

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of the publicly traded securities of Delphi between January 17, 2001 and March 3, 2005 (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.

4. Venue is proper in this Judicial District pursuant to §27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this Judicial District.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, Johnie Cox, as set forth in the accompanying certification, incorporated by reference herein, purchased Delphi securities at artificially inflated prices during the Class Period and has been damaged thereby.

7. Defendant Delphi is a Delaware corporation that maintains its principal executive offices at 5725 Delphi Drive, Troy, Michigan.

8. Defendant J.T. Battenberg III (“Battenberg”) was, at all relevant times, the Company’s Chairman of the Board of Directors, Chief Executive Officer, and President.

9. Defendant Alan S. Dawes (“Dawes”) was, at all relevant times, the Company’s Director, Chief Financial Officer and Executive Vice President.

10. Defendant Paul R. Free (“Free”) was the Company’s Chief Accounting Officer and Controller.

11. Defendant John D. Sheehan, (“Sheehan”) is the Company’s Chief Accounting Officer and Controller.

12. Defendants Battenberg, Daws, Free and Sheehan are collectively referred to hereinafter as the “Individual Defendants.” The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Delphi’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not to the public, each of these defendants knew that the adverse facts specified herein had not been disclosed to and

were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

PLAINTIFF’S CLASS ACTION ALLEGATIONS

13. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the securities of Delphi between January 17, 2001 and March 3, 2005, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

14. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Delphi’s securities were actively traded on the New York Stock Exchange (“NYSE”). While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Delphi or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

15. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

16. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

17. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Delphi; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

18. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

Background

19. Delphi Corporation is a global supplier of vehicle electronics, transportation components, integrated systems and modules, and other electronic technology to vehicle manufacturers.

**Materially False And Misleading
Statements Issued During The Class Period**

20. The Class Period starts on January 17, 2001. At that time, Delphi issued a press release and announced fourth quarter and 2000 calendar year financial results, ending Delphi's first full year as an independent, publicly owned company. Therein, the Company stated:

Delphi Chief Financial Officer Alan S. Dawes said that a soft fourth quarter capped a solid year for Delphi with \$29.1 billion in total revenue, \$1.1 billion in net income and \$1.6 billion in operating cash flow. Delphi's net income margin of 3.8 percent was up from a 1999 margin of 3.7 percent, while sales revenue was down slightly.

"Due to a sharp and unexpected drop in fourth quarter vehicle volumes, we took immediate actions to reduce costs in line with resulting revenue declines," said J.T. Battenberg III, Delphi chairman, CEO and president. "We were successful in moderating the impact of the rapid fourth quarter order decline through aggressive inventory management, workforce adjustments and other cost reduction initiatives."

Although annual sales were slightly lower, net income increased \$11 million to \$1.1 billion, or \$1.94 earnings per share (EPS), exceeding First Call consensus estimates of \$1.90. This represents a 2 percent increase from 1999 pro forma earnings of \$1.91 EPS.

Sales to customers other than General Motors Corp. hit a record 29 percent of total sales, or \$8.47 billion, representing a 20 percent

year-over-year increase. GM remained Delphi's largest customer with sales of \$20.67 billion.

Cash Flow

"At Delphi's separation from GM in 1999 we made a commitment to fund our pension obligations within three years," Dawes said. "Strong cash flow of \$1.6 billion enabled us to fully fund employee pension plan obligations in just 18 months."

Strong cash flow also allowed Delphi to complete the vast majority of its true-up payments to GM, and provided capital to make two strategic business acquisitions during the year -- Lucas Diesel Systems and Automotive Products Distribution Services -- positioning the company for future growth in the expanding diesel engine segment and providing highly capable European product distribution infrastructure for Delphi's aftermarket division. Delphi also completed several small ventures, enhancing Delphi's portfolio offerings with products such as switch technologies, seatbelts and telematics.

As a result of strong 2000 performance, Delphi today notified employees that the company will pay profit sharing bonuses to eligible U.S. hourly and salaried employees in mid-March.

Fourth Quarter 2000 Earnings

Delphi's fourth quarter net income totaled \$200 million, or \$0.36 EPS, on sales of \$6.9 billion, exceeding industry analysts consensus estimates of \$0.32. Sales to non-GM customers increased 11 percent to \$2.1 billion in the fourth quarter.

Revenue for the fourth quarter declined \$341 million, or 5 percent from the prior year, while net income of \$200 million slipped \$69 million, a decrease of 26 percent.

Dawes attributed the decline primarily to rapid deterioration of North American vehicle volumes and the ongoing strength of the Mexican peso. "Delphi's Mexican cost base is Peso-denominated and generates a U.S. dollar-based revenue stream," he said. "As a result, the ongoing strength of the Peso has negatively impacted Delphi's U.S. dollar earnings." Delphi is the largest private employer in Mexico with approximately 76,000 employees.

Mobile MultiMedia

Delphi's Mobile MultiMedia business unit experienced rapid growth in 2000, with \$322 million in revenue for the year, representing a 700 percent increase compared to 1999. The unit debuted 10 new products and technologies throughout the year, including the award-winning Mobile Productivity Center (MPC). The MPCpro, which went on sale last month, is a new electronic device that provides drivers hands-free access to data in their Palm V or Vx handheld computer and allows them to make hands-free phone calls through voice commands and text-to-speech software. To order or learn more about the MPCpro, visit www.delphiauto.com/communiport.

2001 Outlook

Later today Delphi will provide 2001 guidance to the media, investors and security analysts. At the meeting Battenberg will acknowledge that he expects the first half of 2001 to be challenging for the entire industry. "We are cautiously optimistic that Delphi will experience another good year, and we are working aggressively to reduce structural costs and eliminate waste in line with lower anticipated industry volumes in 2001."

Battenberg will note, "We are also aggressively accelerating the shift in our portfolio to high-tech electronic and electronically enhanced products." In December 2000 Delphi announced that it was actively reviewing portfolio management options for approximately \$4 billion to \$5 billion of businesses. Dawes also will provide near term guidance for the first quarter with expectations of \$6.5 billion to \$6.6 billion in sales, \$90 million to \$120 million in net income, and \$150 million to \$200 million of operating cash flow for the period."

21. On February 8, 2001, Delphi filed its annual report with the SEC on Form 10-K405. The Company's Form 10-K405 was signed by defendants, Battenberg, Daws, and Free and reaffirmed the Company's previously announced financial results and its financial results for fiscal 1999. With respect to its financial results for fiscal year 1999, defendants stated:

2000 versus 1999

Net Sales.

Our consolidated net sales for 2000 declined \$53 million, or 0.2% from 1999. Our reduced sales primarily reflect the decline in the value of the euro and weak North American vehicle and aftermarket sales in the second half of 2000 which impacted our North American customers, offset by continued growth in revenue from non-GM vehicle manufacturers, as well as acquired operations. Our non-GM sales increased \$1.6 billion, 19.5% on a comparable basis, over 1999, while sales to GM declined, due to lower volumes as well as our elimination of approximately \$0.5 billion of marginally profitable and unprofitable product lines. Our sales were also impacted by continued price pressures that resulted in price reductions of approximately \$524 million, or 1.8% for 2000. Mobile MultiMedia, an aggressive growth business line, generated sales growth of 705%, increasing sales from \$40 million in 1999 to \$322 million in 2000.

Gross Margin. Our gross margin was 15.1% in 2000 compared to 14.2% in 1999. The improvement reflects the results of our continuing cost reduction efforts and lean manufacturing initiatives that are being implemented in response to industry pricing pressures and aggressive inventory management. Our gross margin was unfavorably impacted by exchange rate fluctuations, primarily related to the euro, which weakened when compared to the U.S. dollar, and the Mexican peso, which strengthened when compared to the U.S. dollar.

Selling, General and Administrative. Selling, general and administrative expenses, which represented 5.9% of total sales, increased by \$96 million. The increase in selling, general and administrative expenses is entirely related to acquired businesses. Excluding the incremental costs related to acquired businesses, selling, general and administrative expenses were level with 1999 amounts.

Depreciation and Amortization. Depreciation and amortization increased by \$80 million during 2000. The increase in depreciation and amortization, compared to 1999 amounts, primarily represents incremental costs related to Delphi Diesel Systems and the impact of ongoing capital expenditures.

Operating Income. Operating income for 2000 increased \$11 million over 1999 despite the slight decline in sales. Excluding the

first quarter 2000 one-time, non-cash charge of \$51 million resulting from acquisition-related in-process research and development, operating income was \$1,744 million, up 3.7% from 1999.

The improvement in operating income in 2000 reflects continuing cost reduction efforts and the results of the continued rollout of lean manufacturing initiatives around the world. These favorable items were partially offset by unfavorable exchange rate fluctuations. Mobile MultiMedia reported an operating loss of \$(23) million, reflective of the ongoing high level of investment in engineering and research and development related to the start up of this high-tech business line.

Interest Expense. Interest expense increased by \$51 million primarily attributable to higher debt levels and higher interest rates during 2000.

Other Income, Net. Other income, net of \$157 million in 2000 is level with 1999 amounts.

Taxes. Our effective income tax rate for 2000 was 36.3% compared to 37.1% in 1999. The decrease in the effective tax rate was primarily the result of New York State investment tax credits recognized in the fourth quarter of 2000.

Net Income. Net income for 2000 totaled \$1,062 million compared to \$1,083 million for 1999. Excluding the one-time, non-cash charge of \$51 million (\$32 million after-tax) resulting from acquisition-related in-process research and development, our net income margin of 3.8% expanded from our 1999 margin of 3.7% as a result of aggressive inventory management, implementation of lean manufacturing initiatives and other cost reduction initiatives. Excluding the charge described above, net income for 2000 would have been \$1,094 million, an \$11 million increase over 1999.

Earnings Per Share. Basic and diluted earnings per share were \$1.89 and \$1.88, respectively, for 2000. Excluding the one-time, non-cash charge of \$51 million (\$32 million after-tax) resulting from acquisition-related in-process research and development, diluted

earnings per share would have been \$1.94 per share compared to \$1.95 in 1999. If the 100 million shares issued in the IPO were assumed to be outstanding since January 1, 1999, the diluted shares outstanding would have been 566 million during 1999. On this basis, diluted earnings per share would have been \$1.91 for 1999; therefore, after the adjustments described above, diluted earnings per share for 2000 of \$1.94, represents a 1.6% increase over 1999.

1999 versus 1998

Certain 1998 financial information included in this section has been adjusted to reflect the impact of our separation from GM and exclude charges for special items and the impact of work stoppages. See "Adjusted Pro forma 1998" for additional information.

Net Sales.

Net sales for 1998 included approximately \$1.2 billion of sales by businesses divested in late 1998. After adjusting for 1998 sales of divested business (primarily seating and lighting businesses previously included in our Safety, Thermal, and Electrical Architecture product sector), our consolidated net sales increased 7% over 1998. This increase in net sales reflected continued growth in non-GM sales and strong North American and European sales volumes, partially offset by continued price pressures, soft demand in South America and some Asia Pacific markets and weakness in European currencies versus the U.S. dollar. Sales to non-GM customers increased 13% on a comparable basis, while sales to GM increased 6%, partially due to the fact that 1998 sales included the unfavorable impact of work stoppages at certain GM and Delphi locations. As for ongoing price pressures, each of our product sectors were impacted by price reductions associated with customer competitive sourcing initiatives and global vehicle platforms. Overall, price reductions decreased net sales by 1.6% in 1999.

Gross Margin. Our gross margin was 14.2% in 1999 compared to 8.2% in 1998. After giving effect to the terms of the Separation Agreement and excluding charges related to special items, our adjusted pro forma gross margin was 11.0% for 1998. The increased gross margin for 1999 primarily reflects our company-wide cost

reduction initiatives through the implementation of lean manufacturing strategies and product line rationalization.

Selling, General and Administrative and Depreciation and Amortization. Selling, general and administrative expenses increased by \$19 million during 1999 on an adjusted pro forma basis. Increased selling, general and administrative expenses are primarily due to our efforts to expand our non-GM sales and increase awareness of our brands and technological capabilities. Depreciation and amortization decreased by \$246 million during 1999. The decrease in depreciation and amortization reflects reductions in expense due to the asset impairment charges recognized in 1998, businesses divested in 1998, and the timing of various capital projects.

Operating Income (Loss). Our operating income was \$1,682 million for 1999 compared to an operating loss of \$221 million in 1998.

The improvement in 1999 operating income reflected increased sales as discussed above, which included the favorable impact of greater sales penetration of non-GM customers during 1999. The improvement also reflected the results of our continuing cost reduction efforts and lean manufacturing initiatives that were being implemented around the world.

Interest Expense. Interest expense decreased by \$145 million, as 1999 debt levels were lower than 1998 due to strong cash flows in 1999.

Other Income, Net. Other income, net totaled \$171 million for 1999 compared to \$232 million for 1998. The decrease is primarily due to Delphi's receipt of certain duty tax refunds during 1998.

Taxes. Our effective income tax rate for 1999 was 37.1% compared to 25.0% in 1998 on an adjusted pro forma basis. The increased effective income tax rate primarily reflects changes in our tax environment resulting from our separation from GM.

Net Income (Loss). Net income for 1999 totaled \$1.1 billion compared to a historical net loss of \$93 million for 1998. Our

adjusted pro forma net income, excluding the impact of work stoppages, for 1998 was \$889 million.

Earnings (Loss) per Share. Diluted earnings per share for 1999 were \$1.95 compared to a historical diluted loss per share of \$(.20) for 1998. If the shares issued in our IPO were outstanding since January 1, 1998, our 1999 diluted earnings per share would have been \$1.91 per share and our 1998 adjusted pro forma earnings per share, excluding the impact of work stoppages, would have been \$1.57, which we believe is the most relevant comparison.

22. The Company's auditors, Deloitte & Touche LLP ("Deloitte"), issued the following clean audit report for Delphi's financial results for fiscal year ended 2000:

We have audited the accompanying consolidated balance sheets of Delphi Automotive Systems Corporation ("Delphi"), as of December 31, 2000 and 1999, and the related consolidated statements of operations, of stockholders' equity (deficit), and of cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the management of Delphi. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Delphi as of December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

23. On April 19, 2001, Delphi issued a press release to announced its first quarter 2001

financial results. Therein, the Company stated:

Citing ongoing vehicle production softness in the global automotive market, Delphi Automotive Systems (NYSE: DPH) today reported first quarter financial results including \$2 million of operating income and a consolidated net loss of \$25 million, or \$0.04 loss per share, excluding the impact of global restructuring and impairment charges announced on March 29, 2001. Delphi's net income margin declined to (0.4) percent, compared to 4.1 percent in the first quarter 2000, while sales revenue was down 16 percent, or \$1.3 billion, on a comparable basis. Analyst consensus for the quarter as reported on First Call was \$0.05 loss per share.

Including the impact of the \$404 million restructuring and impairment charges, Delphi's first quarter 2001 net loss was \$429 million, or \$0.77 loss per share.

"The first quarter was very challenging for Delphi as we adjusted our infrastructure to match rapidly changing market conditions," said Alan S. Dawes, Delphi chief financial officer. "While we anticipate slightly higher production schedules in the second quarter, we will continue to implement our cost reduction and revenue enhancement business strategies to facilitate a stronger second half for calendar year 2001, and beyond.

"In response to market conditions, Delphi was able to reduce selling, general and administrative expenses by \$81 million compared to the first quarter of 2000. In spite of breakeven operating results, Delphi generated \$102 million of operating cash flow during the period," Dawes said.

Quarterly net sales totaled \$6.5 billion, down 16 percent from the same period last year. Sales to customers other than General Motors were 33 percent of total sales, or \$2.1 billion, while sales to GM totaled \$4.4 billion. In addition to declining vehicle production schedules, Dawes attributed the decline to further softening of aftermarket demand and year-over-year weakness in the euro.

"We are extremely disappointed that we were not able to improve earnings and margins at lower volumes," said Dawes. "We moved aggressively on structural and selling, general and administrative

costs, but we were hurt by inefficiencies related to the uneven order-flow we faced in North America. We believe the long-term answer is to reduce our structural costs and our breakeven point."

Delphi's \$404 million after-tax charge was primarily related to major restructuring plans to close or consolidate nine plants, to reduce the global workforce by 11,500 employees, and to exit selected products over the next 12 months. In the first quarter, approximately 2,000 employees were separated under early retirement, voluntary separation and other programs with a first quarter cash impact of \$(50) million.

"The restructuring plans are intended to dramatically reduce Delphi's breakeven point and to address the weaker businesses of our portfolio," he said. Delphi expects the restructuring plans to resolve \$900 million of the \$4 billion to \$5 billion of products that are currently under management review.

Dawes said the restructuring actions should begin to positively impact Delphi's net income later this year and grow over the next two years. By late 2003, the company expects the charge-related actions will lift Delphi's ongoing cash earnings power by more than \$300 million annually.

24. Also, on April 19, 2001, Delphi filed its quarterly report with the SEC on Form 10-Q.

The Company's Form 10-Q was signed by defendant Free and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

25. On July 18, 2001, Delphi issued a press release to announced its financial results for the second quarter 2001. Therein, the Company stated:

Delphi Automotive Systems Corp. (NYSE: DPH) today reported second quarter net income of \$164 million, or \$0.29 per share, in line with First Call consensus estimates. Delphi's net income margin was 2.4 percent, compared to 5.5 percent in the second quarter of 2000. Sales revenue was \$6.9 billion, down 11 percent from \$7.8 billion in the same period of 2000. Delphi generated strong operating cash flow of \$312 million, excluding \$92 million of employee separation and related payments associated with previously announced restructuring plans.

"North American vehicle production stabilized during the second quarter, although at much lower levels than last year," said Alan S. Dawes, chief financial officer of Delphi. "Ongoing soft aftermarket sales and a weaker euro and Brazilian real also contributed to reduced revenues.

"Despite lower production volumes, Delphi continued to diversify its sources of revenue during the period, achieving 32 percent sales to customers other than General Motors, compared to 28 percent in the same period of 2000," Dawes said. "The transition of Delphi's portfolio to higher-tech, more electronically enhanced products continues to gain strong acceptance from our broad customer base."

Delphi's actions to manage its costs in a reduced vehicle environment included ongoing headcount reductions in the quarter and a \$15 million decrease in selling, general and administrative expenses over Q1 2001, providing an impetus for the company's stronger second quarter performance. "This SG&A reduction represents a \$47 million savings year-over-year, despite \$4 million of added SG&A expenses associated with the acquisition of Delphi Mechatronic Systems," Dawes said.

Restructuring & Portfolio Progress

During the first quarter of 2001 Delphi announced global restructuring plans to reduce headcount by 11,500 employees and close operations impacting approximately \$900 million in sales. "We made solid progress on our restructuring plans during the second quarter," Dawes said. "Delphi completed the closure of two plants

and reduced headcount by 2,800 employees, bringing total plant closures to five and total restructuring-related headcount reductions to 4,800." The company expects an additional 5,300 employees to 5,800 employees to separate during the second half of the year.

"In addition, Delphi exited three joint ventures and sold its heavy-duty diesel engine component facility in Cheltenham, England, bringing total restructuring and portfolio related actions in 2001 to approximately \$1 billion in sales," Dawes said. "We are focused on addressing the remaining \$3 billion to \$4 billion of other businesses in our portfolio review process in 2001."

2Q 2001 Highlights

During the second quarter, Delphi announced several customer diversification and product portfolio actions, especially in its Safety, Thermal & Electrical Architecture (ST&EA) sector. "The acquisition of Specialty Electronics expands our reach into new markets for connectors and connection systems and strengthens our position as the leading supplier of automotive connection systems," said Rodney O'Neal, Delphi executive vice president and president of the ST&EA sector. He noted a contract awarded to Delphi to supply electronic control assemblies to a major U.S. household appliance maker which is expected to generate more than \$80 million over the life of the contract.

In addition, O'Neal said Delphi booked \$430 million in occupant protection systems business with global automakers during the first half of 2001, reflecting Delphi's strong focus on safety and occupant protection systems technology. A majority of those contracts are with customers in the Asia- Pacific region. Other significant business bookings announced in the quarter include:

Delphi was awarded a contract, expected to generate up to \$100 million over the contract life, to supply the complete HVAC system for the new Renault Vel Satis, a European luxury vehicle. The technology used to support the Vel Satis will feature some of Delphi's most advanced climate control technologies.

During the first half of 2001, Delphi booked more than \$300 million in exhaust emissions systems business contracts with various aftermarket customers and automakers.

Delphi also earned its first U.S. steering-related contract with Ford Motor Co. Delphi was awarded a high volume new business contract for energy absorbing steering columns for a future Ford vehicle. Year-to-date, Delphi has also won several other steering contracts with global automakers representing nearly \$75 million over the life of the contracts.

China Engine Corp. in Taiwan awarded Delphi a contract expected to generate \$76 million over the contract life to supply engine management systems.

Other major second quarter developments include:

In June, Delphi completed a \$500 million global bond offering of 5-year notes. Proceeds from the over-subscribed sale were used to reduce a portion of its short-term commercial paper borrowings, including debt incurred as a result of the Delphi Mechatronic Systems acquisition.

Delphi will be the first supplier to host a portal application through Covisint, the automotive e-business exchange. The portal will enable Delphi to continue to improve supply chain efficiency by enhancing communications and data management with its more than 5,000 global suppliers.

TotalFinaElf, a global oil leader, and Delphi entered into a co-development agreement for advanced fuel cell technology. The goal of the partnership is to better understand the impact of fuel composition and additives on the performance of fuel reforming devices used in fuel cells.

Outlook

Commenting on Delphi's financial performance outlook for the third quarter of this year, Dawes said, "The global auto industry traditionally experiences lower volumes during the third quarter as carmakers undergo vehicle changeovers and other seasonal downtime. Delphi is managing its operations accordingly."

While not endorsing analyst estimates, Dawes said First Call consensus for the third quarter is directionally in line with Delphi's estimates, given the steady progress of restructuring- and portfolio-related actions. He said it was reasonable to expect the

company to earn third quarter net income of \$56 million on revenues of \$6.3 billion, and to generate operating cash flow of \$25 million, before the cash impact of restructuring actions, based on expected lower revenues during the quarter.

26. Also on July 18, 2001, Delphi filed its quarterly report with the SEC on Form 10-Q.

The Company's Form 10-Q was signed by defendant Free and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

27. On October 16, 2001, Delphi issued a press release to announced its third quarter 2001 financial results. Therein, the Company stated:

Delphi Automotive Systems (NYSE: DPH) today reported third quarter 2001 net income of \$26 million, or \$0.05 per share, in line with First Call consensus estimates. Earnings for the third quarter of 2000 were \$148 million, or \$0.26 per share. Revenue totaled \$6.2 billion, down 6 percent from \$6.6 billion in the same period of 2000. Delphi generated strong operating cash flow of \$111 million, which the company used to fund \$108 million of employee separation and related payments associated with previously announced restructuring plans.

"The third quarter was undoubtedly challenging for all global companies, including those in the automotive sector," said Alan S. Dawes, Delphi's chief financial officer. Dawes cited continued softening of auto production in North America, Europe and South America, and ongoing weak global aftermarket sales for the lower earnings. Unusual logistics and manufacturing costs incurred as a result of the September terrorist attacks, coupled with sudden

late-quarter customer schedule reductions, also impacted Delphi's performance in the period, he said.

"The flexibility inherent in the Delphi Manufacturing System, combined with key business initiatives, helped Delphi meet our customer commitments while also protecting our results for the quarter," Dawes said. "Given the uncertain market, Delphi is increasingly focused on improving cash flow. Actions include: trimming structural costs in line with demand; efficiently managing working capital; limiting capital expenditures; and accelerating global restructuring plans. These steps allowed us to materially improve our cash flow, reduce our breakeven level and stabilize third quarter earnings."

Restructuring & Portfolio Progress

In the first quarter of 2001 Delphi announced restructuring plans to close nine plants, consolidate more than 40 global operations and reduce the workforce by 11,500 positions, impacting approximately \$900 million in sales. During the third quarter Delphi made additional progress on these plans, consolidating the thermal product operations in Piracicaba, Brazil, and finalized disposition of the aerospace cable and wiring business in Fort Defiance, Arizona. Restructuring-related headcount reductions totaled 3,700 during the quarter, bringing total positions eliminated to 8,500 in 2001. Delphi expects an additional 1,000 to 1,500 employees to separate this year, with the balance of previously announced separations occurring in the first quarter 2002.

Delphi also divested two joint ventures in China. Today Delphi announced that it has closed a facility in Kent, Wash., and will exit a joint venture with NSK Brasil, Ltda. in Suzano, which produces wheel bearings for the Brazilian automotive market.

The moves bring Delphi's total restructuring and portfolio related actions through Q3 2001 to approximately \$1.1 billion in sales. Dawes said the company expects to announce plans to resolve the remaining \$3 billion to \$4 billion of businesses under portfolio review by year-end. Since 1992, Delphi has sold or closed 91 businesses and facilities with sales exceeding \$7 billion.

Delphi Manufacturing System

Delphi's established lean manufacturing practices were critical to the company's response to massive logistics obstacles caused by the terrorist attacks last month. "In addition to improvements to our cost structure, Delphi's transition to lean allows us to be better prepared for times of crisis," said Mark C. Lorenz, Delphi vice president of Operations & Logistics. "Our small lot production strategy and nimble logistics supply base allowed us to keep all of our global customers operating without disruption. The performance of our global supply chain in this crisis clearly demonstrates that we can maintain customer schedules without carrying excess inventory." Lorenz said that although unusual shipment and manufacturing costs were incurred until regular transportation routes opened, Delphi was able to minimize this impact by working closely with customers, logistics providers and suppliers to select the most cost-effective way to manufacture and transport Delphi products.

3Q 2001 Highlights

Supporting its customer diversification goals, Delphi also made several significant business announcements in the period, which include:

- * Delphi announced a major contract for passive occupant detection systems (PODS) with GM. Total PODS revenue is expected to exceed \$300 million annually by 2004.

- * Delphi began production to supply halfshafts to DaimlerChrysler for the new 2002 Dodge Ram and Jeep(R) Liberty models. The new contracts make Delphi the sole supplier of halfshafts for the automaker's North American truck and global Jeep models.

- * New contracts were awarded by PSA Peugeot Citroen and Hyundai-Kia for innovative second-generation diesel common-rail systems.

- * Delphi booked its first contract to supply power sliding door technology to the European automotive market.

- * Delphi earned a contract to supply telematics modules for the 2003 Subaru Outback H6-3.0 sedan and wagon models in the United States.

* Delphi received U.S. Department of Energy commitment for funding future solid oxide fuel cell research with Battelle.

During the third quarter, 32 percent of Delphi's sales were with customers other than General Motors.

Q4 Outlook

"We continue to evaluate fourth quarter industry volume forecasts," said Dawes. "Currently we expect revenues of \$6.3 billion to \$6.5 billion. On this basis, we expect net income of \$30 million to \$85 million, or \$0.05 to \$0.15 earnings per share, and operating cash flow of \$100 million to \$200 million during the period," he said.

28. Also on October 16, 2001, Delphi filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant Free and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

29. On January 17, 2002, Delphi issued a press release and announced its fourth quarter 2001 financial results. Therein, the Company stated:

Delphi Automotive Systems (NYSE: DPH) today announced fourth-quarter and 2001 calendar-year financial results that demonstrated sustained progress on the company's plan to reduce its breakeven point and transform its portfolio to high-tech, higher margin products and services.

"In the fourth quarter of 2001, we continued to take action to differentiate our performance from the remainder of the automotive

supplier segment," said J.T. Battenberg III, chairman, CEO and president, Delphi Automotive Systems. "While faced with declining customer production levels, recessionary economics and the impact of extraordinary national events, we've steadily implemented our strategies to transform our company by streamlining our portfolio, rationalizing excess capacity and reducing operating costs."

Net income for the quarter totaled \$55 million, or \$0.10 per share (excluding a \$255 million, or \$186 million after-tax impairment charge resulting from Delphi's decision to divest its generator business and to reflect permanent declines in the value of offshore investments, a venture in Argentina and a venture in Brazil) matching industry analysts' estimates as reported on Thomson First Call. On a GAAP basis, which does not exclude the impact of special charges, Delphi reported a net loss of \$131 million during the quarter.

Delphi achieved fourth-quarter sales of \$6.4 billion, down 8 percent from the same quarter last year due to softer year-over-year customer production levels and planned portfolio actions. Sales to non-GM customers were \$2.1 billion, or 33 percent, during the quarter. Chief Financial Officer and Executive Vice President Alan S. Dawes said the company experienced stable, but lower, customer production schedules despite zero percent financing and other retail incentives offered by automakers during the quarter, as the automakers continued to sell out of their existing inventories.

Fourth-quarter cash flow was strong at \$276 million, enabling the company to continue its aggressive portfolio restructuring efforts. "Cash flow continues to be a strength for Delphi, particularly as we realize the benefits of ongoing operating improvements and aggressive steps to manage working capital," said Dawes.

2001 Financial Performance

For 2001, Delphi's sales were \$26.1 billion, down \$3 billion from 2000, as a result of softer customer production volumes, the elimination of non-performing and non-core businesses, and unfavorable currency exchange. Sales to customers other than General Motors were 32 percent of total sales, or \$8.5 billion. GM remained Delphi's largest customer in 2001 on sales of \$17.6 billion.

The company earned \$220 million in net income (excluding a \$404 million after-tax restructuring charge in Q1 and a \$186 million

after-tax impairment charge in Q4). Total cash flow for 2001 was \$851 million, which enabled Delphi to complete restructuring actions, including employee separation programs, facility closures and portfolio transformation activity. Delphi made strategic acquisitions and focused capital investments in its growth businesses, including the acquisition of Eaton's Vehicle Switch/Electronics Division, Specialty Electronics Inc., and Automotive Technical Resources Inc. (ATRI).

Dawes said that Delphi also made progress during 2001 in reducing its breakeven point in all areas of the company. During a time when annual sales fell 10.5 percent, Delphi's aggressive actions reduced sales, general and administrative (SG&A) expenses by 14.3 percent from 2000.

"Our decisive action to appropriately size the organization and manufacturing flexibility enabled us to respond quickly to unusual industry circumstances and erratic customer production schedules early in the year," said Dawes. "We believe our ongoing implementation of the Delphi Manufacturing System and its lean principles along with Quality Network activities not only eliminated waste, reduced costs and improved quality, but also enabled us to be an agile organization as we dealt with a highly volatile year."

2001 Highlights

Key technology launches

* Delphi launched its Multec DCR 1400 common rail diesel system in Europe, supplying Ford, Renault, PSA and Hyundai-Kia.

* Delphi's innovative QUADRASTEER(TM) four-wheel steering system was launched on the GMC Sierra Denali and announced on the GMC Sierra Extended Cab and Chevrolet Silverado.

* Delphi's Mobile MultiMedia business unit experienced 16 percent growth in 2001, including: the launch of satellite digital audio radio with GM and DaimlerChrysler, telematics business wins with several Asian automakers, and the launch of Delphi's Communiport(R) Integrated Navigation Radio on the Cadillac CTS and Toyota Matrix.

* Delphi was named a key development and systems supplier for the Segway(TM) Human Transporter (HT), a self-balancing

electric-powered personal transportation machine. Delphi supplies the directional control electronics, circuit boards and selected user interface components for the innovative new unit.

Delphi Portfolio Streamlining and Rationalization

As reviewed in December 2001, Delphi's plans to address \$4-5 billion of under-performing businesses and company restructuring are well underway.

As previously indicated, Delphi signed a non-binding letter of intent with Delco Remy International to divest the \$500 million global generator business. This transaction is expected to be completed during Q1 2002, subject to normal anti-trust, union, customer and due diligence reviews. In connection with an expected loss on the sale of the generator business, Delphi booked an asset impairment charge of \$125 million after-tax in the fourth quarter of 2001.

During 2001, Delphi announced a restructuring plan to close nine plants, consolidate operations at more than 40 other facilities and reduce the global workforce by 11,500 positions. Delphi is on track to complete these actions by the end of March 2002. To date, the company has already closed seven of the nine plants and reduced the global workforce by 10,100, the majority through mutual separation programs. Total cash used to complete restructuring actions during 2001 was \$343 million.

In addition to the restructuring activities noted above, Delphi continued its transformation and streamlining activities in the fourth quarter of 2001 and announced the closure of its Desio, Italy facility; closed its Kent, Wash. facility; exited axle business operations at the Jambiro, Brazil facility; terminated a joint venture with NSK do Brazil; and sold its Liteflex global composite spring business.

For 2002, Delphi continues to make progress on portfolio, workforce and capacity streamlining initiatives. The company is facing excess capacity in its North American automotive battery operations due to declining volume requirements for 2002. Delphi anticipates addressing this situation by consolidating the equivalent of one North American battery manufacturing plant by the end of Q3 2002.

Delphi expects to continue to restructure its European operations during 2002 through site consolidation and manufacturing footprint

optimization. These plans were initiated in 2001, and will impact up to 12 sites in Western Europe with likely future plant rationalization announcements in 2002.

Additionally, in 2002 Delphi expects to finalize plans to reduce its global salaried workforce, beyond the levels anticipated upon completion of the March 2001 restructuring plan, by 1,400 additional positions through voluntary incentive separation initiatives, consisting of incentive retirement programs, career transition programs and other methods.

"These new actions, combined with the positive earnings impact of all the portfolio and restructuring actions implemented in 2001, will continue to strengthen our ongoing earnings power. These steps will further position Delphi to capitalize on future industry recovery," said Dawes.

Q1 2002 Outlook

Delphi is forecasting Q1 2002 global sales of \$6.6 to 6.7 billion, up slightly from \$6.5 billion in Q1 2001, reflecting the level of customer production schedules offset by the impact of divestitures.

For Q1 2002, Delphi expects to earn net income of \$110 to 130 million, improved from a loss of \$25 million in Q1 2001, excluding special charges. As indicated above, and in December, Delphi expects an after-tax charge of \$100 million to \$150 million, likely in Q1, to cover these 2002 restructuring actions. Operating cash flow is expected to be between \$50 million and \$150 million during the quarter.

"At the anticipated Q1 2002 earnings level, we will demonstrate sustained progress in reducing our breakeven point. We have established a decisive plan to address the portfolio, operate at lean levels and continually improve performance. We believe we have made steady progress, in spite of extraordinary industry dynamics, and we intend to continue to maintain this improvement campaign throughout 2002," said Dawes.

Delphi reported its guidance for 2002 in December 2001. The material summarizing this guidance -- sales of 25.5 billion, net income (excluding a \$100 million to \$150 million after-tax charge) of \$275 million and operating cash flow of \$800 million

30. On February 12, 2002, Delphi filed its annual report with the SEC on Form 10-K405. The Company's Form 10-K405 was signed by defendants Battenberg, Dawes, and Free and reaffirmed the Company's previously announced financial results. The Company's auditors, Deloitte, issued the following clean audit report for Delphi's financial results:

We have audited the accompanying consolidated balance sheets of Delphi Automotive Systems Corporation ("Delphi"), as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the management of Delphi. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Delphi as of December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

31. On April 17, 2002, Delphi issued a press release with the headline "Delphi Announces Improved First Quarter 2002 Financial Results." Therein, the Company stated:

Delphi Corporation (NYSE: DPH) today reported pro forma first quarter earnings of \$123 million, up from a pro forma loss of \$20 million* in Q1 2001. The Q1 2002 pro forma results exclude the impact of a net charge to earnings of \$174 million after-tax for

restructuring and portfolio actions. Earnings per share for the quarter was \$0.22 compared to analyst consensus as reported on First Call of \$0.21 per share.

On a GAAP basis, including the impact of special charges taken in the quarter, Delphi reported a loss of \$51 million or \$(0.09) per share versus a loss of \$429 million or \$(0.77) per share in Q1 2001.

Delphi's pro forma net income margin increased to 1.8 percent compared to (0.3)* percent in Q1 2001.

Pro forma operating cash flow in the first quarter, excluding payments for special charges, improved to \$185 million, up from \$152 million during the same period in 2001.

Q1 2002 revenue of approximately \$6.69 billion was up two percent from \$6.54 billion in Q1 2001, reflecting modest strengthening in the North American automotive market. Sales to customers other than General Motors accounted for 33 percent of revenue for the quarter.

"While our results reflect an increase in North American production compared to last year, Delphi's business in other major automotive markets remained weak. We continue to face price pressure and increased operating costs, principally in wage, health care and pension expenses, that we must offset in 2002," said Alan Dawes, Delphi chief financial officer. "To meet these continued challenges, we have had to initiate additional restructuring actions and operating cost reductions, carefully time discretionary spending for certain internal process improvement programs to match performance improvements, and further reduce the size of Delphi's global workforce."

2001 Restructuring Completed

In March 2001, Delphi announced a comprehensive restructuring program designed to reduce our breakeven point and restructure the company for reduced industry-wide production levels.

"We made a commitment to complete aggressive restructuring actions by March 2002 in order to meet the challenges of a recessionary market. We completed this program on time, following the parameters announced in March 2001," said Dawes. "The results of

these activities helped us stay ahead of the impact of soft production schedules and continuing cost and pricing pressure experienced during 2001."

The 2001 restructuring plan, now completed, included the following major actions over a one-year period of time:

- closure of nine plants
- global headcount reduction of 11,440 positions
- consolidation of activities at more than 40 global locations

To complete these actions, during the first quarter of 2002, Delphi concluded operations at its Southampton facility in the United Kingdom and reduced global headcount by 1,340 positions.

Delphi utilized cash totaling \$106 million to complete actions associated with the restructuring plan during Q1 2002. During Q2 2002 an additional \$8 million will be spent to complete deferred severance payments to employees who separated in 2001. Including the first and second quarter 2002 amounts, cash used for the entire 2001 restructuring program will total \$457 million.

2002 Restructuring and Portfolio Updates

Consistent with previous guidance, Delphi is taking a special charge in the first quarter of 2002 to accelerate additional restructuring activities and complete portfolio actions by the end of Q1 2003.

Restructuring Charge

"Specifically, we are taking a net charge of \$174 million after-tax (\$262 million pre-tax) to restructure additional operations in the United States and Europe," said Dawes. "We are continuing to address market and portfolio challenges. With this action we plan to fund separation programs and other restructuring activities to eliminate approximately 6,100 hourly and salaried positions at more than 25 sites in the United States and Europe. We also will complete portfolio actions, principally generators. All of the actions associated with this charge will be complete before the end of Q1 2003."

Delphi already has begun to implement this plan, eliminating 3,300 salaried and hourly positions during the quarter through separation programs funded through this charge.

Cash used to implement these activities is expected to total \$237 million. During Q1 2002, Delphi utilized \$68 million in cash to fund separation programs and other actions and expects to use the balance over the next 12 months.

"We expect the 2002 restructuring program to lift our forward earnings by approximately a \$125 million annual rate by early 2004," said Dawes.

These actions bring the total workforce reduction-to-date from the 2001 and 2002 restructuring plans to 14,740 positions, towards a cumulative total of 17,540 positions to be eliminated.

Portfolio Update

During the quarter, Delphi continued its efforts to address previously announced portfolio actions, specifically with its \$0.5 billion generator and \$0.5 billion instrumentation product lines.

"Delphi, Delco Remy International and the product line's largest customer had successful discussions on the proposed sale of the generator product line, subject to the resolution of employee contract matters with the largest union," said Dawes. "Over the course of the second quarter, Delphi will continue discussions with the largest impacted union on this matter. We expect to complete these activities in Q2 2002. Failing a satisfactory resolution, Delphi intends to quickly wind down the generator product line."

Dawes reported that during the quarter Delphi's instrumentation product line moved through the sale process and shifted from the bidding phase to final due diligence phase, including the preparation of definitive agreements. The completion target continues to be set for the second half of 2002.

2002 Q1 Business Highlights and Other Consolidation Actions

During the quarter, Delphi launched new technology, won several contracts with multiple manufacturers, expanded existing business opportunities and changed its name to more aggressively pursue new market business opportunities. Highlights of the quarter include:

- Delphi name changed to reflect customer and market diversification. Delphi changed its name to "Delphi Corporation" to more accurately reflect the breadth of its technologies and services. The company will market its products under "Delphi."

- Delphi's Forewarn(R) Back Up Aid featured on several Ford and Lincoln Mercury models -- Delphi announced it will supply the rear-warning system known as Ford Extended Rear Park Assist for three Ford and Lincoln Mercury 2003 models.

- Delphi launched commercial vehicle SDARs. Delphi was first-to-market with Satellite Digital Audio Receiver validated for OEM application in the Heavy-Duty market.

- Delphi announced a multi-year contract with DaimlerChrysler to supply catalyst washcoats for future model year Dodge and Jeep(R) vehicles. The contract makes Delphi one of the major catalyst suppliers for the Chrysler Group.

- Delphi QUADRASTEER(R) availability expanded on GM trucks. QUADRASTEER, which debuted on the GMC Sierra Denali, is now an available option on six additional models during 2002 and 2003.

- Delphi selected to supply the satellite digital audio service (SDARS) modules for DaimlerChrysler Corporation. The multi-year manufacturing agreement will add satellite radio broadcast reception to audio systems for new Chrysler, Dodge, Jeep, Mercedes-Benz and Freightliner LLC vehicles for the North American market.

- Delphi recognized with two PACE(TM) Awards (Premier Automotive Supplier's Contribution to Excellence). Delphi's QUADRASTEER(TM) Four Wheel Steering System and Delphi's Recognition(TM) passive occupant detection system were recognized.

- Delphi topped 2002 Shingo Prize list with five plants honored for lean manufacturing excellence. Five Delphi operations earned the 2002 Shingo Prize, dubbed the "Nobel Prize of Manufacturing" by Business Week magazine.

Other Consolidation Actions

While not comprehended in the Q1 2002 restructuring, Dawes reviewed additional actions implemented to reduce operating costs.

Delphi completed the closure of manufacturing operations in Casablanca, Morocco and is consolidating or downsizing operations at 12 other sites in Europe.

In Mexico, consolidation activities will move all product lines and people from Delphi's Chihuahua III facility into existing available Delphi manufacturing space, allowing for the closure of that facility.

In China, Delphi's Packard division is consolidating all the manufacturing, engineering and administrative activities of Delphi Packard Electric Shanghai, Delphi Packard Electric Baicheng and Delphi Packard Electric Guangzhou to form a new venture named Delphi Packard Electric Systems Company Ltd., headquartered in Shanghai. Redundancy from the consolidation is expected to allow for reduction of approximately 5 percent of the existing venture's workforce over the next year.

Q2 2002 Outlook

"We expect Q2 sales to be up slightly for the second quarter in a row," said Dawes. "With North American dealer vehicle inventories back in line and retail sales of North American vehicles still being strengthened by incentives, Delphi expects revenue of approximately \$7.1 billion during Q2 2002, and net income at the \$200 million level, or \$0.35 EPS. Operating cash flow, excluding restructuring payments, is anticipated between \$250 and \$350 million."

During the quarter, Delphi expects to use up to \$80 million cash to continue implementation of restructuring actions.

Sales Outlook through 2004

Delphi's total sales for 2002 calendar year are estimated at \$26.2 billion, without reflecting planned divestitures. Sales to customers other than GM are expected to be 35 percent. Total annual sales, based on organic growth plans, are expected to rise from \$26.2 billion in 2002 to \$28.2 billion in 2004. Based on this organic growth plan, sales to customers other than GM are expected to grow to 44 percent of total sales.

"We continue to build our base of business with customers outside of General Motors and through 2004 are projecting a compound annual growth rate in excess of 10 percent, which will offset our anticipated reduction in business with GM of approximately three percent annually," said Dawes.

32. Also, April 17, 2002, Delphi filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant Free and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

33. On July 17, 2002, Delphi issued a press release with the headline "Delphi Reports Improved Second Quarter Results." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported a 29 percent year-over-year increase in earnings for the second quarter of 2002 as the company benefited from a 5.4 percent improvement in revenue combined with operating cost reductions resulting from ongoing restructuring and cost containment initiatives.

"Non-GM revenue grew 13 percent versus the same period last year, which contributed to solid results for the quarter," said Delphi Chairman, CEO and President J.T. Battenberg III. "In 2001 and early 2002, we announced restructuring plans to re-size the company to benefit from an anticipated rebound. Our continued restructuring, portfolio transformation and customer diversification initiatives are on track to yield improved results."

Second Quarter 2002 financial highlights:

* Revenue of \$7.3 billion (up 5.4 percent from \$6.9 billion in Q2 2001)

* Non-GM revenue at 34 percent of total revenue for the quarter at \$2.5 billion (up 13 percent from \$2.2 billion in Q2 2001)

* Net income of \$220 million (up 29 percent from \$171 million(1) in Q2 2001)

* Net income margin of 3 percent (compared to 2.5 percent(1) in Q2 2001)

* Earnings per share of \$0.39, at the high end of our June 25, 2002 guidance and in-line with Thomson First Call consensus estimates

* Continued strong operating cash flow of \$398 million (2), up 28 percent from Q2 2001

"We experienced strong growth in our non-GM revenue during the quarter as several previously announced customer programs began ramping up to volume production levels," said Delphi Chief Financial Officer Alan S. Dawes. "Our leading edge Recognition(TM) occupant sensing system, new rear seat entertainment systems, diesel common rail injection and new aftermarket sales channels all made an impact in the quarter."

Dawes also reported that operating cash flow remained strong during the quarter enabling the company to make a \$400 million contribution to its U.S. hourly employee pension plan and fund employee separation programs associated with its restructuring plans.

Restructuring Update

During Q2 2002 Delphi further reduced its global workforce by 1,250 as part of its previously announced restructuring.

"These and other restructuring actions helped Delphi to offset increased healthcare and pension costs and improve our gross margin by 0.3 percent," said Dawes.

To-date, Delphi has completed approximately 75 percent of the 2002 plan, which called for the reduction of 6,100 global positions by the end of March 2003. During the quarter, Delphi utilized \$58 million

cash to fund separation programs and other restructuring actions related to the Q1 2002 restructuring charge of \$150 million after-tax.

"When completed, the combined effects of Delphi's 2001 and 2002 restructuring plans are expected to reduce global employment by 17,540," said Dawes.

Portfolio Actions

On July 16, 2002, Delphi announced its intent to wind down its global generator business. Details of the wind down plan are being developed and discussed with customers, suppliers and employees.

"Immediate actions are being taken to reduce administrative and support costs associated with this product line. Capital and engineering expenses will be allocated only to maintain existing customer programs," said Dawes. "During 2001 and in Q1 2002 we established reserves to resolve the status of this product line and believe these reserves are adequate to cover costs associated with the wind down."

3Q 2002 Outlook

Dawes said third quarter 2002 revenue and earnings are expected to be comparable to Q3 2001. "Revenue is expected to range between \$6.2 billion and \$6.3 billion in the third quarter and net income is expected to be between \$30 and \$45 million. Cash flow is forecast between \$50 and \$150 million," he said.

"This third quarter outlook reflects continued strong year-over-year non- GM sales growth offset by the impact of changes in mix and packaging at our largest customer. The market remains intensely competitive and vehicle affordability pressure is resulting in lower Delphi content per vehicle," said Dawes. "These factors present a greater challenge at the reduced volume level traditionally experienced in the third quarter."

34. Also on July 17, 2002, Delphi filed its quarterly report with the SEC on Form 10-Q.

The Company's Form 10-Q was signed by defendant Sheehan and reaffirmed the Company's

previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

35. On October 16, 2002, Delphi issued a press release with the headline: "Delphi Reports Solid Third Quarter Results Driven by Non-GM Sales Growth." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported a solid 64 percent year-over-year increase in earnings for the third quarter 2002 as the company benefited from a 3.5 percent increase in sales revenue while operating at a lower breakeven point due to the impact of restructuring plan savings, material cost reductions and improved margins on new business.

"Our revenue remained strong during the industry's historically soft third quarter," said Delphi Chairman, CEO and President J.T. Battenberg III. "The growth was primarily driven by stronger than expected non-GM sales that rose 19 percent above year ago levels, in part reflecting the strengthening of the Euro. Further, sales to GM met expectations for the quarter."

Third Quarter 2002 financial highlights:

* Revenue of \$6.4 billion (up 3.5 percent from \$6.2 billion in Q3 2001)

* Non-GM revenue at 37 percent of total revenue for the quarter at \$2.4 billion (up 19 percent from \$2 billion in Q3 2001)

* Net income of \$54 million (up 64 percent from \$33 million(1) in Q3 2001)

* Earnings per share of \$0.10, exceeding Thomson First Call consensus estimates by two cents

* Continued solid operating cash flow of \$225 million(2) (up 103 percent from Q3 2001)

"Our improved margins demonstrate our constant effort to reduce operating costs through structural cost reduction initiatives, material cost savings and benefits from our restructuring initiatives in a magnitude sufficient to more than offset rising pension and health care costs and continued price pressure," said Delphi Chief Financial Officer Alan S. Dawes. "While operating in a challenging environment, through these efforts we're continuing to see across the board improvements in year-over-year comparisons. We continue to aggressively manage all of these challenges and expect to see future improvements in our margins as revenue growth and cost management initiatives gain traction."

Revenue Growth

Q3 2002 represents the third consecutive quarter of year-over-year revenue growth. Non-GM sales, which represent 37 percent of Delphi's total sales, fueled the increase with new business in Passive Occupant Detection systems, engine management systems, Mobile MultiMedia and sales in Delphi's aftermarket division, Product & Service Solutions. Third quarter GM sales of \$4.1 billion benefited from stronger year-over-year production schedules offset by price, exited businesses and weakness in GM aftermarket and South America sales. Other business highlights for the quarter include:

* Delphi's advanced common rail diesel injection system continued its strong growth in Europe during Q3 2002 by expanding its booked common rail business with Renault to approximately \$2.5 billion and starting up production on the new Citroen C3.

* Delphi won a multi-year contract with General Motors to provide the full braking systems on future model mini vans.

* Fiat Brasil chose Delphi to provide advanced climate control technology on four vehicles produced in Brazil.

* Delphi's Product & Service Solutions division expanded in North America by announcing key distribution partnerships with Parts Plus

and Uni-Select and launching the SKYFI(TM) plug and play satellite radio in a partnership with XM radio.

Operating Cash Flow

"In Q3 2002, Delphi generated \$225 million in operating cash flow, exceeding our original guidance of \$50-\$150 million," said Dawes. "Stronger than expected operating cash flow was achieved by improving net income, managing our capital spending to lower levels and aggressively managing working capital." As a result of this solid performance, Delphi reduced its third quarter ending debt levels to \$3.5 billion from \$3.7 billion at the end of Q2 2002 and Dawes stated that the company is on track for 2002 year-end debt levels of \$3.4 billion or less.

Prior Period Restructuring Plan Update

Delphi continued its previously announced restructuring plans during Q3 2002, further reducing its worldwide headcount by over 1,050 positions as a result of these actions during the quarter. To date, Delphi has completed over 90 percent of its 2002 plan that called for the reduction of 6,100 positions through consolidation activities at over 24 facilities in North America and Europe by March 2003. When completed the combined effects of Delphi's 2001 and 2002 plans are expected to reduce global employment by 17,540.

Portfolio Update

Today, Delphi provided an update on its portfolio actions. As previously announced, Delphi is aggressively pursuing a wind down strategy for its global generator product line and is actively supporting customers in the selection of replacement suppliers. Capital expenditures for the remainder of 2002 supporting the generator product line have been greatly curtailed and all 2003 capital expenditures previously planned for the product line have been eliminated.

Dawes also spoke in regard to Delphi's instrumentation business, "Our mainline strategy for the instrumentation product line is to sharpen the focus of the business in order to achieve suitable financial mileposts," he said. "In parallel, we continue negotiations with several bidders to sell the business. Any sale must be equal or better than our next best alternative."

Additionally, in the normal course of business, Delphi completed the closure of one facility in Mexico and two facilities in Germany, reducing personnel by 500 positions as a result of these actions. Delphi facility closures in 2002 now total seven.

Pension Update

In light of recent investor interest and calendar year-to-date negative returns on plan assets, Delphi will provide a pension funding update during today's briefing. The update will highlight topics such as Delphi's 0.12 to 1 retiree to plan participant ratio and pension expense and funded status sensitivity.

"We believe pension obligations are manageable as our strong cash flow combined with low cash outflows from the plan gives us great flexibility to fulfill ongoing pension funding requirements," said Dawes.

Q4 and Calendar Year 2002 Outlook

Dawes said Q4 2002 revenue and earnings are expected to increase on a year-over-year basis, marking the fourth consecutive quarter of increases. "Revenue is expected to range between \$6.7 billion and \$6.8 billion in the fourth quarter and net income is expected to be between \$105 and \$120 million, with earnings per share between \$0.19 and \$0.21. Operating cash flow is forecast between \$275 and \$350 million," he said.

"We expect the difficult market conditions experienced in the first three quarters of 2002 to persist in the fourth quarter," said Dawes. "In Q4 2002, we anticipate continuing our year-over-year improvement in revenue, earnings and operating cash flow by utilizing the continued benefits of our restructuring initiatives to offset industry headwinds."

The combination of Delphi's nine-month actuals with its Q4 guidance shows improved year-over-year calendar year results. Delphi's 2002 calendar year revenue is anticipated to be in the \$27.2 to \$27.3 billion range, and pro forma net income between \$502-\$517 million with pro forma earnings per share between \$0.89 and \$0.91. The full-year pro forma guidance excludes the impact of Q1 2002 special charge of \$174 million after tax for portfolio and restructuring actions.

36. Also on October 16, 2002, Delphi filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant Sheehan and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

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37. On January 17, 2003, Delphi issued a press release with the headline "Delphi Reports Solid Results for Q4 and CY 2002." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported year-over-year increases in revenue and earnings for both the fourth quarter and calendar year 2002 as the company continued its strategy to rationalize its portfolio, diversify its customer base, streamline operations and pursue global growth opportunities.

"We finished 2002 with strong revenues in the fourth quarter, thanks in large part to sustained double-digit non-GM business growth and stable GM revenue. Again this quarter, we experienced very strong cash flow and, in January 2003, have used our excess cash to reduce future pension obligations. For the full year, we benefited from stable production in major automotive markets, steady growth of the company's non-GM business and savings related to ongoing restructuring and cost containment," said Delphi Chairman, CEO and President J.T. Battenberg III.

The company realized revenues of \$6.97 billion in Q4 2002, with net earnings totaling \$120 million or \$0.21 per share. Analysts' consensus for Q4 2002 as reported on Thomson First Call is \$0.20 per share. For calendar year 2002, revenues reached \$27.43 billion, yielding earnings of \$517 million on a pro forma basis, excluding the impact of restructuring and other charges taken in Q1 2002. For the year, the

company generated operating cash flow of \$1.26 billion, excluding special charges and receipts.(1)

"Delphi's non-GM business accounted for 36 percent of our revenue in the fourth quarter, and grew 13 percent year-over-year to 35 percent of sales for 2002 as a whole," Battenberg added. "The ramp-up of several leading-edge new products, including passive occupant detection, mobile multimedia, diesel engine management systems and connection systems led to strong overall gains in Delphi's sales to the world's leading auto makers, commercial vehicle manufacturers and the independent aftermarket."

Fourth Quarter 2002 financial highlights:

Revenue of \$6.97 billion (up 9.3 percent from \$6.38 billion in Q4 2001).

Non-GM revenue at 36 percent of total revenue for the quarter at \$2.49 billion (up 19.4 percent from \$2.08 billion in Q4 2001). Moreover, Delphi continued to attain strong non-GM customer bookings such that a solid double-digit growth rate is expected.

GM North America content per vehicle remained steady from Q3 2002 at \$2,729.

Net income of \$120 million or \$0.21 earnings per share (up 88 percent from pro forma \$64 million in Q4 2001).(2) For Q4 2001, GAAP earnings were (\$131) million, or (\$0.23) earnings per share.

Operating cash flow of \$452 million (up 64 percent from Q4 2001).

* Average diluted shares outstanding were 561 million in Q4 2002 and 563 million in Q4 2001.

Calendar Year Pro Forma 2002 financial highlights:

Revenue of \$27.43 billion (up 5.1 percent from \$26.09 billion in CY 2001).

Non-GM revenue at 35 percent of total revenue for the year at \$9.57 billion (up 13 percent from \$8.46 billion in 2001).

GM revenue of \$17.9 billion, up from \$17.6 billion in CY 2001.

Net income of \$517 million (up 108 percent from \$248 million in CY 2001).(3) On a GAAP basis, net income was \$343 million in CY 2002 and (\$370) million in CY 2001.

Operating cash flow of \$1.26 billion (up 48 percent from CY 2001).

Average diluted shares outstanding were 562 million in CY 2002 and 565 million in CY 2001.

"With non-GM sales up 13 percent for the year and GM sales remaining stable, we're delivering the robust top-line results we need to enhance margins. Combined with structural cost reduction initiatives, material cost savings and benefits from our restructuring, these strong sales helped strengthen Delphi's bottom line, despite the challenging automotive business environment," said Delphi Chief Financial Officer Alan S. Dawes.

Operating Cash Flow

"Delphi's total cash flow remains strong and continues to provide flexibility for the company to invest capital in growth opportunities while simultaneously funding pension obligations," said Dawes. "We exceeded our guidance and generated \$452 million in operating cash flow during Q4, and \$1.26 billion for 2002 as a whole."

On a comparable basis with 2001, Delphi's operating cash flow increased 48 percent from CY 2001 to CY 2002. "Reflecting this strong cash flow, we were able to improve Delphi's net liquidity to (\$2.4) billion year-end 2002, compared to (\$2.6) billion at December 31, 2001," Dawes added.

Pension Update

Dawes noted that Delphi's strong cash flow allowed the company to contribute 2002 year-end excess cash of \$350 million to its pension funds in January 2003. "Delphi previously planned to contribute a total of \$600 million to our pension funds in mid-2003. Reflecting the strong Q4 2002 cash flow, we have pulled ahead \$350 million of contributions to our pension funds," he added.

Dawes said the company plans to contribute the remaining \$250 million during the second quarter, utilizing 2003 cash flow. Further,

Dawes reiterated that the company continues to evaluate alternative pension funding scenarios for shareholder value enhancement.

Separately, due to continued declines in the value of securities contained in Delphi's U.S. pension plans and a 50 basis point change in its discount rate to 6.75 percent, the company reported a \$4.1 billion under-funded U.S. pension liability as of December 31, 2002. This valuation does not comprehend the favorable impact of the \$350 million recently contributed nor recent improvements in the value of equities contained in the plans. Separately, the company will reduce its assumed plan asset return to 9 percent for calendar year 2003.

"Delphi's pension plan assumptions are consistent with emerging norms for large employers and demonstrate our continued balanced approach to valuing these obligations, especially when considering the demographics of eligible members of our workforce," said Dawes.

Prior Period Restructuring Plan and Portfolio Update

Delphi continued its previously announced restructuring plans during Q4 2002. Through CY 2002, Delphi has completed over 98 percent of its 2002 plan that outlined the reduction of 6,100 positions through consolidation activities at over 24 facilities in North America and Europe by March 2003. When completed the combined effects of Delphi's 2001 and 2002 plans are expected to reduce global employment by 17,540.

The company also continued its global footprint and product portfolio rationalization efforts, which resulted in the sale, closure or consolidation of 21 facilities and/or product lines during the course of 2002.

Business Highlights

Throughout 2002, Delphi launched new technology, won numerous contracts with multiple manufacturers, expanded existing business opportunities and changed its name to more aggressively pursue new market opportunities. Highlights for the year include:

Diesel Common Rail -- Delphi continued to make advances in the rapidly expanding European diesel market, delivering nearly 1 million systems in 2002. Delphi has garnered diesel common rail contracts

with customers that include Ford, Renault, PSA Peugeot Citroen, Kia/Hyundai, and SsangYong Motor Company of Korea.

QUADRASTEER(TM) -- Availability of Quadrateer was expanded on GM trucks, becoming an option on six additional models including the Chevrolet Silverado and Chevrolet Suburban.

RECOGNITION(TM) Passive Occupant Detection System -- During the course of 2002, Delphi expanded business for this market-leading system, counting GM and Ford among its seven customers. With the new contracts, Delphi revenue for the system has the potential to reach \$350 million in 2004 and grow well beyond that by 2006.

Satellite radio -- In 2002, Delphi launched its satellite digital audio service module, which is featured in more than 44 GM and DaimlerChrysler 2003 model year vehicle lines. In September, the company also unveiled its Delphi XM SKYFi satellite radio, a plug-and-play unit that can be used anywhere. Sales of SKYFi, which is targeted at the consumer electronics market, approached 100,000 by year-end, yielding a 50 percent share for Delphi in this market.

Continued Quality and Manufacturing Excellence -- Throughout 2002, Delphi received 53 industry and customer accolades, including: two Automotive News PACE Awards for innovation; three GM Supplier of the Year Awards; Honda Delivery Performance Award; Nissan Quality Master Award; three Toyota Excellence Awards; Toyota 2002 Supplier Achievement Award; five Shingo Awards for Manufacturing Excellence; Volvo Award of Excellence; and two Volkswagen Product Quality Awards.

"I'm particularly pleased with our quality performance, and Delphi's ability to consistently ship world-class quality products to our customers around the world. For 2002, we achieved a 30 percent improvement in PPM across all product lines globally. Our annual quality improvements have been remarkable and I'm very pleased with Delphi's ability to manage tough cost containment challenges, streamline structural costs and simultaneously improve quality to ensure customer satisfaction," Battenberg said.

As a result of Delphi's 2002 performance, the company today notified employees that it intends to pay applicable profit sharing bonuses of approximately \$240 to eligible hourly employees, and incentive

compensation awards to eligible salaried employees, during the first quarter of 2003.

Q1 2003 Outlook

Dawes said Q1 2003 revenue is expected to range between \$6.9 billion and \$7.0 billion in the first quarter. "Net income is expected to be \$120 - 130 million, with operating cash flow forecast between \$150 and \$200 million," he said.

38. On February 18, 2003, Delphi filed its annual report with the SEC on Form 10-K. The Company's Form 10-K was signed by defendants Battenberg, Dawes, and Sheehan and reaffirmed the Company's previously announced financial results. Additionally, the Company's Form 10-K contained the following clean audit opinion by Deloitte:

We have audited the accompanying consolidated balance sheets of Delphi Corporation ("Delphi"), as of December 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the management of Delphi. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Delphi as of December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

39. On April 16, 2003, Delphi issued a press release with the headline "Delphi Overcomes Rising Benefits Costs to Post Earnings Gain; Non-GM Revenue Reaches 37 Percent of Total Sales for Quarter." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported Q1 2003 revenues of \$7.2 billion, up from \$6.7 billion for the same period in 2002. Earnings per share for the quarter were \$0.23, compared to analyst consensus as reported on First Call of \$0.22 per share. GAAP net income for the quarter was \$127 million, compared to Q1 2002 pro forma net income of \$123 million and GAAP net income of (\$51) million.

"We continued to face headwinds from pension and healthcare expenses, and were challenged by ongoing economic uncertainty that negatively affected the global automotive industry. Nevertheless, Delphi's relentless focus on customer diversification, combined with leverage of our game-changing technologies and application of Lean principles to drive efficiencies throughout the enterprise, helped us achieve our targets," said J.T. Battenberg III, Delphi's chairman, president and chief executive officer.

2003 Q1 Financial Highlights

Revenue of \$7.2 billion, up 7.4 percent from \$6.7 billion in Q1 2002.

Non-GM business increased to 37 percent of Q1 revenues, compared to year-ago levels of 33 percent. Non-GM revenue for the quarter was \$2.6 billion, up 19.2 percent from \$2.2 billion in Q1 2002.

GM North American content per vehicle, at \$2,761, benefited from favorable product mix.

Pension contributions of \$350 million were made during the quarter.

GAAP net income of \$127 million or \$0.23 per share, compared to Q1 2002 pro forma net income of \$123 million or \$0.22 per share, and GAAP earnings of (\$51) million or (\$0.09) per share.

Operating cash flow was \$152 million. (1)

"We were pleased with the growth in our non-GM sales for the quarter," said Alan Dawes, Delphi vice chairman and chief financial

officer. "New customer programs, including sales of our Delphi XM SKYFi satellite radio products and common rail diesel systems, along with continued strong demand in China and the strengthening of the Euro contributed to the 19.2 percent increase in Delphi's non-GM revenues."

The company maintained its track record of solid cash flow generation, producing \$152 million in operating cash flow (1) for the quarter, in line with prior guidance. "Our cash flow resulted from sustained discipline in managing SG&A and discretionary capital expenditures. We've also tightly controlled the size of our global workforce, and continue to defer hiring in non-critical areas," Dawes added.

New Organization Alignment Financial Reporting

For the first time, Delphi reported financial results under a new organization alignment announced in October 2002 and effective on January 1, 2003. Its Automotive Holdings Group (AHG) reported 2001 and 2002 revenues of \$3.7 billion and \$3.6 billion respectively, and operating losses of (\$248) million and (\$375) million respectively. For Q1 2003, AHG generated revenues of \$822 million, with associated operating losses of (\$138) million.

"We are continuing to aggressively attack costs, improve operational performance and work with our stakeholders to find solutions to employment issues rapidly and effectively, ahead of further revenue declines. Our goal is to increase cash flow and stem the decline of our earnings trajectory," said James Bertrand, Delphi vice president and president, Delphi Safety & Interior Systems and Automotive Holdings group.

Restructuring Plan and Portfolio Update

Delphi completed its previously announced restructuring plans during Q1 2003. The company's 2002 plan outlined the reduction of 6,100 positions through consolidation activities at more than 25 facilities in North America and Europe by March 2003. With completion of 2002 actions, the combined effect of Delphi's 2001 and 2002 restructuring has reduced global employment by 17,540. The company also continued global footprint and product portfolio rationalization efforts, which resulted in sale, closure or consolidation of five facilities during Q1.

Other Q1 2003 Financial Activities

On March 28, 2003, Delphi filed a registration with the Securities and Exchange Commission for the sale of \$300 million (\$345 million if the underwriters' over allotment option is exercised in full) of preferred stock. Delphi will issue the securities through its newly created subsidiary, Delphi Properties, Inc., a real estate investment trust (REIT). Proceeds from the sale of the preferred stock offering are intended for general corporate purposes, which may include voluntary contributions to its pension plans. Following the registration, Delphi expects to complete the offering during the second quarter; however, actual timing will depend on SEC approval and market conditions.

During Q1 2003, Delphi entered into a domestic accounts receivable securitization facility agreement for certain trade receivables that will supplement short-term funding alternatives. To date, Delphi has sold \$450 million of receivables through this agreement. "The financing costs of this facility agreement are competitive with commercial paper rates, thereby providing an attractive source of short-term financing," Dawes pointed out.

2003 Q1 Business Highlights

Throughout the quarter, Delphi acquired new business and received accolades for technology leadership and customer satisfaction. Highlights for Q1 2003 include:

Electrical/electronic distribution systems (E/EDS) -- Delphi won significant E/EDS vehicle program content totaling \$2.7 billion in revenue for the life of the contracts, which support 17 automotive and heavy-truck manufacturers. Most contracts begin in model years 2005 and 2006.

Commercial vehicles -- Delphi expanded its presence in commercial vehicles, winning new business with Kenworth to provide audio systems for use in their 2003 models. The company also named PANA-PACIFIC a new distributor of audio products for the heavy-duty truck market, including premium receivers, satellite radios, speakers, subwoofers, amplifiers and the Truck Productivity Center (Truck PC). These new contracts build on solid 2002 commercial vehicle revenues of \$700 million.

Expanding business globally with Toyota -- Delphi announced two new contracts for Toyota India Corolla halfshafts and Camry Australia rack and pinion steering gears for 2003 vehicle models. This new business further solidifies Delphi's strong relationship with Toyota. It expands upon more than \$477 million in previously booked business for 2002 production models, for which Delphi supplies steering columns and indirectly supplies manual rack and pinion steering gears for electric power steering.

New steering column business with Ford Motor Company -- Delphi strengthened its position as a leader in the global steering column market by winning a new business contract with Ford. Delphi will supply steering columns for the 2004 Ford F-150 truck series, America's best selling vehicle for two decades. This new business represents Delphi's first steering column application with Ford.

Continued quality and manufacturing excellence -- Throughout Q1 2003, Delphi received several industry and customer accolades, including an Automotive News PACE(TM) Award for its MagneRide(TM) suspension technology and a GM Supplier of the Year Award for the European Operations of Delphi Packard Electric. Additionally, four Delphi facilities received the 2003 Shingo Prize for Manufacturing Excellence, bringing the company's total for this award to 12 -- more than any other company in Shingo's history.

Q2 2003 Outlook

Dawes said Q2 2003 revenue is expected to range between \$7.0 billion and \$7.3 billion. "Net income is expected to range from \$160 to \$200 million in the quarter, with operating cash flow forecast between \$300 and \$400 million," he said. (1,2)

Sales Outlook Through 2005

Delphi's total sales for CY 2003 are estimated at \$28.0 billion. Sales to customers other than GM are expected to be \$10.8 billion, or 39 percent of total sales. Total annual sales, based on organic growth plans, are expected to rise from \$28.0 billion in 2003 to \$29.4 billion in 2005 and sales to customers other than GM are expected to grow 14 percent annually through 2005. Forecasts are based on the company's revenue backlog through 2005, which is subject to exchange rates and production volumes.

"We are very optimistic that our target of having a single customer account for no more than half of Delphi's revenue is realistic and within reach," Dawes noted. "We believe global growth with non-GM customers will offset our anticipated reduction in GM business," he added.

40. Also, on April 16, 2003, Delphi filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant Sheehan and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

41. On July 17, 2003, Delphi issued a press release with the headline "Delphi Earns \$0.16 Per Share in Q2." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported Q2 2003 revenues of \$7.1 billion and earnings of \$88 million or \$0.16 per share, in line with First Call consensus and guidance issued June 12, 2003. The company generated \$344 million in operating cash flow (1), exceeding revised forecasts for Q2 and reflecting the application of lean practices in the management of working capital and capital expenditures. Delphi also reaffirmed its CY2003 guidance for revenue, earnings and cash flow.

"Although we experienced a number of unusual items concurrently in the quarter -- most notably an adverse legal judgment, timing of portfolio actions and general weakness in market demand and production volumes -- we met the targets we set for ourselves within the context of these events while keeping our operating performance on track," said J.T. Battenberg III, Delphi's chairman, president and chief executive officer. "While the pattern of production levels is

impacting the second half of the year, we remain confident that Delphi will meet our CY2003 guidance and is on the right path for future growth and profitability.

"We're continuing to make strides in diversifying our global customer base. Our aggressive strategy contributed to the 11.1 percent increase in Delphi's non-GM revenues," Battenberg added. "For the quarter, our non-GM business accounted for 39 percent of revenue."

2003 Q2 Financial Highlights

* Revenue of \$7.1 billion, down 3.1 percent from \$7.3 billion in Q2 2002. Revenue was significantly affected by foreign exchange, particularly the strength of the Euro. Excluding the effects of foreign exchange, revenue would have declined year-over-year by 6.9 percent to \$6.8 billion.

* GM North American content per vehicle was \$2,714 for the quarter. Based on better-than-expected performance in the first half of 2003, Delphi anticipates our full-year 2003 content per vehicle may trend higher than the \$2,675 previously expected.

* Non-GM business increased to 39 percent of Q2 revenues, compared to year-ago levels of 34 percent. Non-GM revenue for the quarter was \$2.8 billion, up 11.1 percent from \$2.5 billion in Q2 2002.

* Net income of \$88 million or \$0.16 per share, compared to Q2 2002 net income of \$220 million or \$0.39 per share.

* Operating cash flow was \$344 million (1).

* Pension contributions of \$250 million were made during the quarter.

"Delphi's solid cash generation demonstrates our operational strength," said Alan Dawes, Delphi vice chairman and chief financial officer. "Worldwide, our entire workforce is engaged in efforts to identify additional opportunities to reduce SG&A and discretionary spending, and adopt lean practices across all functional areas. This lean focus has been particularly strong with respect to working capital and capital expenditures. These actions have helped Delphi respond to our challenges.

"Furthermore, by streamlining our operations through restructuring actions while keeping a tight rein on staffing levels and letting attrition reduce our workforce, we're positioning Delphi for enhanced profitability," Dawes said.

Factors Driving Q2 Performance

Dawes said several factors affected the company's Q2 results. They include:

- * Overall weak production volumes, including tornado-related production disruptions at General Motors' Oklahoma City facility.
- * A \$25 million after-tax (\$38 million pre-tax) adverse legal judgment against Delphi in a case involving a former supplier, Nelco Technology.
- * \$23 million after-tax (\$35 million pre-tax) in planned portfolio items, including facility closure costs at Delphi's Moraine, Ohio, operations, and employee separation packages offered at selected Delphi sites, which were pulled forward to Q2 rather than executed throughout the remainder of the year.

"As noted at the time we updated our guidance for the quarter, stronger revenues would have offset this trifecta of events. However, we experienced a general market softening throughout the quarter, driving reduced revenues from customers including GM Service Parts Operations and global non-GM customers," Dawes noted.

"Nevertheless, after adjusting for the effects of the legal and portfolio-related actions on net income, quarter-over-quarter ongoing earnings were actually higher on markedly lower volumes," Dawes added. "This performance demonstrates our ability to successfully manage through a difficult market environment."

2003 Q2 Business Highlights

Throughout the quarter, Delphi achieved strong new business bookings and was again recognized for its technology leadership and customer satisfaction. "We were particularly pleased at our solid win rates for GM business during Q2. Solidifying our business with this important customer remains a strategic objective for Delphi," Dawes said.

Highlights disclosed during Q2 2003 include:

* Delphi wins contracts from PSA Peugeot Citroen worth more than \$719 million -- Delphi has won contracts with a lifetime value estimated at \$551 million for the supply of Electrical/Electronic Distribution Systems to PSA Peugeot Citroen, one of Europe's leading automakers. Delphi will also supply body computers for future Citroen models through a new contract estimated at \$168 million over the lifetime of the vehicles. Overall Delphi sales to PSA Peugeot Citroen have doubled since 1999.

* Delphi XM SKYFi(TM) Satellite Radio now available at world's largest retailer -- Wal-Mart will sell the complete line of Delphi XM SKYFi products in 2,100 store locations across the United States. Since SKYFi was launched in late 2002, more than 300,000 units have been sold to retailers.

* Delphi receives highest rank for technological strength from MIT -- Delphi was ranked number one in MIT's Technology Review magazine on the Patent Scorecard for its technological strength in the automotive industry. The Patent Scorecard is an industry-by-industry ranking of corporate patent portfolios and combines the number of patents a company receives with other indicators to arrive at its technological strength and ranking. Technology Review's 2003 Patent Scorecard tracked the U.S. patent portfolios of more than 750 of the world's top technology companies, of which 97 were in the automotive industry.

* Continued customer satisfaction and operational excellence -- Throughout Q2 2003, Delphi received industry and customer accolades. Two Delphi divisions -- Delphi Delco Electronics and Delphi Packard Electric Systems -- received a "Masters of Quality Award" from Freightliner LLC in recognition for meeting strict standards and demonstrating an ongoing commitment to quality improvement. Delphi's Energy & Chassis Systems division was presented with three product-quality achievement awards from Subaru of Indiana Automotive Inc. (SIA) for products used on Isuzu's 2002 Axiom and Rodeo models. Additionally, Delphi plants were recognized by the National Safety Council during the quarter with 69 awards for health and safety excellence throughout 2002 in the areas of lost work day injuries, perfect records and continuous improvement. In 2003, Delphi has received 21 major awards for quality and customer satisfaction.

Other Q2 2003 Financial Activities

During the quarter, Delphi successfully renewed its 364-day \$1.5 billion revolving credit facility, with demand exceeding the offering amount. The company also will continue to monitor capital market activity to assess the timing for a potential REIT preferred stock issuance. "We believe a REIT preferred offering presents an efficient means of financing and a way to 'term out' required contributions to Delphi's pension funds," Dawes stated.

2003 First Half Financial Highlights

* Revenue for 1H 2003 was \$14.3 billion as compared to \$14.0 billion for the same period in 2002.

* Net income for 1H 2003 was \$215 million or \$0.38 per share, compared to 1H 2002 net income of \$169 million or \$0.30 per share. 1H 2002 pro forma net income was \$343 million or \$0.60 per diluted share.

CY and Q3 2003 Outlook

Dawes reaffirmed that calendar year revenue is expected to range between \$27.5 billion and \$28.0 billion but that revenues would be close to \$27 billion on an exchange-adjusted basis comparable to CY 2003 guidance given in December 2002. Of the revenue total, \$6.6 billion is expected in Q3. "Production volumes are toward the low end of our projected range. Consequently, we expect our CY earnings to come in between \$375 million to \$475 million as indicated earlier, but they'll likely be in the lower half of the range, consistent with First Call consensus. For the third quarter, the low revenue suggests our earnings will be just above breakeven, or approximately \$0.01 per share. This excludes the impact of any remedy in our Moraine, Ohio, labor arbitration case, as well as the outcome of upcoming labor negotiations," Dawes continued.

* "Within our \$1.2 billion to \$1.3 billion (2) CY 2003 operating cash flow, we expect between \$50 million and \$150 million (3) in Q3," Dawes added.

42. Also on July 17, 2003, Delphi filed its quarterly report with the SEC on Form 10-Q.

The Company's Form 10-Q was signed by defendant Sheehan and reaffirmed the Company's

previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

43. On October 16, 2003, Delphi issued a press release with headline "Delphi Intensifies Action to Improve Competitiveness." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported a GAAP net loss of \$353 million for Q3 2003 on sales of \$6.6 billion. These results include a \$356 million after-tax restructuring charge related to employee and product line costs. Excluding the charge, the company reported net income of \$3 million during the quarter, in line with guidance and First Call consensus.

"Our value drivers, as we've consistently noted, are diversified business growth through technology-rich, game changing products and the transformation of our legacy cost structure," said J.T. Battenberg III, Delphi's chairman, chief executive officer and president. "We've made steady progress on diversifying our customer base and, in Q3, our non-GM revenues exceeded 40 percent of total sales. We've also made great improvements to our cost structure through the application of our lean enterprise skills. Now that our negotiations with the UAW are behind us, we've reached a key point where we can intensify our efforts to reduce our legacy costs."

"Because negotiations have concluded and in light of our employee demographics, we anticipate a high rate of normal retirements and significant opportunities for employees to return to GM, or 'flowback,' in the near term," Battenberg said. "In addition, we've notified the UAW of our intent to raise the issue of consolidating certain under-performing facilities. We've also taken actions to ensure our salaried and non-U.S. workforce is in line with business requirements. These swift, decisive actions require an investment that

affects our GAAP earnings for the quarter. However, while we still have a good deal of work ahead of us, the steps we've taken to enhance our value drivers will yield immediate and long-term value for Delphi's shareholders."

2003 Q3 Financial Highlights

* Non-GM business increased to more than 40 percent of Q3 revenues, compared to year-ago levels of 37 percent. Non-GM revenue for the quarter was \$2.6 billion, up 11.3 percent from \$2.4 billion in Q3 2002.

* GM North American content per vehicle was \$2,746 for the quarter, above the \$2,675 level previously forecast for the year, reflecting stronger truck sales.

* Revenue of \$6.6 billion, up 1.8 percent from \$6.4 billion in Q3 2002. Excluding the effects of foreign exchange, revenue would have remained stable year-over-year at \$6.4 billion.

* Net income, excluding restructuring charges, of \$3 million or \$0.01 per share, compared to Q3 2002 net income of \$54 million or \$0.10 per share.

* Operating cash flow was \$177 million excluding the impact of the charge.(1)

"This quarter posed some unique challenges," noted Alan Dawes, Delphi's vice chairman and chief financial officer. "Although U.S. auto sales were strong, a significant portion of those sales came from existing inventory which, for the Big 3 U.S. automakers, declined by 379,000 units over the past three months. Consequently, the global vehicle production environment remained soft throughout Q3."

UAW Contract Update

During the quarter, Delphi concluded negotiations with the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW).

"Because of the hyper-competitive industry we're in, Delphi and the UAW worked some very tough issues during negotiations," Battenberg said. "The agreement provides Delphi with a platform to

take important steps to boost Delphi's competitiveness in the short term."

The contract includes the following highlights:

* Mirror agreements - This is the last agreement in which Delphi is contractually bound to mirror the UAW's agreement with GM.

* Economics - Other than a \$3,000 upfront payment, the agreement provides no wage increases in year one, a 3 percent lump sum payment in year two, and 2 and 3 percent wage increases in years three and four, respectively. The contract also provides 2 percent annual pension benefit increases for eligible employees and \$800 annual lump sum payments for retirees. Finally, the contract includes some important changes in prescription drug coverage and other healthcare changes.

* Flowback to General Motors - Consistent with prior agreements, this agreement provides opportunity for employees to return to GM or "flowback." "We believe there is potential for a significant number of employees to take advantage of flowback opportunities during the life of the contract, based on what we understand about GM's hiring needs," Battenberg said.

* Consolidations - "We have no explicit agreement from the UAW on closures," Battenberg noted. "That said, we have notified the union that it is our intent to raise the issue of potential consolidation of three facilities in our Automotive Holdings Group. These facilities are located in Olathe, Kansas; Tuscaloosa, Alabama; and Flint, Michigan. Delphi and the UAW will have to work together on this initiative and I am confident we can reach resolution in a manner that satisfies our shared objectives."

* Two-tier wage structure - "We are optimistic the contract provides a platform for accomplishing a two-tier wage structure," Battenberg said. "Competitive wages are critical to helping Delphi win new business and supporting our transformation, and we're continuing our dialogue with the UAW on this matter."

"I'm continually impressed with the knowledge and professionalism of the UAW leaders as well as their deepening understanding of the challenges Delphi faces," Battenberg said. "We share a common goal

with the UAW -- a strong, competitive, growing Delphi -- and we both know we must work together to achieve it."

Q3 Restructuring Charges

Upon conclusion of negotiations with the UAW, Delphi initiated global actions designed to address under-performing operations, appropriately size the company's global salaried and hourly workforce, and strengthen its competitive position. As a result of these initiatives, Delphi expects to reduce its U.S. hourly workforce by up to 5,000 employees primarily through normal retirements and flowbacks, its U.S. salaried workforce by 500 employees and its international workforce by approximately 3,000 employees.

The restructuring charges recorded in the third quarter include costs relating to the planned downsizing of approximately 1,500 U.S. UAW hourly employees, approximately 300 IUE employees at our Packard operations, approximately 500 U.S. salaried employees and approximately 3,000 non-U.S. employees. As of September 30, approximately 150 non-U.S. employees have left. Additionally, charges were recorded in the quarter to reduce the value of certain fixed assets and inventory impacted by the plans, and for payments to retirees in connection with the UAW agreement; resulting in total charges recorded in the third quarter of \$356 million (after-tax).

Delphi's plans entail further workforce reductions, including employees accepting voluntary offers to flowback, and other structural cost initiatives. The company currently expects to incur charges of approximately \$159 million after-tax related to these permanent hourly reductions and other initiatives, which will be recorded in future periods. As a result, Delphi anticipates it will incur total charges related to these initiatives of approximately \$515 million through December 31, 2004.

Other Q3 2003 Activities

The following activities and achievements were also announced during the quarter:

* \$2.5 billion in new commercial vehicle business - Delphi announced it secured more than \$2.5 billion in future new business for commercial vehicles (CV) during the first nine months of 2003, exceeding the company's target for the entire year. Delphi has steadily

increased its CV business during each of the past three years. In 2002, the company booked \$1.1 billion of new CV business, up from \$900 million in 2001.

* Delphi XM Roady introduction - Delphi and XM Satellite Radio (NYSE: XMSR), America's leading satellite radio provider, launched their newest product for the vehicle, the Delphi XM Roady, in September. The Roady is the first complete satellite radio system for the vehicle for under \$120 in one simple, easy-to-install package. Since the company introduced the first satellite radios for OEM applications in 2001, Delphi has produced and shipped more than 1.2 million factory-installed and retail satellite radios for this new entertainment medium. Satellite radio is the fastest-selling new audio product in 20 years, and Delphi remains the clear market leader in satellite radio units.

* New sensor business with the Chrysler Group - Delphi received two new contracts to supply crankshaft sensors to the Chrysler Group for four- cylinder, six-cylinder and eight-cylinder Chrysler, Jeep(R) and Dodge engines. These contracts make Delphi a major supplier of crankshaft sensors to the Chrysler Group.

* New battery, switch, and electrical/electronic distribution system business with Renault - Delphi won multi-year contracts through 2006 valued at more than \$335 million with Renault, supplying Delphi Freedom(R) batteries, steering column modules, switches and electrical/electronic distribution (E/ED) systems. The contracts make Delphi one of the major battery and E/EDS suppliers to Renault, supporting Renault in both Europe and South America. By the end of 2004, more than 900,000 vehicles manufactured by Renault globally will be started by a Delphi Freedom battery.

* Comfort and convenience technologies for Chrysler Pacifica - Delphi announced it is providing heating, ventilation and air conditioning (HVAC) controls, power liftgate technology, modular door switches, and fuel modules for the all-new Chrysler Pacifica sports touring vehicle. As optional equipment, Delphi is also delivering satellite digital audio radio receivers for SIRIUS satellite radio service.

* Delphi selected by the Dow Jones Sustainability Index (DJSI) - Delphi has been selected to be included as an index component of the DJSI World Indexes, with top ratings in several key areas related to

the index's economic, environmental and social dimensions. Delphi's scores on corporate governance, investor relations and strategic planning matched or were close to the best scores in the industry, and the company's performance on environmental policy and stakeholder engagement also was strong.

Q4 2003 Outlook

For the fourth quarter, Delphi expects revenue to be in the \$6.8 to \$7.1 billion range reflecting current production schedules. Earnings, excluding restructuring-related activities in the quarter, are expected to be consistent with consensus estimates of \$126 million to the extent that revenue approaches the consensus level of \$7.02 billion. Restructuring-related expenses, primarily people placement costs, to be incurred in the quarter are estimated at \$40 million after-tax. Operating cash flow is expected to be \$0.5 billion for the quarter.

44. Also on October 16, 2003, Delphi filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant Sheehan and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

45. On January 20, 2004, Delphi issued a press release with the headline "Delphi Continues Strong Cash Generation in Q4, CY 2003." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported increased operating cash flow year-over-year for the fourth quarter of 2003, bringing calendar year 2003 operating cash flow to \$1.22 billion(1) as the company continued to execute its restructuring plans and expand its non-GM revenues to 42 percent of Q4 2003 sales. The company generated

operating cash flow of \$547 million⁽¹⁾ for the quarter, up 21 percent year-over-year from Q4 2002.

Delphi's Q4 2003 revenue was \$7.26 billion, up 4.1 percent from Q4 2002, including revenues realized as a result of Delphi's acquisition of Grundig Car Intermedia System GmbH (Grundig) in November 2003. GAAP net income for the quarter was \$82 million, which included the impact of \$46 million in previously anticipated charges related to restructuring initiatives announced in October 2003. Excluding these costs, Q4 net income was \$128 million, or \$0.23 per share, at the high end of the prior guidance range of \$110 to \$130 million. Thomson First Call consensus was \$0.21 for the period.

"Our strategy continues to focus on strong operating cash flow through growth in our non-GM revenues, which were up 16 percent for the calendar year, as well as our focus on operational efficiencies and aggressive structural cost reduction efforts," said J.T. Battenberg III, Delphi's chairman, CEO and president. "Delphi is utilizing operating cash flow to reduce legacy liabilities, strengthen our balance sheet, optimize our global footprint and pay dividends. At the same time, we maintained our strong focus on developing game-changing technologies, creating value for Delphi's investors."

Fourth Quarter 2003 Financial Highlights

* Revenue of \$7.26 billion, up 4.1 percent from \$6.97 billion in 2002. This includes \$54 million in revenues attributable to Delphi's acquisition of Grundig in November 2003.

* Operating cash flow of \$547 million⁽¹⁾, up 21 percent from Q4 2002, and slightly higher than guidance of \$500 million due to higher earnings and lower working capital.

* Non-GM revenue of \$3.02 billion, up 22 percent from \$2.49 billion in Q4 2002. For the quarter, 42 percent of revenues came from customers other than GM.

* GAAP net income for the quarter of \$82 million, or \$0.15 per share, which includes the impact of \$46 million in restructuring-related charges arising from the implementation of plans announced in October 2003, in line with prior guidance of \$40 to \$50 million. Q4 net income was \$128 million, or \$0.23 per share, excluding these charges, consistent with guidance of \$110 to \$130 million.

Calendar Year 2003 Financial Highlights

* Revenue of \$28.1 billion, up 2.4 percent from \$27.4 billion in 2002.

* Operating cash flow of \$1.22 billion, as compared to \$1.26 billion in CY 2002 (1).

* Non-GM revenue of \$11.1 billion, up 16 percent from \$9.6 billion in CY 2002. For the year, 39 percent of revenues came from customers other than GM.

* GAAP net loss for the year of \$56 million, or (\$0.10) per share, which includes the impact of \$402 million in restructuring-related charges arising from the implementation of plans announced in October 2003. CY 2003 net income excluding these items was \$346 million, or \$0.62 per share, consistent with guidance of \$328 to \$348 million.

"The keys to our ability to generate cash from operations are sustained growth of non-GM revenues and continued aggressive cost reduction activities," added Battenberg. "We're optimizing our global presence and offering differentiating technologies -- including satellite radio, diesel systems, safety systems, and performance-enhancing ride and handling technologies -- that consumers value. Our business has expanded to include every major automaker worldwide and we're also seeing strong growth in adjacent markets." In Q4 2003, Delphi's non-GM revenues exceeded \$3 billion for the first time, reaching 42 percent of total sales. For the year, customers other than GM accounted for \$11.1 billion, or 39 percent of revenue, both new milestones for Delphi.

"We're building on our five-year track record of generating consistent operating cash flow across different volume scenarios," noted Alan Dawes, Delphi's vice chairman and chief financial officer. "We're also proving our ability to execute our long-term strategy, which will lead to increased shareholder value. In particular, we're managing our book of GM business with the declines primarily accounted for by orderly exits of commodity products. At the same time, we're accelerating the growth of Delphi's non-GM business so that growth in our revenues from customers other than GM exceeds exit-driven declines in our GM business. Based on our business bookings, we see this growth trend continuing."

Restructuring Update

Following successful completion of its negotiations with the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), Delphi initiated global actions designed to address under-performing operations, appropriately size the company's global salaried and hourly workforce, and strengthen its competitive position. "We are actively pursuing all opportunities to reduce structural costs through facility consolidations, attrition-based headcount reduction, and efforts to create competitive wage and benefit structures," Dawes said.

As announced in October 2003, Delphi anticipates it will incur a total of approximately \$515 million after-tax in charges related to this restructuring effort through December 31, 2004. Delphi recorded \$356 million after-tax in Q3, and \$46 million after-tax in Q4, bringing total restructuring expenses to \$402 million after-tax for 2003. The balance of \$113 million after-tax, related to permanent hourly reductions and other initiatives, will be recorded in future periods.

"To date, as part of these initiatives, Delphi has already achieved its targeted reduction of 500 U.S. salaried workers, and we're well on our way to reducing our non-U.S. workforce by 3,000, having already achieved a reduction of 1,550," Dawes added.

"Through the end of 2004, our plans also call for reducing Delphi's U.S. hourly workforce by 5,000 through a combination of normal retirements and flowbacks to GM," Dawes continued. "We are making good solid progress on these efforts, and are slightly farther along than we expected to be at this point, having already achieved 1,600 of the total target."

As part of this restructuring, Delphi continues to work with the UAW to enhance the competitiveness of its U.S. cost structure, which is critical to the company's transformation and efforts to win new business. "We expect to complete negotiations on a two-tier wage and benefit structure within 90 days," Dawes said. "We also expect to take steps toward the consolidation of four facilities in our Automotive Holdings Group, as previously announced. This will enable us to create a much more competitive cost environment over time and win new work, which will lead to better returns and enhanced value for Delphi's shareholders."

Furthermore, in November 2003 Delphi said it planned to consolidate product lines managed by its Safety & Interior Systems division into Delphi Electronics & Safety (formerly Delphi Delco Electronics Systems) and Delphi Thermal & Interior (formerly Delphi Harrison Thermal Systems), eliminating one operating division. This change became effective January 1, 2004. The company is also on track with plans to consolidate support staffs across its headquarters, divisions and regions.

Pension Update

"Our strong operating cash flow of \$1.22 billion has enabled Delphi to address the challenges posed by our pension liabilities," Dawes said. "In 2003, we contributed \$0.6 billion of operating cash flow to our pension funds. We contributed an additional \$0.4 billion in trust preferred proceeds in Q4 2003, bringing Delphi's total pension contributions to \$1 billion for 2003."

On December 31, 2002, the under-funded status of Delphi's pensions was \$4.1 billion. The company saw the impact of \$500 million in liability increases resulting from its new labor agreements, as well as the effects of the reduced discount rate, which fell to 6.25 percent from 6.75 percent. Taken together with Delphi's contributions, as well as a return rate for Q4 of approximately 20 percent on pension fund investments, Delphi's under-funded status as of December 31, 2003 was \$4.0 billion. "Because we anticipate Delphi will continue to generate strong operating cash flow, we view these obligations as quite manageable," Dawes added.

Business Highlights

* China - In 2003, Delphi remained the largest foreign-invested automotive supplier in China, which became the world's fourth-largest automotive producer and moved into the number-three position for sales during the year. Calendar year 2003 consolidated revenue for Delphi China was \$650 million, representing an approximately 50 percent year-over-year increase and continuing the company's track record for strong annual sales growth. In December, Delphi announced it is investing \$50 million in a new R&D technical center in Shanghai.

* Labor negotiations - In 2003, Delphi completed negotiations with two unions that represent the majority of the company's U.S. hourly

workforce. Delphi's new four-year contract with the UAW includes modest wage economics and provisions for helping Delphi boost competitiveness. Delphi's four-year pact with the IUE-CWA, the Industrial Division of the Communications Workers of America, AFL-CIO, CLC, is also consistent with Delphi's efforts to bolster competitiveness and enhance shareholder value.

* Growth and opportunity process - In Q4 2003, GM and Delphi reached agreement on a growth and opportunity process that provides for advanced review of GM sourcing opportunities that can help stabilize business at Delphi's U.S. legacy sites. This initiative is part of Delphi's overall efforts to strengthen the competitive position of certain North American operations through cost reductions and revenue growth opportunities.

* Satellite radio - Delphi continued its dominance in satellite radio and, by the end of 2003, Delphi had shipped 1.8 million satellite digital audio receiver systems to vehicle manufacturers and retailers, including three-quarters of a million Delphi XM SKYFi units to retail customers such as Best Buy, Circuit City, Wal-Mart, Sears and Crutchfield.

* Wireless and consumer electronics - Delphi booked more than \$3 billion in global wireless business during 2003, a 50 percent year-over-year increase. During the year, Delphi sold increased volumes of radio head units and receiver boxes, MP3 radios, navigation systems, rear-seat entertainment systems, Bluetooth(TM) and Wireless Application Protocol Internet browser technologies, terrestrial digital TV and advanced active antenna systems.

* Diesel - Sales of Delphi diesel common rail systems increased from 1 million units in 2002 to 1.2 million in 2003, and are forecast to grow to 2.5 million units by 2007. Delphi is currently number 2 in the European market and diesel is an important part of the company's overall growth in the region. Customers for Delphi's award-winning common rail diesel technology include Ford, Renault, PSA Peugeot Citroen, Kia/Hyundai and Ssangyong, along with two major worldwide powertrain technology leaders and three additional Asian OEMs that have not yet been announced.

* Grundig acquisition - In November, Delphi announced its acquisition of Grundig Car Intermedia System GmbH (Grundig) for \$39 million, including cash acquired. "This acquisition, expected to

be modestly accretive to our earnings in the first full year of operation, is an example of how Delphi's use of operating cash for small, strategic acquisitions will drive increased value to investors," Dawes noted. "The Grundig acquisition will enhance our European electronics sales, as well as strengthen customer relationships and bolster our local engineering and manufacturing support in the region."

* Lean and Quality initiatives - During 2003, Delphi continued its progress toward a Lean enterprise, redoubling efforts in its manufacturing, engineering and purchasing functions. "Our results remain impressive," noted Dawes. "For the year, we reduced PPM by 50 percent and our on time delivery to OEM customers reached a new high of 99.2 percent. This level of performance is helping us win new business." Throughout the calendar year, Delphi received numerous industry and customer accolades, including the "Excellence Award for Quality" from Toyota, "Masters of Quality" from Freightliner, "Quality Performance Award" from Honda, "Supplier of the Year" from GM, "Gold Star Award" from Ford, and a record-setting four Shingo Prizes for manufacturing excellence from Utah State University. Delphi also received an Automotive News PACE award for its breakthrough MagneRide(TM) suspension system technology.

Q1 2004 Outlook

Delphi also provided its outlook for Q1 2004. "We continue to see strong growth trends out of China, as well as the continued effects of the strengthening Euro and weakening Mexican peso, which will be generally positive," Dawes stated. "At the same time, we're also seeing weaker production schedules than anticipated among some North American customers, reflecting year-end inventory positions."

Q1 2004 revenue is expected to range between \$7.2 and \$7.4 billion. This forecast reflects \$200 million in anticipated currency exchange improvements compared to Delphi's December 2003 guidance. GAAP net income is expected to be \$30 to \$80 million, including \$45 to \$65 million in restructuring costs, or \$85 to \$125 million excluding these items. Operating cash flow is forecast between \$150 and \$250 million.

46. On January 28, 2004, Delphi filed its annual report with the SEC on Form 10-K. The Company's Form 10-K was signed by defendants Battenberg, Dawes, and Sheehan and reaffirmed

the Company's previously announced financial results. Additionally, the Company's Form 10-K contained the following clean audit opinion by Deloitte:

We have audited the accompanying consolidated balance sheets of Delphi Corporation ("Delphi") as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the management of Delphi. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Delphi as of December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements of Delphi taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2003 Delphi changed its method of determining the cost of certain inventories from the last-in, first-out method to the first-in, first-out method. The consolidated financial statements presented for 2002 and 2001 have been adjusted to give retroactive effect to the change.

47. On April 16, 2004, Delphi issued a press release with the headline "Revenue Growth

Drives Increased Delphi Cash Flow in Q1." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported Q1 2004 revenues of \$7.4 billion, up from \$7.2 billion for the same period in 2003. Non-GM revenues were \$3.2 billion, up 23 percent from Q1 2003. GAAP net income for the quarter was \$54 million, or \$0.10 per share. Net income for the quarter, excluding charges related to plans announced in October 2003, was \$123 million or \$0.22 per share, compared to analyst consensus as reported on First Call of \$0.20 per share. Operating cash flow in Q1 was \$217(1) million, up 43 percent year-over-year from Q1 2003.

"In the first quarter, we increased our strong operating cash flow and continued to move aggressively on restructuring initiatives that improve our ability to compete for -- and win -- new business," said J.T. Battenberg III, Delphi's chairman, president and chief executive officer. "Moreover, as a result of our ongoing technology leadership, we saw double-digit growth in sales to customers other than GM. We see this strong growth continuing, as evidenced by the 14 percent compound annual growth rate (CAGR) for non-GM business forecast through 2006."

2004 Q1 Financial Highlights

* Revenue of \$7.4 billion, up 3.2 percent from \$7.2 billion in Q1 2003.

* Non-GM business increased to 43 percent of Q1 revenues, compared to year-ago levels of 37 percent. Non-GM revenue for the quarter was \$3.2 billion, up 23 percent from \$2.6 billion in Q1 2003. Excluding the effects of foreign exchange (principally, the appreciation of the Euro against the U.S. dollar), non-GM revenue for the quarter increased 14 percent.

* Operating cash flow was \$217 million, up from \$152 million for Q1 2003.(1)

* GAAP net income of \$54 million or \$0.10 per share. Excluding charges related to plans announced in October 2003, net income for the quarter was \$123 million or \$0.22 per share, compared to Q1 2003 net income of \$127 million or \$0.23 per share.

"Once again, Delphi extended its track record for strong cash generation," said Alan Dawes, Delphi vice chairman and chief financial officer. "We've continued to manage our discretionary capital expenditures and SG&A, freeing up substantial cash for restructuring, dividends and other value-enhancing activities."

"We accelerated our non-GM business growth," Dawes added. "Demand for Delphi's safety, connector and electrical/electronic distribution systems (E/EDS) has resulted in new revenues from customers that include Ford Motor Company and various commercial vehicle manufacturers. Our growth strategy -- which emphasizes investment in technology-rich products, leverage of our capabilities into adjacent non-automotive markets, and pursuit of new business with every major automaker worldwide -- is validated by Delphi's performance during the quarter. Delphi's results were at the high end of the prior guidance range, primarily reflecting higher revenue and a lower effective tax rate (tax impact of \$0.01 per share)."

Restructuring Plans and Related Activities

In Q1, Delphi made significant progress toward completing a restructuring plan announced in October 2003, which anticipated total charges of \$807 million pre-tax and a planned reduction in Delphi's worldwide workforce of 8,500 by the end of 2004. In CY 2003, the company incurred \$616 million pre-tax in charges related to this effort. In Q1 2004, Delphi recorded \$90 million in pre-tax charges primarily relating to global hourly and salaried workforce reductions. Total charges for the restructuring incurred to date are \$706 million pre-tax.

"To date, Delphi has reduced its U.S. hourly workforce by 3,750 through a combination of normal retirements, flowbacks to GM, and other attrition, against our goal of 5,000," Dawes said. "We've also trimmed our non-U.S. workforce by a total of 2,900 and we've completed the consolidation of our support staffs across headquarters, divisions and regions. To date, our global workforce has been reduced by 7,150 through these restructuring initiatives. Additionally, our consolidation activities are progressing, along with discussions regarding a competitive wage structure. We expect these issues to be addressed in April."

2004 Q1 Business Highlights

Throughout the quarter, Delphi won new business and was recognized for technology leadership and customer satisfaction. Highlights for Q1 2004 include:

* Delphi in China - During the quarter, Delphi said it plans to expand its current manufacturing capability in Suzhou, China. The company announced it will invest \$41 million in two new manufacturing facilities where Delphi Electronics & Safety will produce various electronic and mobile multi-media products. Delphi continues to grow its sales in China to leading local manufacturers, including affiliates of GM and Volkswagen.

* Delphi in adjacent markets - In 2004, Delphi expects sales of more than \$2 billion in adjacent markets, including independent aftermarket, consumer electronics, commercial vehicles, medical, homeland security and other sectors.

-- Consumer electronics and satellite radio - In Q1, Delphi introduced the Delphi CD Audio System, the industry's first "all-in-one" audio system that enables users to access Delphi XM SKYFi(TM) satellite radio, AM/FM radio and CD/MP3 player capabilities. The company also unveiled Delphi Mobile Video, a compact single-disc overhead entertainment solution, as well as two brand new audio receivers designed to provide consumers advanced functionality and improved performance with digital quality. Additionally, Delphi announced Penske Truck Leasing will outfit some of its class 8 trucks with Delphi's satellite radio and antennas to receive SIRIUS reception through a deal with its distributor, Pana-Pacific.

-- Defense and homeland security - In Q1, Delphi said it is working with the U.S. Marine Corps and the National Center for Manufacturing Sciences (NCMS) to provide a technology edge for the Light Armored Vehicle (LAV).

-- Medical devices - In addition, Delphi Medical Systems Corporation, a Delphi subsidiary, secured \$80 million in new business with Sunrise Medical, one of the world's largest manufacturers of homecare and extended care products.

* E/EDS business with Mercedes - Delphi earned significant E/EDS content on the next generation Mercedes C-Class scheduled for introduction in 2007. The lifetime value of the contract is approximately \$750 million.

* Ford business growth - During Q1, Delphi announced key business wins with Ford, including:

-- E/EDS for Ford's next-generation Transit MCV. Delphi also began supplying the electrical system for the current Transit model during the second half of last year. Delphi also announced it is providing E/EDS for Ford's line-up of full-size, rear-wheel-drive vehicles, including the Ford Crown Victoria, Mercury Grand Marquis and Lincoln Town Car.

-- Family Entertainment Systems for the 2004 Ford Freestar and Mercury Monterey.

-- SIRIUS satellite radio content with Delphi audio systems for two of its popular truck platforms.

* Awards - During the quarter, Delphi won Automotive News PACE(TM) Awards for its Forewarn Back-up Aid and Side Detection technology, and its Horizontal Modeling and Digital Processes Design for CAD/CAM, as well as a PACE honorable mention for its set-top box for mobile TV reception. In addition, eight Delphi facilities were announced as recipients of the 2004 Shingo Prize, which recognizes manufacturing excellence. Including those received in 2004, Delphi has received 20 Shingo awards to date, more than any other company in the world. Also in Q1, Delphi earned a quality performance award from Toyota Motor for products featured on various models, as well as several awards from Toyota Motor Manufacturing North America for excellence in quality, cost and delivery. Finally, the company received the Triple Crown Award from NUMMI for achieving performance excellence and meeting all NUMMI targets in cost, quality and delivery.

Sales Outlook Through 2006

Delphi's total sales for CY 2004 are estimated at \$28.6 billion to \$29.1 billion. Total annual sales, based on organic growth plans, are expected to rise to \$29.6 billion in 2006 and sales to customers other than GM are expected to grow 14 percent on a compound annual basis from 2003 through 2006. In 2006, sales to customers other than GM are expected to be \$16.6 billion, or 56 percent of total sales. Forecasts are based on the company's revenue backlog through 2006, which is subject to exchange rates and production volumes.

"We're well-positioned to have no single customer account for more than 50 percent of Delphi's revenue," Dawes stated. "As we grow our business with automakers around the world, we expect these new revenues will offset anticipated declines in GM business, which will continue as we implement our strategy to exit certain commodity businesses. We've worked hard to enhance our product portfolio and diversify our customer base, and these efforts will continue to drive our financial performance," Dawes noted.

Q2 2004 Outlook

Dawes said Q2 2004 revenue is expected to range between \$7.5 billion and \$7.8 billion. "GAAP net income is expected to range from \$105 million to \$145 million in the quarter, reflecting \$20 million to \$40 million in after-tax restructuring costs, or \$145 million to \$165 million excluding these items. Operating cash flow is forecast between \$350 and \$450 million(2)," he said.

"For 2004, Delphi's challenges, principally U.S. production and raw material price exposures, are balanced by opportunities in Asia and adjacent markets, as well as additional anticipated tax benefits," Dawes continued. "Delphi will continue to grow its enterprise value by increasing operating cash flow. Combined with the impact of favorable external market and legislative factors, use of this cash will allow us to manage down legacy claims on the enterprise."

48. Also on April 16, 2004, Delphi filed its quarterly report with the SEC on Form 10-Q.

The Company's Form 10-Q was signed by defendant Sheehan and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

49. On July 16, 2004, Delphi issued a press release with the headline "Delphi Reports

Solid Second Quarter Results." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported Q2 2004 revenues of \$7.5 billion, up 6 percent compared with the same period in 2003, driven by 23 percent growth in non-GM sales. Strong revenue growth and continued structural cost improvements contributed to Delphi's GAAP net income of \$131 million or \$0.23 per share, compared to Q2 2003 net income of \$88 million or \$0.16 per share. On a pro-forma basis(1), earnings were \$156 million or \$0.28 per share, in line with the First Call estimate. The company generated \$469 million in operating cash flow(2), up from \$344 million in Q2 2003.

"Delphi's aggressive customer diversification drove non-GM sales to a record 45 percent of Q2 revenues due particularly to high-tech product portfolio sales, global expansion and adjacent market growth, principally consumer electronics," said J.T. Battenberg III, Delphi's chairman, president and chief executive officer. "We are seeing this revenue growth translate into strong operating cash flow which grew 36 percent this quarter compared to Q2 2003."

2004 Q2 Financial Highlights

* Revenue of \$7.5 billion, up 6 percent from \$7.1 billion in Q2 2003.

* Non-GM business increased to a record 45 percent of Q2 revenues, compared to year-ago levels of 39 percent. Non-GM revenue for the quarter reached an all-time high of \$3.4 billion, up 23 percent from \$2.8 billion in Q2 2003 (up 20 percent excluding the impact of foreign exchange).

* GAAP net income of \$131 million or \$0.23 per share, compared to Q2 2003 net income of \$88 million or \$0.16 per share. Earnings for the quarter include a \$12 million reduction of income tax reserves associated with the substantial completion of the 1999/2000 U.S. federal tax audit and the impact of \$37 million after-tax charges related to previously announced restructuring plans. Excluding these items, pro-forma earnings grew 77 percent year-over-year to \$156 million.

* Operating cash flow(2) was \$469 million, up 36 percent from \$344 million in Q2 2003.

"Delphi maintained its track record of strong operating cash flow generation, demonstrating our operational strength," said Alan Dawes, Delphi vice chairman and chief financial officer. "The company generated \$469 million in operating cash flow(2) for the quarter driven by higher earnings, improvements in accounts receivables and capital spending efficiencies. Delphi's strong operating cash flow allowed us to strengthen the balance sheet through pension contributions as well as fund ongoing restructuring activities."

Restructuring Update

In Q2, Delphi made additional progress on restructuring activities announced in October 2003, which anticipated total charges of \$807 million pre-tax over 15 months. In Q2 2004, Delphi recorded \$46 million in pre-tax charges primarily relating to high-wage U.S. hourly workforce reductions.

"During the quarter, Delphi reduced its U.S. hourly workforce by 1,175, bringing our total reductions to 4,925 against our goal of 5,000 by year end," Dawes said. "We have met the salaried and global headcount reductions, and we expect to exceed planned U.S. hourly headcount reductions by 500 to 1,000 through additional attrition by year end. We anticipate the additional U.S. hourly attrition will result in \$15 million of additional costs. On balance, this additional attrition will not result in further one-time costs as they will be compensated by the favorable \$12 million tax item. Total charges remaining for planned restructuring activities are expected to be \$70 million pre-tax."

2004 Q2 Business Highlights

Highlights disclosed during Q2 2004 include:

* CONSUMER ELECTRONICS - During the quarter, Delphi reached the 1 million mark in sales of portable satellite radio receivers to retailers. In total, Delphi has sold 2.6 million receivers including both retail and original equipment radios. Also during Q2, Delphi and XM Satellite Radio introduced the new Delphi XM "Roady2"(TM) -- an all new plug-and-play satellite radio receiver. The unit also has a built-in wireless FM adapter for easy connection to any car or home radio and is the first receiver to display up to 20 customized stock quotes. In addition, Delphi introduced the Delphi XM SKYFi(TM)

Marine Kit, the industry's first plug & play satellite radio package for marine applications, designed to be compatible with the Delphi XM SKYFi.

* LABOR - In April, Delphi and the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America, UAW, finalized a seven-year supplement to the 2003 UAW-Delphi National Agreement, setting new-tiered wage and benefit levels for future hires. The new levels should improve Delphi's long-term competitiveness and help secure future business in certain U.S. facilities. The supplement's tiered wages and benefits bring to UAW Delphi sites the approach used elsewhere in Delphi, as well as other automotive companies.

* AWARDS - During the quarter, Delphi ranked No. 1 in automotive technological strength for the second straight year, according to an annual industry study by Technology Review, MIT's magazine of innovation. In the study of 111 automotive companies, Delphi was found to have the strongest intellectual-property power based on the company's patent portfolio. Also in Q2, Delphi received the Honda Delivery Award for performance and delivery to Honda facilities. In addition, Delphi's Bangalore, India facility earned two Toyota supplier awards and three certificates for achieving excellent quality and delivery.

* ADJACENT MARKETS - Delphi continued its diversification into adjacent markets with the following announcements:

-- Medical Systems - Delphi Medical Systems Corp. recently signed a licensing agreement with Switzerland-based medical device company Debiotech, S.A. to manufacture and market Debiotech's ambulatory intravenous (IV) pump, its associated disposables and accessories.

-- Commercial Vehicles - Delphi was selected by the U.S. Department of Energy to help develop a solid oxide fuel cell (SOFC) auxiliary power unit (APU) for long-haul trucks and other commercial vehicles. The program objective is to develop, construct and validate an SOFC APU system to help reduce truck idling, save fuel and reduce emissions.

Q2 2004 Financing Activities

During the quarter, Delphi successfully renewed \$3 billion of revolving credit facilities including a \$1.5 billion 364-day facility and a \$1.5 billion 5-year facility, with bank commitments significantly exceeding the \$3 billion target. Additionally during Q2, Delphi repaid a \$500 million bond maturity, which was previously pre-funded through a \$500 million bond issuance in Q3 2003.

Also in Q2, Delphi made a planned \$600 million contribution to fund U.S. pensions.

2004 First Half Financial Highlights

* Revenue for 1H 2004 was \$15.0 billion as compared to \$14.3 billion for the same period in 2003.

* GAAP net income for 1H 2004 was \$185 million or \$0.33 per share, compared to 1H 2003 GAAP net income of \$215 million or \$0.38 per share. Earnings for the first half of 2004 include a \$12 million reduction of income tax reserves associated with the substantial completion of the 1999/2000 U.S. federal tax audit and the impact of \$106 million after-tax charges related to previously announced restructuring plans. Excluding these items, pro-forma net income for 1H 2004 was \$279 million or \$0.50 per share.

* Non-GM revenue for 1H 2004 was \$6.6 billion, up 23 percent from 1H 2003.

* Operating cash flow(2) was \$686 million for 1H 2004, compared to 1H 2003 cash flow of \$496 million.

Q3 2004 Outlook

Beyond the normal seasonal factors, Delphi is anticipating lower North American production levels in Q3 2004. Dawes said Q3 2004 revenue is expected to range between \$6.4 billion and \$6.8 billion, or close to Delphi's 2004 break-even point. "At these lower revenue levels, we're expecting a GAAP loss between \$10 million and \$40 million," he said. "Excluding up to \$20 million of after-tax restructuring expenses, we're expecting pro-forma net income to range between a loss of \$20 million to positive earnings of \$10 million. Both net income ranges include the potential effect of adjusting our tax rate for the year to 15-21 percent, down from our prior guidance of 20-23 percent.

"We expect to continue our strong cash flow generation in Q3 with \$150 million to \$250 million in operating cash flow(3)," Dawes added. "Overall, we're on track to meet our calendar year guidance of \$1.4 billion in operating cash flow and \$400-\$500 million pro-forma net income."

50. Also on July, 16, 2004, Delphi filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant Sheehan and reaffirmed the Company's previously announced financial results. Contained in the Company's 10-Q was the following representation by Delphi that its financial results were fairly presented:

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

51. On October 18, 2004, Delphi issued a press release with the headline "Delphi Generates Strong Cash Flow in Q3." Therein, the Company stated:

Delphi Corp. (NYSE: DPH) today reported Q3 2004 revenues of \$6.65 billion, and a GAAP net loss of \$114 million or a loss of \$0.20 per share. Excluding the impact of previously announced restructuring charges, Delphi reported a pro forma loss(1) of \$66 million or a loss of \$0.12 per share, in line with First Call consensus and guidance issued on Oct. 5, 2004. The company generated \$360 million in operating cash flow(2), exceeding Q3 guidance and reflecting aggressive management of working capital and capital expenditures. Delphi also reaffirmed its Q4 2004 guidance for revenue, earnings and cash flow.

"As we discussed on Oct. 5, the third quarter was a more challenging environment than we experienced in the first half of 2004, with increased commodity pressures, low production volumes, product launch issues and lower attrition," said J.T. Battenberg III, Delphi's chairman, chief executive officer and president. "While we have

near-term challenges, our long-term strategy remains on track and we were able to grow our non-GM sales to 47 percent of Q3 revenues and generate strong operating cash flow(2) of \$360 million -- more than double the amount in Q3 2003. This strong cash flow generation, fueled by our non-GM revenue growth and aggressive cost reductions, allowed Delphi to strengthen its balance sheet and will continue to position Delphi for long-term value creation."

2004 Q3 Financial Highlights

* Revenue of \$6.65 billion, up from \$6.56 billion in Q3 2003.

* Non-GM revenues increased to 47 percent of Q3 revenues, compared to year-ago levels of 40 percent. Non-GM revenue for the quarter reached \$3.2 billion, up 20 percent from \$2.6 billion in Q3 2003.

* GAAP net loss of \$114 million or a loss of \$0.20 per share, compared to Q3 2003 net loss of \$353 million or a loss of \$0.63 per share. Excluding the impact of \$25 million in restructuring charges in Q3, as well as a \$23 million reduction in tax benefits on first half restructuring charges due to a reduction of the tax rate, pro forma net loss(1) of \$66 million or a loss of \$0.12 per share.

* Operating cash flow(2) was \$360 million, more than double the \$177 million in Q3 2003, due to strong working capital and efficient capital spending.

"In the face of near-term headwinds, we are engaging our entire workforce in efforts to identify additional opportunities to defer non-critical SG&A and discretionary spending," said Alan Dawes, Delphi vice chairman and chief financial officer. "In addition, Delphi is focusing on the effective management of our assets, working capital and capital expenditures and limiting our hiring. We are also looking at creative solutions across the entire supply chain to reduce overall costs and counteract some of the commodity market-driven cost increases. These actions will help Delphi continue to respond to the challenges we face during the remainder of the year."

"Furthermore, while we are taking aggressive actions to reduce our cost structure, we will not compromise customer-critical quality and delivery areas or waiver in our commitment to R&D," Dawes added.

Restructuring Update

In Q3, Delphi made additional progress on restructuring activities and announced the completion of consolidation activities at its Automotive Holdings Group Flint West, Mich., manufacturing operation. All production has ceased at the Flint West facility and all the remaining employees at the site have chosen to either retire, flowback to General Motors or transfer to other opportunities within Delphi.

Relating to programs announced in October 2003, U.S. hourly workforce reductions have totaled approximately 5,675 and Delphi anticipates total reductions to be more than 6,000 through the end of 2004.

"While we still have a good deal of work ahead of us, the steps we're taking toward completing our October 2003 restructuring plan will enhance our long-term value for Delphi's shareholders," Dawes said.

2004 Q3 Business Highlights

Delphi announced several business highlights that will increase revenue growth through regional and customer diversification, acquisitions and adjacent market sales. Highlights include:

NEW BUSINESS WINS

- * Delphi will supply motorized power sliding doors on the new Peugeot 1007, making it the first small car to have a single motorized door on both sides, power-assisted throughout the operating range.

- * Delphi will supply heating, ventilating and air conditioning modules for John Deere harvesting equipment.

- * Delphi will supply its MagneRide(TM) system to two premier European vehicle manufacturers for future European market applications.

- * Delphi won a contract with Renault to provide the complete electrical/electronic distribution system for a future Renault vehicle.

ACQUISITIONS - Delphi acquired the intellectual property and substantially all the assets and certain liabilities of Dynamit Nobel

AIS GmbH Automotive Ignition Systems, a key addition to its long-term occupant protection systems business strategy.

CONSUMER ELECTRONICS - Delphi and XM Satellite Radio introduced the new Delphi XM "SKYFi2" -- the next generation SKYFi satellite radio receiver. The Delphi XM SKYFi2 has several new features, including the first-ever "pause" and "replay" functions for satellite radio.

ADJACENT MARKETS

* Aerospace - Delphi and Parlex Corp. have entered into a strategic alliance in the aerospace interconnect market, where Parlex will provide Delphi Connection Systems with flexible circuits for various customer applications. In addition, Delphi was selected by aerospace company, Lycoming Engines, to provide advanced technology for general aviation engines.

* Medical Systems - Delphi Medical Systems Corp. signed a licensing agreement with medical device company Debiotech, S.A. to manufacture and market Debiotech's ambulatory intravenous (IV) pump, its associated disposables and accessories.

* Computer Systems - Delphi launched a patented liquid cooling technology in the computer marketplace by applying its expertise in air conditioning and thermal technology to the personal computer industry. Confidentiality agreements prevent Delphi from disclosing customer details.

Q4 and 2004 CY Guidance

"Although we expect the challenges facing our industry to continue in the near-term, we continue to drive our cost reduction activities in this intensely challenging environment and expect to remain in line with our 2004 earnings trajectory in the fourth quarter," Dawes said.

Delphi provided the following Q4 and calendar year guidance:

* Q4 revenues of \$7.0 billion - \$7.2 billion; CY revenues of \$28.6 billion - \$28.8 billion;

* Q4 GAAP net earnings, including the anticipated impact of previously announced restructuring charges, from a loss of \$18

million to positive earnings of \$32 million; CY GAAP earnings of \$48 million - \$98 million;

* Q4 pro forma net earnings(1) of \$25 million - \$75 million; CY pro forma earnings(1) of \$233 million - \$283 million; and

* Q4 operating cash flow(3) of \$350 million - \$450 million; CY operating cash flow(2) of at least \$1.4 billion.

52. The statements contained in ¶¶ 20- 51 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that improper accounting for off-balance sheet financing transactions in 2000 resulted in the Company overstating cash flow from operations, determined in accordance with generally accepted accounting principles (GAAP), for that year by approximately \$200 million; (2) that the Company used sham sales of assets and other improper accounting maneuvers to inflate reported pretax earnings by a combined total of \$166 million for the years 1999 to 2001. These moves increased cash flow from operations by a total of \$446.5 million for 1999 through 2003; (3) that the Company during the Class Period prematurely recognized revenue for technology contracts and rebates when it should have spread them over the life of the contract. Other times it improperly capitalized expenses over time, rather than recognizing them immediately. It also boosted cash flow from operations and pretax earnings by claiming it sold assets and inventory that it had actually agreed to buy back later; (4) that the Company's financial statements were not prepared in accordance with Generally Accepted Accounting Principles ("GAAP"); (5) that the Company lacked adequate internal controls and was therefore unable to ascertain the true financial condition of the Company; and (6) that as a result, the value of the Company's net income and financial results were materially overstated at all relevant times.

The Truth Begins to Emerge

53. Later that day on October 18, 2004, Delphi filed with the SEC a current report on Form 8-K. Therein, the Company stated:

The interim financial statements contained in a Form 10-Q are required to have been reviewed by an independent registered public accounting firm pursuant to Rule 10-01(d) of the Securities and Exchange Commission's Regulation S-X. Deloitte & Touche LLP ("Deloitte"), the Company's independent registered public accounting firm, has informed us that due to the ongoing status of an internal review by the Audit Committee of the Board of Directors into the accounting treatment accorded to certain transactions with suppliers, including those for information technology services, it has not completed its review of the unaudited Consolidated Financial Statements included herein for the three and nine months ended September 30, 2004. The internal review was initiated in response to an investigation commenced by the staff of the Securities and Exchange Commission that was disclosed on a Form 8-K filed on September 29, 2004. Additional information regarding the nature and status of both the SEC investigation and the Audit Committee's internal review is contained in the Exhibit to this Form 8-K.

The Company has therefore determined to file financial and other information for the third quarter without the review having been completed. The Company is making this filing on Form 8-K in order to provide information to the investing public about the third quarter while the investigation continues.

The Company intends to file its Form 10-Q for the third quarter when the Audit Committee's internal review and Deloitte's review have been completed. The Company recognizes that the information contained in this Form 8-K does not satisfy the Company's obligation to file a Form 10-Q and that if it is unable to satisfy such obligation prior to the reporting deadline it will become delinquent in its filing requirements with the Securities and Exchange Commission. Additionally, the Company notes that findings of the investigation and the subsequent reviews could result in changes to the information contained in the Exhibits to this Form 8-K.

The Company has not included the disclosure relating to "Controls and Procedures" in this Form 8-K which would normally be found

under Part I, Item 4 of a Form 10-Q because, due to the ongoing investigation, the evaluation of such controls and procedures is ongoing. Additionally, the Company has not provided any of the certifications, which would be required in the filing of a Form 10-Q.

54. Then on November 10, 2004, Delphi delayed the filing of third-quarter report to the SEC because the agency was investigating the Company's transaction with suppliers. In the Company's Form NT 10-Q, the Company disclosed the following:

Delphi Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (Form 10-Q) could not be filed within the prescribed time period because the Company could not complete the preparation of the required information without unreasonable effort and expense. As previously announced in our Form 8-K filed on October 18, 2004 (the "October 8-K"), the Audit Committee of the Company's Board of Directors is conducting an internal review into the accounting treatment accorded to certain transactions with suppliers, including those for information technology services. The internal review was initiated in response to an investigation commenced by the staff of the Securities and Exchange Commission that was disclosed on a Form 8-K filed on September 29, 2004. The decision to delay filing of the Form 10-Q was made in light of the ongoing SEC investigation and internal review, as well as the fact that Deloitte & Touche LLP ("Deloitte"), the Company's independent registered public accounting firm, had informed the Company that due to the ongoing status of the internal review by the Audit Committee of the Board of Directors, Deloitte has been unable to complete its review of the unaudited Consolidated Financial Statements for the three and nine months ended September 30, 2004. In lieu of filing a complete Form 10-Q, the Company included updated financial information for the nine months ended September 30, 2004, including Consolidated Financial Statements for the three and nine months ended September 30, 2004 and the related management's discussion and analysis in its October 8-K. The Company will not be in a position to file a Quarterly Report on Form 10-Q without unreasonable effort or expense prior to the time at which the Audit Committee's internal review is completed.

55. On December 10, 2004, Delphi issued a press release with the headline "Delphi Provides 2005 OUTLOOK AND REVISES Q4 OUTLOOK Company Takes Aggressive

Cost-Reduction Actions to Offset Industry Headwinds; Additional Sites Added to Automotive

Holdings Group.” Therein, the Company stated:

Delphi Corp. (NYSE: DPH) is revising its Q4 and CY 2004 earnings guidance and providing a 2005 outlook. This is a reflection of the continued pressures from low global production volumes and commodity price increases in Q4, which are expected to have an even greater impact in the first part of 2005.

Delphi is taking aggressive cost-reduction actions including implementing plans to further reduce 8,500 positions, in addition to continuing to manage down discretionary costs and capital requirements. Delphi is also placing three additional facilities into its Automotive Holdings Group (AHG) to address underperforming sites.

"We expect that the plans Delphi has in place will, over time, offset the majority of these headwinds; however, the combined forces of the near-term cost and revenue pressures will outpace our progress in the early part of 2005," said J.T. Battenberg III, Delphi chairman, CEO and president. "The environment is highly competitive, but we are resolute in our commitment to R&D and in delivering technology-rich, differentiating products as we continue to diversify our customer base."

Q4 and CY 2004 Revised Outlook

"Based on these lower production volumes, we are now forecasting Q4 revenues between \$6.9 billion and \$7.0 billion, approximately \$200 million lower than our prior guidance on a constant exchange basis," said Alan S. Dawes, Delphi vice chairman and chief financial officer. "Concurrent with slowing attrition, this has resulted in a major rise in our U.S. high-wage redundant workforce, which is now approximately 2,300. Coupled with the continued commodity price pressures, these challenges created earnings headwinds that we were only partially able to offset in the quarter with aggressive cost-reduction actions. In the face of these challenges, we still generated operating cash flow(1) and expect to meet our previous guidance for the quarter through continued focus on effective capital spending and working capital improvements."

Delphi provided the following revised Q4 and 2004 calendar year guidance:

* Q4 revenues of \$6.9 billion - \$7.0 billion; CY revenues of \$28.5 billion - \$28.6 billion.

* Q4 GAAP net loss of \$123 million - \$143 million; Excluding the impact of \$45 million in restructuring charges in Q4, as well as a \$8 million reduction in tax benefits on the first three quarters of restructuring charges due to a reduction of the tax rate, pro forma net loss of \$70 million - \$90 million; CY GAAP net loss of \$57 million - \$77 million; Excluding the impact of \$207 million in restructuring charges in 2004, offset by a \$12 million reduction in tax reserves associated with the substantial completion of the 1999/2000 U.S. federal tax audit, CY pro forma earnings of \$118 million - \$138 million.

* Q4 operating cash flow(1) of \$375 million - \$425 million; CY operating cash flow(1) of \$1.4 billion - \$1.5 billion.

"As is our custom in the fourth quarter, Delphi is evaluating the recoverability of its assets. Given the North American production outlook, this may result in asset impairment charges for selected U.S. legacy cost structures during the fourth quarter," Dawes added. "Additionally, we are currently discussing with GM the resolution of certain of our pre-separation tax obligations and expect to positively conclude these discussions by the end of the year. Upon conclusion, we will reevaluate the related accruals and make any required adjustments."

Since the U.S. legacy cost structure recoverability study and GM discussions regarding pre-separation tax obligations are not yet concluded, each of the foregoing Q4 GAAP and pro forma amounts exclude the effect, if any, of these items.

"We are making substantial progress on all fronts to reduce Delphi's legacy cost structure," Dawes said. "To date, we have met or exceeded all of our workforce reduction targets, have completed the consolidation of one of our AHG facilities in Q3 and will have ceased operations in the three other previously announced AHG sites by the end of this year, as well as two additional U.S. sites."

CY 2005 Outlook

"We see many of the same pressures we experienced in Q4 continuing into 2005," Dawes said. "With an uncertain outlook, we have chosen to make fairly conservative assumptions and base our aggressive improvement plans off of this low level. Specifically, we have assumed GMNA production volumes 125,000 below 2004, a challenging level of troubled suppliers, higher healthcare inflation and commodity price increases, which will be intensified as contracts come up for renewal. Additionally, the likely further reduction in our benefit liability discount rates will present earnings headwinds in 2005."

"These pressures will reduce our earnings run-rate during the first part of 2005, as we saw during the second half of 2004, but we expect that our cost-reduction initiatives and improvements in production volumes during the second half of the year will put us at, or above, a break-even run-rate at the end of 2005. While our 2005 calendar year results will ultimately, in part, be a function of traction on our initiatives, we currently expect to generate a pro forma loss of \$200 million for the year."

In response to these challenges, Delphi is aggressively planning to further reduce its workforce by 8,500 positions in 2005 through GM flowbacks, normal attrition and incentivized retirements. Of the total reductions, 3,000 are expected to be U.S. hourly employees and 5,500 are planned to be non-U.S. employees," Dawes said.

Delphi's 2005 outlook includes the following highlights:

- * Revenues of \$28.5 billion - \$29.0 billion.
- * GAAP net loss of \$350 million. Excluding special charges in the range of \$150 million for 2005 expected workforce-reduction programs, the company expects a pro forma net loss of \$200 million.
- * Operating cash flow(1) of \$0.9 billion - \$1.0 billion.
- * Non-GM revenues will reach 51 percent of total sales for 2005, reflecting growth of 11 percent year-over-year.

"We will continue to invest our operating cash flow to strengthen our balance sheet, assess further restructuring opportunities, pay dividends or engage in other value-enhancing activities," Dawes added. "While our pension and OPEB expenses will likely rise, due

in part to continuing low interest rates, our pension funding obligations remain manageable. We expect to contribute \$600 million from operating cash flow to Delphi's pension funds next year. We are exploring asset sales to supplement our operating cash flow."

56. On news of this, Delphi stock fell \$0.34 per share, or 3.94 percent, to close at \$8.30 per share on December 10, 2004.

57. On January 20, 2005, Delphi filed another current report with the SEC on Form 8-K. Therein, the Company stated:

ITEM 2.06 MATERIAL IMPAIRMENTS

On January 19, 2005, the audit committee of the Board of Directors, in connection with its review of Delphi's preliminary unaudited financial results for the three months and year ended December 31, 2004 approved management recording certain charges totaling \$417 million pre-tax (\$265 million after tax) primarily related to the recoverability of certain of Delphi's U.S. legacy plant and employee cost structure required under accounting principles generally accepted in the United States of America (GAAP). Included in the \$417 million total are asset impairment charges of \$322 million, \$85 million of post employment obligations and \$12 million of other exit costs noted above under Item 2.05, which charges were offset by \$2 million reversal of the employee and product line charges taken in Q3 2003. The asset impairment and employee charges were principally necessitated by the substantial decline during the second half of 2004 in Delphi's U.S. profitability, especially at the impaired sites, combined with the budget business plan outlook for such sites and product lines. Management determined the asset impairment charges by comparing the estimated future cash flows against carrying values of plant and product line assets. Where the carrying value exceeded the future cash flows, an impairment charge is being recognized for the amount that the carrying value exceeds the discounted future cash flows. The \$85 million of post employment benefit liability represents estimated costs for inactive employees, primarily at U.S. sites being consolidated throughout the duration of their contractual employment. These charges will result in future cash expenditures of \$97 million.

58. Then on March 3, 2004, Delphi announced that "Vice Chairman and Chief Financial Officer, Alan S. Dawes, is leaving the company and has resigned from its Board of Directors and its strategy board. John D. Sheehan has been named acting CFO, effective immediately. Sheehan, 44, is the company's chief accounting officer and controller and will retain those responsibilities as well." He had been named to the Delphi strategy board and will report to Chairman and CEO J. T. Battenberg III. The Company's Board of Directors also announced it would conduct an internal and external search for a permanent CFO. Additionally, the Company stated:

"Mr. Dawes agreed to resign after the audit committee expressed a loss of confidence in him," said Robert H. Brust, executive vice president and CFO of Eastman Kodak Co. and the outside director who chairs Delphi's audit committee. Brust also said the internal investigation by the audit committee is ongoing and that the company continues to cooperate fully with the SEC's investigation.

59. Also on March 4, 2005, Delphi filed with the SEC a current report on Form 8-K. Therein, the Company disclosed the following:

ITEM 4.02 NON-RELIANCE ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS OR A RELATED AUDIT REPORT OR COMPLETED INTERIM REVIEW

As detailed more fully below under Item 8.01 Other Events, the findings made to date by the Audit Committee of the Board of Directors of Delphi Corporation (the "Company"), as a result of its ongoing internal investigation, indicate that certain prior transactions involving the receipt of rebates, credits or other lump-sum payments from suppliers ("Rebate Transactions") and off-balance sheet financing of certain indirect materials and inventory were accounted for improperly. Based upon information to date, the Company believes that the improper accounting for off-balance sheet financing transactions in 2000 resulted in the Company overstating cash flow from operations, determined in accordance with generally accepted accounting principles (GAAP), for that year by approximately \$200 million and that the improper accounting for Rebate Transactions in 2001 resulted in the Company overstating pre-tax income under

GAAP for that year by approximately \$61 million. In addition the Company is still evaluating the impact of adjustments to the Company's financial statements for other periods that will be required to be reflected as the Company unwinds the improper accounting of the transactions identified below.

Although the Company is still evaluating additional transactions, the magnitude of the errors and the preliminary conclusions reached to date with respect to the transactions under review led the Audit Committee to conclude that the audited financial statements and related independent auditors' reports for 2001 and subsequent periods as a result of the unwinding of the improperly recorded transactions, should no longer be relied upon and a restatement will be required. As emphasized below, the internal investigation is not complete and although the findings described below have been preliminary discussed with the Company's auditors, Deloitte & Touche LLP, the findings have not been the subject of a review or audit by Deloitte & Touche LLP. Moreover, additional transactions are under examination, and it is possible that the review will determine that they were not properly recorded and that previously issued financial statements for other periods may require additional corrections.

ITEM 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS

As more fully detailed below under Item 8.01 other events, the Audit Committee shared with certain of the other independent members of the Board of Directors, including the lead independent director, the results to date of its internal investigation. In recognition of the circumstances in which the instances of improper accounting identified to date occurred, particularly during the fourth quarter of 2000 and the third and fourth quarters of 2001, the Audit Committee, after considering the views of the other independent directors, took certain personnel actions, including accepting the resignation, effective March 4, 2005, of the Company's former Chief Accounting Officer and Controller and current business line executive in charge of certain product lines, and reassigning the current Vice President of Treasury, Mergers & Acquisitions and New Markets to a non-officer position with a commensurate reduction in responsibilities and compensation. Each of these individuals had supervisory authority for others involved in or were directly involved in certain of the principal transactions under investigation.

In addition, the Audit Committee accepted the resignation, effective March 4, 2005 of the Company's Vice Chairman and Chief Financial Officer, Alan S. Dawes. Mr. Dawes has also resigned from Delphi's Board of Directors. Mr. Dawes agreed to resign after the Audit Committee expressed a loss of confidence in him. The Audit Committee accepted his resignation, as it determined it would be in the best interest of the Company and its shareholders. This will enable the Company to name a new CFO who will not be distracted from managing the Company's ongoing business while the Company's internal review and the SEC's investigation continue. In addition, the independent directors are reviewing the conduct of certain other present and former officers and executives.

John D. Sheehan (age 44), the current Chief Accounting Officer and Controller of the Company was appointed as acting Chief Financial Officer, and the Board is conducting an internal and external search for Mr. Dawes' permanent replacement. Mr. Sheehan became the Company's Chief Accounting Officer in June of 2002 and had previously been a partner at KPMG LLP. It is expected that Mr. Sheehan will receive additional compensation commensurate with the additional responsibilities he will be assuming; however the amount has not been determined at this time. Pamela M. Geller (age 39) remains the Company's Treasurer and will now report to Mr. Sheehan. The remaining responsibilities of the other individuals will be allocated among the Company's existing senior executives until successors have been determined.

The Company expects to enter into separation and release agreements with Mr. Dawes and the former Chief Accounting Officer and Controller, the details of which are still being negotiated.

ITEM 8.01 OTHER EVENTS

On March 1, 2005, two of the independent directors serving on the Audit Committee, which included the Audit Committee chairman, met with certain members of management who were involved in or had supervisory responsibility for other employees who were involved in the transactions under review. The meetings were conducted pursuant to a process the Committee implemented to enable it to evaluate the conduct and knowledge of these individuals, and to consider, after carefully evaluating all the findings of the investigation and the level of cooperation, what personnel changes or other steps, if any, should be taken to strengthen the Company's

internal controls and procedures over financial reporting and disclosure controls and procedures to prevent the future occurrence of similar errors.

On March 3, 2005, the chairman of the Audit Committee discussed the status of the Committee's review and his impression of the meetings held on March 1, 2005 with Delphi's lead independent director. In addition, the chairman reviewed with the lead independent director the findings to date of the Committee's ongoing investigation, namely reaffirming the preliminary conclusions it had reached with respect to certain Rebate Transactions that were previously reported in the Company's Report on Form 8-K filed December 8, 2004 (the "Prior 8-K"), and discussing its findings of improper accounting for certain additional Rebate Transactions that were under review, of amounts paid for certain information technology services in 2002 and 2003, and for certain transactions involving the disposition in 1999, 2000 and 2001 and subsequent purchase in later periods of indirect materials and inventory. At the conclusion of the discussion, the lead independent director and the chairman of the Audit Committee, taking into account the views expressed earlier by the other independent directors, agreed on certain additional steps the Company needs to take to finish its review and to determine what changes, if any, are required to strengthen the Company's internal controls over financial reporting and disclosure controls and procedures. These steps include meeting with management and the Company's independent auditors to consider the extent to which the Company's historical financial statements need to be restated, the personnel actions described above, and the conduct of additional interviews.

The Audit Committee has reached the following conclusions as a result of its review. The internal investigation is not complete and the findings have not been the subject of a review or audit by Deloitte & Touche LLP.

- The preliminary conclusions set forth in the Prior 8-K regarding inappropriate accounting for certain Rebate Transactions between Delphi and information technology service providers, have been confirmed. As previously reported, Delphi failed to recognize certain liabilities and did not appropriately defer recognition of payments and credits that were received in conjunction with agreements for future information technology services. In addition, the investigation identified a number of other Rebate Transactions occurring between

1999 and 2004 in which the payments and credits received by Delphi from suppliers were tied to agreements for the provision of future services or products, and for which Delphi had recognized the payment or credit at the time received rather than over time as the services were performed or products were purchased. In addition, in some of these transactions, credits were accrued without sufficient certainty of receipt.

- Delphi improperly deferred recognition of expense for payments made for system implementation services in 2002 and 2003. The total amount of payments made, not including payments related to the \$20 million pre-tax Rebate Transaction discussed in the Prior 8-K, which has already been included in preceding table, was approximately \$40.5 million. Approximately \$17.4 million of these payments were correctly capitalized as internally developed software. The remaining approximately \$23 million should have been recorded as expense when services were rendered, rather than deferred and then expensed in later periods. At September 30, 2004 all previously deferred amounts had been expensed or capitalized.

- In 1999 Delphi improperly recorded asset dispositions, in a series of transactions, of approximately \$135 million of indirect materials to an indirect material management company. In connection with the recording of these transactions, Delphi recorded pre-tax income of approximately \$60 million in 1999 and an additional \$16 million in 2000. The transactions should not have been accounted for as asset dispositions but rather as financing transactions, principally because Delphi had an obligation to repurchase such materials. The impact of accounting for the transactions as financings would be to reduce 1999 and 2000 pre-tax operating income by \$60 and \$16 million, respectively, and to reclassify approximately \$125 million and approximately \$20 million, respectively, included in 1999 and 2000 cash flow from operations as cash flow from financing activities. In 2002 and 2003, the Company repurchased certain indirect materials, recording a portion in its consolidated balance sheet and writing-off the balance of the material. In addition, at December 31, 2003 the Company recorded the remaining materials in its consolidated balance sheet with a liability to the third party. The Company is continuing to review the accounting for the unwinding of this transaction.

- In the fourth quarter of 2000, first quarter of 2001 and fourth quarter of 2001, the Company entered into four transactions, in each case improperly recording the transaction as a disposal of inventory to a third party and repurchasing the same inventories in subsequent periods. Each of these transactions should have been accounted for as a financing transaction, not a disposal. Specifically, in the fourth quarter of 2000 the Company entered into transactions, one for approximately \$70 million and a second to a different third party for approximately \$200 million. In the first transaction, the Company recorded a disposal of inventory at book value, in the second, which involved precious metals, the Company recorded a disposal of inventory at a gain of approximately \$6 million. In the first and fourth quarters of 2001 the Company disposed of \$10 million and \$9 million, respectively of inventory at book value. In addition, in the case of each of the fourth quarter transactions, as a result of recording the transaction as a disposal of inventory, inventory reserves under the last-in first-out method of inventory accounting (LIFO) were reduced, increasing pre-tax income for that quarter. The aggregate effect of these transactions on pre-tax income in 2000 was approximately \$100 million. Finally, with the exception of the transaction involving precious metal inventories in 2000 for which the Company received cash, in each transaction the Company booked an account receivable for the purchase price, and then allowed the third party to settle the account receivable using cash received through financing arranged by Delphi. As a result, in these three transactions the Company received no increased cash flow in the quarter the inventory was sold. Because in 2003 the Company changed its accounting for inventories from the LIFO method to the first-in-first-out method, and as required by applicable accounting rules, restated historical financial statements to give retroactive effect to the change, the transactions' impact on LIFO reserves had been previously restated. As such, the impact of these transactions on previously reported pre-tax income was to reduce 2000 pre-tax income and increase 2001 pre-tax income by approximately \$6 million. The other impact on previously reported results is to reclassify approximately \$200 million included in 2000 cash flow from operations to cash provided by financing activities and to conversely increase 2001 cash flow from operations and cash used for financing activities each by approximately \$200 million.

Additional transactions are under examination, and it is possible that the review will determine that they were not properly recorded and that previously issued financial statements may require additional

corrections. At this time the following additional transactions are being reviewed:

- The internal investigation continues to review the accounting for additional Rebate Transactions occurring between 1999 and 2004. Generally, each of these transactions involve amounts less than \$1 million.
- As part of the review, the Audit Committee has been examining the manner in which the Company accounted for rebates, credits or lump-sum payments paid to customers. Our initial review indicates that the Company generally expensed these amounts.
- The Audit Committee is also examining the manner in which the Company accounted for \$237 million in cash payments it made to General Motors in 2000 as part of an agreement in which the Company obtained a release with respect to certain outstanding pre-separation warranty claims and certain true-up payments for future post-retirement health care obligations and \$85 million in credits the Company received from General Motors in 2001 for related matters.

The Company did not file its Form 10-Q for the period ended September 30, 2004 and has not yet issued audited financial statements for the year-ended December 31, 2004. The Audit Committee is working diligently to complete its investigation and reach final conclusions on the related accounting. Completion of the investigation should enable the Company to understand the final results of the investigation, to restate prior historical financial statements to reflect any material adjustments warranted by the results of the investigation, and to issue audited financial statements for the year ended 2004. Although the Company is not able to predict with certainty when its investigation will be complete, it expects that it will be able to issue any necessary restatement of prior historical financial statements on or before June 30, 2005 and become fully current in its filings of periodic reports with the SEC.

The Company continues to cooperate fully with the investigation by the staff of the SEC.

60. News of this shocked the market. Shares of Delphi, on March 4, 2005, fell another \$0.91 per share, or 14.29 percent, to close at \$5.46 per share on unusually high trading volume.

**DELPHI'S VIOLATION OF GAAP RULES IN ITS
QUARTERLY AND ANNUAL REPORTS FILED WITH THE SEC**

61. These financial statements and the statements about them were false and misleading, as such financial information was not prepared in conformity with GAAP, nor was the financial information a fair presentation of the Company's operations due to the Company's improper accounting for and disclosure about its revenues, in violation of GAAP and SEC rules.

62. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

63. Given these accounting irregularities, the Company announced financial results that were in violation of GAAP and the following principles:

- (a) The principle that "interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements" was violated (APB No. 28, ¶10);
- (b) The principle that "financial reporting should provide information that is useful to present to potential investors and creditors and other users in making rational

investment, credit, and similar decisions” was violated (FASB Statement of Concepts No. 1, ¶34);

- (c) The principle that “financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events, and circumstances that change resources and claims to those resources” was violated (FASB Statement of Concepts No. 1, ¶40);
- (d) The principle that “financial reporting should provide information about an enterprise’s financial performance during a period” was violated (FASB Statement of Concepts No. 1, ¶42);
- (e) The principle that “completeness, meaning that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions” was violated (FASB Statement of Concepts No. 2, ¶79);
- (f) The principle that “financial reporting should be reliable in that it represents what it purports to represent” was violated (FASB Statement of Concepts No. 2, ¶¶58-59);
and
- (g) The principle that “conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered” was violated. (FASB Statement of Concepts No. 2, ¶95).

64. The adverse information concealed by defendants during the Class Period and detailed above was in violation of Item 303 of Regulation S-K under the federal securities law (17 C.F.R. 229.303).

65. Moreover, the adverse information concealed by defendants during the Class Period and detailed above was in violation of SEC Regulation S-X, which states that “financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate.” SEC Regulation S-X also required that “interim financial statements [i.e., Form 10-Qs] must also comply with GAAP.” 17 C.F.R. §210.10-01(a).

UNDISCLOSED ADVERSE FACTS

66. The market for Delphi’s securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Delphi’s securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Delphi securities relying upon the integrity of the market price of Delphi’s securities and market information relating to Delphi, and have been damaged thereby.

67. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Delphi’s securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants’ statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

68. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading

statements about Delphi's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Delphi and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

ADDITIONAL SCIENTER ALLEGATIONS

69. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Delphi, their control over, and/or receipt and/or modification of Delphi allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Delphi, participated in the fraudulent scheme alleged herein.

70. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial

period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

71. Additionally, during the Class Period, the Company was able to complete two debt offerings while its stock traded at artificially inflated prices.

**Applicability Of Presumption Of Reliance:
Fraud-On-The-Market Doctrine**

72. At all relevant times, the market for Delphi securities was an efficient market for the following reasons, among others:

(a) Delphi stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, Delphi filed periodic public reports with the SEC and the NYSE;

(c) Delphi regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Delphi was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

73. As a result of the foregoing, the market for Delphi securities promptly digested current information regarding Delphi from all publicly-available sources and reflected such

information in Delphi stock price. Under these circumstances, all purchasers of Delphi securities during the Class Period suffered similar injury through their purchase of Delphi securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

74. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Delphi who knew that those statements were false when made.

FIRST CLAIM
Violation Of Section 10(b) Of
The Exchange Act Against And Rule 10b-5
Promulgated Thereunder Against All Defendants

75. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

76. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public,

including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Delphi securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

77. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Delphi securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

78. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Delphi as specified herein.

79. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Delphi value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Delphi and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein,

and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Delphi securities during the Class Period.

80. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

81. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Delphi's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the

misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

82. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Delphi securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Delphi's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, Plaintiff and the other members of the Class acquired Delphi securities during the Class Period at artificially high prices and were damaged thereby.

83. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Delphi was experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Delphi securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

84. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

85. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM
Violation Of Section 20(a) Of
The Exchange Act Against the Individual Defendants

86. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

87. The Individual Defendants acted as controlling persons of Delphi within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contend are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

88. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

89. As set forth above, Delphi and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated:

WECHSLER HARWOOD LLP

By: _____

Robert I. Harwood (RH-3286)
Samuel K. Rosen (SR-3287)
488 Madison Avenue, 8th Floor
New York, New York 10022
(212) 935-7400

SCHIFFRIN & BARROWAY, LLP

Marc A. Topaz
Richard A. Maniskas
280 King of Prussia Rd.
Radnor, PA 19087
(610) 667-7706

Attorneys for Plaintiff