business within Puerto Rico:

- GEA Caribbean Export LLC
- Caribe GE International of Puerto Rico, Inc.

- Caribe GE Manufacturing LLC
- General Electric Company
- GE Betz International, Inc.
- GE Appliances Caribbean and Co.
- Caribe GE International Energy Services, Inc.
- General Electric International, Inc.
- GE Healthcare Puerto Rico Corp.
- General Electric Capital Corporation of Puerto Rico
- General Electric Capital Corporation Puerto Rico Branch
- GE Fleet Services of Puerto Rico, Inc.
- GE Capital Fleet Services of Puerto Rico, Inc.
- Panametrics Caribbean, Inc.
- Caribe GE Engineering, Inc.
- Amersham Health Inc.

At December 31, 2015, tax years 2012 through 2015 of the Company remain subject to examination by Puerto Rico taxing authorities.

On May 29, 2015, the Governor of the Commonwealth of Puerto Rico signed law No. 72, which became Act 72 2015 (the Act). The Act, which amends the Puerto Rico Internal Revenue Code of 2011, includes several new tax measures applicable to financial and nonfinancial entities. The main provisions of the Act include:

- Regular Net Operating Losses is limited to 80% of Current Year Taxable Income.
- Alternative Minimum Tax is limited to 70% of Current Year AMT Income.
- Intercompany Expenses are not allowed as part of the NOL to be carried forward.
- For intercompany expenses subject to 51% Limitation, the waiver is only allowed for up to 60% of intercompany Expenses.
- For intercompany purchases from related parties outside of Puerto Rico (only for businesses with $10 million or more of gross revenues), the AMT fluctuates from 2.5% through 6.5% on intercompany purchases. Rate depends on level of gross revenues. No new waivers after 2014. This Act has also changed several rules regarding sales & use tax (SUT) in Puerto Rico.

(6) Pension Plan, Postretirement, and Postemployment Benefits (All Amounts in Thousands)

The Company accounts for its contributory defined-benefit pension plan in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 715-20, *Compensation – Retirement Benefits – Defined Benefit Plans – General*. The ASC 715-20 requires balance

sheet recognition of the net asset or liability for the overfunded or underfunded status of defined benefit pension and other postretirement benefit plans, on a plan-by-plan basis, and recognition of changes in the funded status in the year in which the changes occur.

The Company participates in a contributory defined-benefit pension plan (the Pension Plan) covering the Company's employees and other General Electric employees in Puerto Rico (commonly known as the GE Companies in Puerto Rico). The Pension Plan has a December 31 measurement date. Benefits are based on years of service and the employees' earnings. The administration of the Pension Plan resides at another affiliated entity. The Company makes annual contributions to the Pension Plan in amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws, plus such additional amounts as the Company may determine to be appropriate. The Company accounts for the Pension Plan in a manner similar to a multiple-employer plan. The total pension expense attributable to the Company for the year ended December 31, 2015 amounted to approximately $6,190. At December 31, 2015, the Company had an accrual for pension liability amounting to $21,127.

In addition, the Company and the other GE Companies in Puerto Rico provide postretirement medical and life insurance benefits (the Postretirement Plan and, collectively, the Plans) to full-time employees who meet minimum age and service requirements. The Postretirement Plan is contributory, with retiree contributions adjusted annually, and contains other cost sharing features, such as deductibles and coinsurance. The accounting for the Postretirement Plan anticipates future cost sharing changes to the written plan that are consistent with the expressed intent to increase the retiree contribution rate annually for the expected general inflation rate for that year. These benefits are accrued but are not funded annually. The total postretirement expense allocated to the Company for the year ended December 31, 2015 amounted to $767. At December 31, 2015, the Company had an accrual for medical and life insurance benefits amounting to $13,474.

The following table sets forth the benefit obligation, fair value of plan assets, and funded status of the Plans at December 31, 2015:

		Pension benefits	Postretirement benefits	
			Medical	Life insurance
Projected benefit obligation at December 31	$	261,727	8,391	9,492
Fair value of plan assets at December 31		201,352	—	—
Unfunded status	$	(60,375)	8,391	9,492

		Pension benefits	Postretirement benefits	
			Medical	Life insurance
Change in benefit obligation:				
Projected benefit obligation at beginning of year	$	272,676	8,005	15,291
Service cost		4,164	361	257
Interest cost		10,658	306	571
Plan participants' contributions		1,028	—	—
Actuarial (gain) loss		(12,461)	820	(6,264)
Benefits paid		(12,797)	(928)	(251)
Curtailments		(1,798)	(173)	(112)
Special/contractual termination benefits		257	—	—
Projected benefit obligation at end of end of year	$	261,727	8,391	9,492
Change in plan assets:				
Fair value of plan assets at beginning of year	$	210,789	—	—
Actual return on assets		2,332	—	—
Employer contributions		—	—	—
Plan participants' contributions		1,028	—	—
Benefits paid		(12,797)	—	—
Fair value of plan assets at end of year	$	201,352	—	—

		Pension benefits	Postretirement benefits	
			Medical	Life insurance
Components of net periodic benefit cost:				
Service cost	$	4,164	361	257
Interest cost		10,658	306	571
Expected return on assets		(15,296)	—	—
Net prior service cost/(credit) amortization		84	—	—
Net loss/(gain) amortization		7,239	(492)	—
Net periodic benefit cost		6,849	175	828
Cost of curtailments		45	(173)	(112)
Cost of special/contractual termination benefits		257	—	—
Disclosed benefit cost	$	7,151	2	716

Amounts recognized by the GE Companies in Puerto Rico in accumulated other comprehensive income in 2015 consist of the following:

		Pension benefits	Postretirement benefits	
			Medical	Life insurance
Net prior service cost/(credit)	$	66	—	—
Net loss (gain)		111,655	(4,921)	(5,551)
	$	111,721	(4,921)	(5,551)

The accumulated benefit obligation for the Pension Plan was $258,083 at December 31, 2015. The amounts recognized by the GE Companies in Puerto Rico as of December 31, 2015 consist of the following:

		Pension benefits	Postretirement benefits	
			Medical	Life insurance
Net pension and postretirement liability:				
Current liability	$	(111,721)	(8,391)	(9,492)
Noncurrent liability		51,346	—	—
Net pension and postretirement liability	$	(60,375)	(8,391)	(9,492)

The amortization of net loss and prior service cost for the contributory defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal years is $7,594. The aggregate amortization of the net gain for the postretirement benefits medical and life insurance plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $687.

Weighted average assumptions used to determine benefits obligation at December 31, 2015 is as follows:

	Pension benefits	Postretirement benefits	
		Medical	Life insurance
Discount rate	4.37%	4.37%	4.37%
Rate of compensation	3.00	3.00	3.00
Current healthcare cost trend rate	N/A	7.00	N/A
Ultimate healthcare cost trend rate	N/A	5.00	N/A
Year of ultimate healthcare cost trend rate	N/A	2020	N/A

Weighted average assumptions used to determine net benefits cost for the year ended December 31, 2015 is as follows:

	Pension benefits	Postretirement benefits	
		Medical	Life insurance
Discount rate	4.01%	4.01%	4.01%
Expected long-term rate of return on plan assets	7.50	N/A	N/A
Rate of compensation increase	3.00	3.00	
Current healthcare cost trend rate	N/A	7.00	3.00
Ultimate healthcare cost trend rate	N/A	5.00	N/A
Year of ultimate healthcare cost trend rate	N/A	2019	N/A

Assumed medical health care cost trend rates have a significant impact on the amounts reported for medical health care plans. A one-percentage point change in assumed medical health care cost trend rates would have the following effects as of December 31, 2015

	One-percentage-point	
	Increase	Decrease
Effect on total of service cost and interest cost	$ 78	(67)
Effect on accumulated postretirement benefit obligation	827	(724)

The GE Companies in Puerto Rico expect to make no contributions for the contributory defined benefit pension plan during 2016. Additionally, the GE Companies in Puerto Rico expect to contribute during 2016 approximately $712 to the postretirement medical plan and approximately $440 to the postretirement life insurance plan. GE Companies in Puerto Rico fund retiree health benefits on a pay-as-you-go basis. GE Companies in Puerto Rico fund retiree life insurance trust at their discretion.

To determine the expected long-term rate of return on pension plan assets, the GE Companies in Puerto Rico consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. The GE Companies in Puerto Rico apply an expected rate of return to a market-related value of assets, which reduces the underlying variability in assets to which the GE Companies in Puerto Rico apply that expected return.

The GE Companies in Puerto Rico amortize actuarial gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over a period no longer than the average future service of employees.

The pension plan assets are invested in the GE Pension Trust (the Trust) along with the assets of other GE affiliates pension plan assets.

The GE Pension Plan has a broadly diversified portfolio of investment in equities, fixed income, private securities, real estate, and hedge funds; these investments are both U.S. and non-U.S. in nature. As of December 31, 2015, no one sector concentration of assets exceeds 15% of total GE Pension Plan investments measure at fair value. The Company does not disclose the Plan's hierarchy required by U.S. generally accepted accounting principles since these are not deemed significant to the Company's financial position.

The asset allocations presented below are for the GE Company Pension Plan for the year ended December 31, 2015 (amount in millions):

Asset category:		
Equity securities:		
U.S. equity securities	$	12,447
Non-U.S. equity securities		9,088
Debt securities:		
Fixed income and cash investment funds		3,252
U.S. corporate (a)		5,529
Other debt securities (b)		5,131
Private equities (c)		4,885
Real estate (c)		3,186
Other investments (d)		2,202
Total	$	45,720

(a) Primarily represented investment-grade bonds of U.S. issuers from diverse industries.

(b) Primarily represented investments in non-U.S. corporate bonds and commercial mortgage backed securities.

(c) Included direct investments and investment funds.

(d) Substantially all represented hedge funds.

Virtually all of the private equity, real estate and other investments are considered Level 3 investments. The remaining investments are substantially all considered Level 1 or Level 2. A description of the fair value leveling hierarchy is provided in note 1.

The following table presents the changes in Level 3 investments for the GE Pension Plan.

Changes in Level 3 investments for the years ended December 31, 2015 are as follows:

	January 1, 2015	Net realized gains (losses)	Net unrealized gains	Purchases, issuances, and settlements	Transfers into and/or out of Level 3 (a)	December 31, 2015
Debt securities	$ 6	(3)	3	(3)	(1)	2
Private equities	5,217	432	189	(968)	—	4,870
Real estate	3,129	122	246	(360)	49	3,186
Other investments	2,248	22	(52)	71	6	2,295
	$ 10,600	573	386	(1,260)	54	10,353

Plan fiduciaries set investment policies and strategies for the GE pension trust. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets, and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally, plan fiduciaries will approve allocations above or below a target range. Trust assets are invested in short-term securities must generally be invested in securities rated A1/P1 or better, except for 15% of such securities than can be rated A2/P2 and other short-term securities as may be approved by the plan fiduciaries. According to the statute, the aggregate holdings of all qualifying employer securities (e.g., GE common stock) and qualifying employer real property may not exceed 10% of the fair value of the trust assets at the time of purchase. GE securities represented 3.7% of the trust assets at year-end 2015.

Estimated future benefit payments for the GE Companies in Puerto Rico Plans are as follows:

	Pension benefits	Postretirement benefits	
		Medical	Life insurance
Estimated future benefit payments:			
2016	$ 14,425	712	440
2017	20,083	692	438
2018	16,317	663	440
2019	13,718	666	447
2020	13,662	670	459
2021–2025	70,264	3,497	2,513

The Company also participates in a 401(k) plan (the 401(k) Plan), which covers all salaried employees and other GE employees in Puerto Rico after the date of hire. Under the provisions of the 401(k) Plan, employees elect to contribute of their before-tax annual compensation and the Company matches 50% of the first 4% of the amount contributed by the employees up to a maximum $15 in 2015.

On July 1, 2008, the Company adopted a 401(k) Plan, which covers all hourly employees and other GE employees in Puerto Rico (Hourly Plan). Under the provisions of the Hourly Plan, employees are eligible to the plan after three months of the hire date and the Company matches 50% of the first 4% of the amount contributed by the employees up to a maximum of $15 in 2015.

The Company may also make discretionary annual contributions to the 401(k) Plans out of its operating income, as defined in the 401(k) Plan and the Hourly Plan. The amount of contributions expense recognized by the Company during the year ended December 31, 2015 amounted to approximately $504.

(7) Contingencies

(a) Environmental Remediation Costs

The Company is involved in a remediation action to clean up hazardous wastes as required by federal and the Puerto Rico Commonwealth laws. Liabilities for remediation costs at the site are based on the Company's best estimate of undiscounted future costs, excluding possible insurance recoveries. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. Uncertainties about the status of laws, regulations, technology, and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure. However, management is of the opinion that, even in the unlikely event that remediation costs amounted to the high end of the range of costs for each site, the resulting additional liability would not be material to the financial position, results of operations, or liquidity of the Company. As of December 31, 2015, the Company has accrued approximately $1,381,000 for related future monitoring expenditures. An affiliate funded this charge.

(b) Legal

The Company is a defendant in legal actions arising in the ordinary course of business. Management, after consultation with its legal counselors, is of the opinion that the ultimate liability, if any, resulting from such pending legal actions would not be material in relation to the financial position, results of operations, or liquidity.

(c) Leases

The Company leases certain operating facilities under noncancelable operating leases expiring at various dates through 2018. Rent expense charged to operations amounted to approximately $465,000 in 2015.

The following is a schedule of the future minimum lease payments:

Years ending December 31:		
2016	$	1,519,172
2017		1,519,172
2018		1,519,172
	$	4,557,516

(8) Fair Value of Financial Instruments

The Company's significant financial instruments included cash and cash equivalents, accounts receivable, loans receivable from affiliate, accounts payable, and accrued expenses. At December 31, 2015, the carrying value of most financial instruments approximated fair value since the amounts are expected to be collected or disbursed within one year. It is not practical to determine the fair value of the loans receivable from General Electric as it is a related-party transaction. However, management is of the opinion that such fair value approximates its carrying value due to its variable rate structure.

(9) Royalties

On May 7, 2012, GE Energy Management (GE Energy) signed a new strategic alliance with China XD Electric Co., Ltd. (XD Electric) in order to deliver a full line of electric transmission, distribution and grid automation solutions to customers and energy intensive instruments around the world. As part of the strategic alliance, GE Energy agreed to establish an automation joint venture (AJV) in China with XD Electric in order to offer customers secondary equipment products and localized grid automation solutions in China. The AJV will enable GE Energy to expand their access to the China Technological and Development segment by adapting GE Energy's technology to local market needs with the support with the support of a strong regional primary equipment company. GE Energy will also sell a perpetual IP technology license of its universal relays at a fee to the AJV for the design and manufacture of automation products. The AJV's sole market is China. The AJV was formed in March 2013.

The technology transfer agreement between GE Energy and XD Electric provides for the transfer of certain GE Energy's technology and intellectual property (IP) related to specific secondary equipment products to the AJV in exchange for $12 million in technology transfer fees to be paid as royalties by the AJV to GE Industrial of PR LLC (the Company). The technology agreement grants the rights to the AJV to use the technology and IP, as well as requires the Company to provide to the AJV certain technical assistance, support and training in connection with such transfer, and It also grants the Company and AJV the rights to certain improvements, modifications, enhancements, adaptations, derivative works and changes to the technology and IP created, developed or conceived after the date of the technology agreement. The technology agreement outlines provisions of what will be transferred, when it will be performed and through what means. The Company did not receive royalties for the year ended December 31, 2015.

The Company has evaluated subsequent events from the balance sheet date through August 26, 2016, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.