

DELPHI CORP
Form 424B3
March 21, 2008

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**PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED MARCH 11, 2008)**

**Rights Offerings for
21,680,996 Shares of Common Stock at an exercise price of \$59.61 per full share and
41,026,309 Shares of Common Stock at an exercise price of \$38.39 per full share**

This prospectus supplement relates to the offer and sale by us prior to our emergence from bankruptcy of up to a total of 62,707,305 shares of common stock of reorganized Delphi (Delphi, following its emergence from bankruptcy, is referred to herein as reorganized Delphi), issuable upon the exercise of subscription rights, as described in the accompanying prospectus.

New York Stock Exchange Listing

On March 20, 2008, the common stock of reorganized Delphi was approved for listing on the New York Stock Exchange, Inc., subject to official notice of issuance. As a result of such approval, the restrictions on transfer and exercise of discount rights by residents of Texas and the restrictions on transfer of discount rights to residents of Texas, as described in the accompanying prospectus, are no longer applicable. Residents of Texas may exercise or transfer discount rights, and holders of discount rights may transfer discount rights to residents of Texas, without providing to the rights agent the certifications described in the accompanying prospectus that the holder or the transferee, as applicable, is within one of specified categories of persons under Texas state securities laws. See, for example, page v of the accompanying prospectus under the headings For Texas Residents Only and For All Holders of Discount Rights Who Desire to Transfer Discount Rights to a Resident of Texas.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is March 20, 2008.

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PROSPECTUS

**Rights Offerings for
21,680,996 Shares of Common Stock at an exercise price of \$59.61 per full share and
41,026,309 Shares of Common Stock at an exercise price of \$38.39 per full share**

This prospectus relates to the offer and sale by us of up to a total of 62,707,305 shares of common stock of Delphi prior to its emergence from bankruptcy (Delphi, following its emergence from bankruptcy, is referred to as reorganized Delphi), issuable upon the exercise of subscription rights, as described below.

Each holder of our common stock will receive, at no charge (except as described below), for each 26 shares of our common stock owned of record at 5:00 p.m., New York City time, on the record date (as defined below), one nontransferable right to purchase one share of common stock of reorganized Delphi for \$59.61 in cash per full share (the par rights). Fractional par rights will not be issued. You need to hold at least 26 shares of common stock as of the record date in order to receive one par right.

Each Eligible Holder (as defined below) will receive, at no charge, for each \$99.07 of such Eligible Holder's Eligible Claim (as defined below), one transferable right to purchase one share of common stock of reorganized Delphi for \$38.39 in cash per full share (the discount rights and, together with the par rights, the rights). This is referred to as the basic subscription privilege. An Eligible Holder means the holder of an Eligible Claim as of the record date or a transferee receiving such holder's discount rights. An Eligible Claim means (i) a General Unsecured Claim, a Section 510(b) Note Claim, a Section 510(b) Equity Claim or a Section 510(b) ERISA Claim, as such terms are defined in the Plan (as defined below), in each case that has been allowed or reconciled by Delphi by the date of commencement of the confirmation hearing with respect to the Plan, and with respect to General Unsecured Claims, as may also be adjusted for cure amounts resulting from certain Bankruptcy Court orders entered on February 27, 2008, or (ii) a General Unsecured Claim that has not been allowed, disallowed or reconciled by the date of commencement of the confirmation hearing with respect to the Plan but that has been provisionally allowed or estimated solely for purposes of participation in the discount rights offering in the respective amounts ordered by the Bankruptcy Court (as defined below) on January 25, 2008 and in certain cases, as may be adjusted for cure amounts resulting from Bankruptcy Court orders entered on February 27, 2008. To the extent that the provisional allowance or estimation results in a particular Eligible Holder receiving more discount rights than such Eligible Holder should have received based on the ultimate allowed amount of such claim and such discount rights are transferred or exercised (the excess discount rights), then, in Delphi's sole discretion, (a) Delphi will be authorized but not required to withhold an amount of common stock of reorganized Delphi (at a value of \$59.61 per share) equal to the value of such excess discount rights (at a value of \$21.22 per right, which equals the difference between the exercise price of the discount rights and the Plan value of \$59.61 per share of common stock) from the ultimate distribution to such Eligible Holder or (b) to the extent the value of such direct grant of common stock of reorganized Delphi is less than the value of the excess discount rights and Delphi elects to pursue such payment in its sole discretion, such Eligible Holder will be required to remit payment to Delphi in an amount equal to the value of such excess discount rights in excess of the value of the common stock of reorganized Delphi withheld under (a). To the extent that the provisional allowance or estimation results in a particular Eligible Holder receiving fewer discount rights than such Eligible Holder should have received based on the ultimate allowed amount of such claim, no subsequent adjustment will be made in respect of such Eligible Holder's Eligible Claim.

The record date is January 17, 2008, the date on which the confirmation hearing with respect to our plan of reorganization (as it may be amended, modified or supplemented from time to time, the Plan) commenced before the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court).

In addition to the basic subscription privilege described above, each discount right entitles an Eligible Holder who fully exercises its basic subscription privilege to subscribe, prior to the expiration date of the discount rights offering, for additional shares of common stock of reorganized Delphi at an exercise price of \$38.64 per full share to the extent that any shares are not purchased by other Eligible Holders under their basic subscription privileges as of the expiration date of the discount rights offering. This is referred to as the oversubscription privilege. If an insufficient number of shares are available to fully satisfy oversubscription privilege requests, the available shares, if any, will be allocated pro rata among Eligible Holders who exercised their oversubscription privilege based upon the number of shares each oversubscribing Eligible Holder subscribed for under its basic subscription privilege. If there is a pro rata allocation of the remaining shares and an Eligible Holder receives an allocation of a greater number of shares than it subscribed for under its oversubscription privilege, then we will allocate to such Eligible Holder only the number of shares for which it subscribed under its oversubscription privilege, and we will allocate all remaining shares pro rata among all other Eligible Holders who exercised their oversubscription privileges on the same basis as described above. There is no oversubscription privilege in the par rights offering.

Although the discount rights offering and the par rights offering are being conducted concurrently, they are independent of one another. Therefore, to the extent you are eligible to receive and exercise discount rights and/or par rights, you may choose to exercise, as applicable, only discount rights, only par rights, both discount rights and par rights or no rights at all.

The rights expire at 5:00 p.m., New York City time, on March 31, 2008, unless the exercise period is extended. If you do not exercise your par rights or exercise or sell your discount rights, in each case, prior to their expiration, you will lose any value represented by those rights. You should carefully consider whether to exercise your par rights or exercise or sell your discount rights prior to the expiration of the applicable rights offering. If you decide to exercise any of your rights, you should carefully comply with the exercise procedures set forth in this prospectus. Additional information about the rights offerings may be found in this prospectus beginning on page 1 in the section entitled Questions and Answers About the Rights Offerings.

The rights offerings are being made to raise a portion of the funds necessary to consummate the Plan. If the Plan becomes effective, on the effective date of the Plan, all existing shares of our common stock, and any options, warrants, rights to purchase shares of our common stock or other equity securities (excluding the right to receive shares of common stock of reorganized Delphi as a result of the exercise of rights in the rights offerings) outstanding prior to the effective date of the Plan will be canceled, and on or shortly after the effective date of the Plan, reorganized Delphi will make the distributions provided for in the Plan, including issuing the shares of common stock of reorganized Delphi for which rights are exercised in the rights offerings.

During the discount rights offering and for the five trading days after the expiration date of the discount rights, this prospectus may also be used by each Investor (as defined below) (other than certain Investors, including Merrill (as defined below)), to offer and sell discount rights, common stock of reorganized Delphi issuable upon exercise of discount rights or common stock of reorganized Delphi issuable in connection with such Investor's backstop of the discount rights offering from time to time, as determined by such selling Investor. Such investors may effect sales of discount rights, common stock of reorganized Delphi issuable upon exercise of discount rights and common stock of reorganized Delphi issuable in connection with such Investor's backstop of the discount rights offering in the over-the-counter market or otherwise, at market prices, prices related to market prices or negotiated prices. In

effecting these transactions, each of such selling Investors may realize profits or losses independent of the compensation referred to under Plan of Distribution. Each of such selling Investors may also make sales of discount rights, common stock of reorganized Delphi issuable upon exercise of discount rights or common stock of reorganized Delphi issuable in connection with such Investor's backstop of the discount rights offering to dealers at prices which represent concessions from the prices at which discount rights or shares of common stock of reorganized Delphi are then trading in the market. The amount of these concessions, if any, will be determined from time to time by the particular selling Investor. Any discount rights or common stock so offered are offered subject to completion of the discount rights offering, to consummation of the Plan and issuance of the common stock by reorganized Delphi, and to such selling Investor's right to reject orders in whole or in part.

Exercising the rights and investing in the common stock of reorganized Delphi involve risks. We urge you to carefully read the Risk Factors section beginning on page 35 of this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2007, and all other information included or incorporated by reference in this prospectus in its entirety, before you decide whether or not to exercise your rights.

Total proceeds	\$ 2,867,404,174
Fees to Investors	\$ 39,375,000
Estimated offering expenses	\$ 6,067,592
Proceeds, after offering expenses, to us	\$ 2,821,961,582

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 11, 2008.

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On October 8, 2005, we and certain of our U.S. subsidiaries filed voluntary petitions for reorganization relief under chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code), and on October 14, 2005, three additional U.S. subsidiaries filed voluntary petitions for reorganization relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The Bankruptcy Court is jointly administering these cases as *In re Delphi Corporation, et al.*, Case No. 05-44481 (RDD). Our non-U.S. subsidiaries, which were not included in the filings, continue their business operations without supervision from the Bankruptcy Court, and are not subject to the requirements of the Bankruptcy Code.

On August 3, 2007, we executed an Equity Purchase and Commitment Agreement (as amended as of December 10, 2007, and as it may be further amended, modified or supplemented from time to time, the EPCA) with A-D Acquisition Holdings LLC (ADAH), which is an affiliate of Appaloosa Management, L.P. (Appaloosa), Harbinger Del-Auto Investment Company, Ltd., which is an affiliate of Harbinger Capital Partners Master Fund I, L.P. (Del-Auto), Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill), UBS Securities LLC (UBS), Goldman, Sachs & Co. (Goldman), and Pardus DPH Holding LLC, which is an affiliate of Pardus Special Opportunities Master Fund L.P. (Pardus), pursuant to which, and on the terms and subject to the conditions set forth in the EPCA, which are more fully described under Certain Relationships and Related Transactions Equity Purchase and Commitment Agreement, ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus (collectively, the Investors) would invest, assuming the full backstop commitment of the discount rights offering described below, \$2.55 billion in reorganized Delphi.

On September 6, 2007, we filed with the Bankruptcy Court our disclosure statement (as it may be amended, modified or supplemented from time to time, the Disclosure Statement) and the Plan. After a hearing on December 6 and 7, 2007, the Bankruptcy Court entered an order approving our first amended Disclosure Statement, which was filed with the Plan on December 10, 2007. The Plan provides for certain recoveries to our creditors and shareholders, including the rights offerings discussed herein.

On January 25, 2008, the Plan, as amended as of that date, was confirmed by the Bankruptcy Court. We will not emerge from bankruptcy unless and until the Plan becomes effective. **The rights offerings currently are scheduled to expire prior to the effective date of the Plan. We cannot assure you that the terms of the Plan will not change due to market conditions, the Bankruptcy Court's requirements, or otherwise after the expiration of either or both of the rights offerings. You will have the right to withdraw your exercise of par rights or discount rights until the withdrawal deadline for the applicable rights offering. You will have no right to withdraw your exercise of par rights or discount rights after the withdrawal deadline for the applicable rights offering, except as set forth in the following sentence.** We intend to provide you with the right to withdraw your previous exercise of rights after the applicable withdrawal deadline only if there are changes to the Plan after the withdrawal deadline that the Bankruptcy Court determines are materially adverse to the holders of the par rights or the discount rights, as the case may be, and the Bankruptcy Court requires resolicitation of votes under section 1126 of the Bankruptcy Code or an opportunity to change previously cast acceptances or rejections of the Plan. If you withdraw your exercise of rights under such circumstances and in accordance with the withdrawal procedures described in this prospectus, we will return to you your exercise payments with respect to any rights so withdrawn, without interest. If (1) we provide rights holders with the aforementioned withdrawal rights and (2) either (a) we and the Investors have not entered into an amendment to the EPCA providing that the Investors' backstop commitment applies to any discount rights that are so withdrawn, or (b) we have not otherwise established funding for the Plan, then we may terminate the rights offerings, and, under such circumstances, the Plan that includes the rights offerings described in this prospectus may not become effective. If you so withdraw your rights, we will return to you your exercise payments, without interest. We can give no assurance, however, that if we grant withdrawal rights to holders that we and the Investors will enter into an amendment to the EPCA or that we will otherwise establish funding for the Plan as described above. In addition, if the EPCA otherwise terminates after the expiration date, then we may terminate the rights offerings, the Plan that includes

the rights offerings described in this prospectus may not become effective, and, if we terminate the rights offerings, we will return to you your exercise payments, without interest. If we terminate the rights offerings before the rights expire, we expect that the rights agent will return to you your exercise payments, without interest, within ten business days from the termination of the rights offerings. In the event the rights offerings expire but we and Investors extend the deadline for effectiveness of the Plan, we may retain your exercise payments for an indefinite period of time.

Even if rights are exercised in the rights offerings, we will not issue shares of common stock of reorganized Delphi for which those rights are exercised unless and until the Plan becomes effective.

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Effectiveness of the Plan is subject to a number of conditions, including the completion of the transactions contemplated by the EPCA (which includes the Investors' backstop of the discount rights offering), the entry of certain orders by the Bankruptcy Court and the obtaining of necessary exit financing. We are currently seeking \$6.1 billion of exit financing, an amount that is consistent with the confirmation order of the Plan. See Description of Proposed Exit Financing. The transactions contemplated by the EPCA also are subject to a number of conditions which are more fully described under Certain Relationships and Related Transactions Equity Purchase and Commitment Agreement. There can be no assurances that such exit financing will be obtained (or, if obtained, the terms thereof) or such other conditions will be satisfied, and we cannot assure you that the Plan will become effective on the terms described in this prospectus or at all.

Pursuant to the Plan, on or as soon as practicable after the effective date of the Plan, there will be outstanding up to 160,124,155 shares of common stock of reorganized Delphi. The 160,124,155 share figure assumes (1) conversion of up to 35,381,155 shares of Convertible Preferred Stock (as defined under Description of Capital Stock Preferred Stock) (which are convertible at any time into shares of common stock of reorganized Delphi, initially on a one-for-one basis) that may be issued under the Plan (assuming the issuance of 16,508,176 shares of Series C Convertible Preferred Stock to General Motors (GM) under the Plan), (2) no exercise of par rights and exercise in full of discount rights (or the Investors' backstop commitment of the discount rights offering), and (3) exercise in full of the six-month warrants, seven-year warrants and ten-year warrants (collectively, the Warrants) to be issued pursuant to the Plan, which initially will be exercisable to purchase up to a total of 25,113,275 shares of common stock of reorganized Delphi. The 160,124,155 share figure also assumes that 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims (as defined in the Plan) in an aggregate amount of approximately \$1.31 billion, which number of shares is subject to upward or downward adjustment depending on the value of those claims and is further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. Assumptions made with respect to the exercise of rights and warrants and the conversion of convertible securities for the purposes of this paragraph differ from the assumptions set forth under Unaudited Pro Forma Condensed Consolidated Financial Information. See Use of Proceeds and Capitalization.

We will receive gross proceeds of up to approximately \$2.9 billion from the rights offerings (assuming that all par rights are exercised) before deducting fees, including the Investors' backstop commitment fee, and expenses related to the rights offerings. We will receive gross proceeds of up to approximately \$1.6 billion from the sale of shares of common stock of reorganized Delphi in connection with the discount rights offering (before deducting fees, including the Investors' backstop commitment fee, and expenses related to the discount rights offering), regardless of the number of discount rights exercised, as a result of the backstop commitment of the Investors described below. The net proceeds from the discount rights offering will be used to make payments and distributions contemplated by the Plan and for general corporate purposes. If any shares of common stock of reorganized Delphi are purchased pursuant to the exercise of the oversubscription privilege in the discount rights offering, we will receive additional gross proceeds of \$0.25 per share of common stock purchased pursuant to the oversubscription privilege, which additional proceeds will be distributed pro rata to Eligible Holders that did not exercise or transfer any of their discount rights in the discount rights offering based on the ultimate allowed amount of each such holder's Eligible Claim.

We will receive gross proceeds of up to approximately \$1.3 billion from the sale of shares of common stock of reorganized Delphi in connection with the par rights offering (assuming that all par rights are exercised) before deducting fees and expenses related to the par rights offering. The net proceeds from the par rights offering will be used to satisfy certain liquidity requirements, to satisfy certain claims of our unions, to reduce the amount of preferred stock distributed to GM and to partially satisfy certain claims of certain unsecured creditors as described under Use of Proceeds. If fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be distributed to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as

shares of Series C Convertible Preferred Stock issued to GM under the Plan).

We intend to use the net proceeds from the rights offerings and the \$975 million from the additional equity investments in reorganized Delphi by the Investors as described below, together with borrowings under our exit financing, to the extent obtained, if at all, to make payments and distributions contemplated by the Plan and for general corporate purposes. See Use of Proceeds.

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The Investors have agreed to backstop the discount rights offering, on the terms and subject to the conditions of the EPCA, by purchasing from us, on the effective date of the Plan for the \$38.39 in cash per full share basic subscription privilege exercise price, any shares of common stock of reorganized Delphi being offered in the discount rights offering that are not purchased pursuant to the exercise of discount rights. The backstop commitment of the Investors does not apply to the par rights offering. In addition, on the terms and subject to the conditions of the EPCA, the Investors have agreed to make additional equity investments in reorganized Delphi by purchasing \$800 million of Senior Convertible Preferred Stock (as defined under Description of Capital Stock Preferred Stock) and an additional \$175 million of common stock of reorganized Delphi for \$38.39 in cash per share on the effective date of the Plan, for total equity investments in reorganized Delphi, assuming the full backstop commitment, of \$2.55 billion. The Investors' backstop commitment and commitment to make the additional equity investments are subject to the satisfaction of the conditions set forth in the EPCA, as described under Certain Relationships and Related Transactions Equity Purchase and Commitment Agreement. We have paid the Investors aggregate fees of \$63 million for their equity commitments and arrangement services, of which approximately \$39 million relates to the backstop commitment of the discount rights offering and \$18 million relates to the commitment to purchase the additional \$175 million of common stock of reorganized Delphi. As of March 10, 2008, based on their most recently filed Schedules 13D or Form 4, as the case may be, the Investors and their affiliates beneficially owned a total of 125,739,448 shares, or 22.3%, of our outstanding common stock.

Pursuant to the Plan, Appaloosa has agreed not to participate in the par rights offering, and par rights that would otherwise have been distributed to Appaloosa will be instead distributed to the other holders of record of our common stock as of the record date for the rights offerings.

On the effective date of the Plan, following the cancellation of all existing shares of our common stock and all of our other existing equity securities outstanding prior to the effective date of the Plan and following the funding of the Investors' equity commitments, each of ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus and their respective affiliates would beneficially own¹ either (1) assuming the original rights holders exercise all of their rights in the rights offerings and each Investor purchases no shares of common stock pursuant to its backstop commitment in the discount rights offering, a total of 14,438,623, 5,031,776, 1,607,481, 1,612,167, 3,452,693 and 8,041,408 shares, respectively, or 10.7%, 3.7%, 1.2%, 1.2%, 2.6% and 6.0%, respectively, of the outstanding common stock of reorganized Delphi, or (2) assuming rights holders (other than the Plan Investors and their affiliates) exercise no rights in the rights offerings and each Investor purchases the full amount of its backstop commitment in the discount rights offering, a total of 16,829,014, 10,150,735, 2,013,967, 2,018,653, 10,894,441 and 12,835,849 shares, respectively, or 12.5%, 7.5%, 1.5%, 1.5%, 8.1%, 9.5%, respectively, of the outstanding common stock of reorganized Delphi, in each case assuming (i) conversion of all of the Investors' shares of Senior Convertible Preferred Stock and taking into account shares of common stock of reorganized Delphi received by certain Investors and their affiliates in their capacity as stockholders and creditors of Delphi pursuant to the Plan (assuming the exercise in full by the Investors of their basic subscription privileges in the discount rights offering), (ii) no exercise of par rights, (iii) no exercise of Warrants, (iv) 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims in an aggregate amount of approximately \$1.31 billion and (v) 16,508,176 shares of Series C Convertible Preferred Stock are issued to GM (and are converted into shares of common stock of reorganized Delphi, initially on a one-for-one basis). References to the number of shares and percentage ownership are further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. The Investors are not obligated to backstop the discount rights offering unless certain conditions are satisfied under the EPCA. Assumptions made with respect to the exercise of rights and warrants and the conversion of convertible securities for the purposes of this paragraph differ from the assumptions used elsewhere in this prospectus in stating the maximum number of shares of reorganized Delphi common stock outstanding on, or as promptly as practicable after, the effective date of the Plan and from those set forth under Unaudited Pro Forma Condensed Consolidated

¹ The projected percentage ownership of each of the Investors and their affiliates does not reflect all of the shares to be received by certain affiliates of the Investors as a result of claims such affiliates may beneficially own or discount rights such affiliates may exercise. Because of the EPCA, the Investors have separately filed Schedule 13Ds which state that they may be deemed to beneficially own the shares of our common stock beneficially owned by the other Investors. However, we have been advised by the Investors that following our emergence from bankruptcy, they believe that each Investor will no longer be deemed to beneficially own any shares of common stock held by another Investor. Except where specifically stated otherwise, each Investor's projected ownership percentage is being reported separately in this prospectus.

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Financial Information. The Investors have the ability under the EPCA, prior to the date that the registration statement of which this prospectus forms a part is declared effective under the Securities Act, to arrange for a limited number of additional investors to whom the Investors may sell, in accordance with the EPCA and applicable securities laws, any shares of common stock of reorganized Delphi that they purchase pursuant to the Plan and the EPCA. Some of the Investors have informed us that they have arranged or intend to arrange for such sales to additional investors. The amount and percentage of shares to be owned by the Investors gives effect to the expected sale of shares of common stock of reorganized Delphi to such additional investors. For the number of shares that each Investor has informed us that it expects to sell to such additional investors, see Effects of the Rights Offering on the Investors and GM's Ownership. Such sales to additional investors may be made by the Investors directly to such additional investors, or may be made by Delphi directly to such additional investors, and may substantially decrease the Investors' ownership percentage in reorganized Delphi. The additional investors will have the rights of the Investors from whom they purchase common stock of reorganized Delphi under the registration rights agreement described below. See Use of Proceeds, Capitalization, Effects of the Rights Offerings on the Investors' Ownership and Certain Relationships and Related Transactions Registration Rights Agreement.

The ownership percentages and number of outstanding shares of reorganized Delphi common stock set forth in this prospectus assume that 16,508,176 shares of Series C Convertible Preferred Stock are issued to GM under the Plan. However, to the extent that any par rights are exercised in the par rights offering, the gross proceeds generated from the exercise of par rights will be distributed in the order described under Use of Proceeds and, to the extent that GM receives a cash distribution from such proceeds, the number of shares of Series C Convertible Preferred Stock that would be issued to GM will be reduced by one share for each \$59.61 of such cash distribution. In addition, pursuant to the terms of the Series C Convertible Preferred Stock, we are required to redeem up to \$1 billion of outstanding shares of Series C Convertible Preferred Stock at an initial redemption price of \$65.00 per share to the extent of any proceeds we receive from exercise of the six-month warrants.

Additional information about the rights offerings may be found in this prospectus beginning on page 1 in the section entitled Questions and Answers About the Rights Offerings.

We intend to apply to list the common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, if and when we meet the respective listing requirements. There can be no assurances, however, that we will meet the respective listing requirements on the effective date of the Plan or at any time thereafter. Therefore, the shares of common stock of reorganized Delphi may not be listed or quoted on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system at the time they are issued on the effective date of the Plan. Although we have an obligation under the EPCA to use our commercially reasonable efforts to list the shares of common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, we cannot assure you that the common stock of reorganized Delphi will ever be listed on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system. The rights will not be listed on any securities exchange or quoted on any automated quotation system. Our common stock currently is quoted on the Pink Sheets LLC (the Pink Sheets) under the symbol DPHIQ. The last reported sale price of our common stock on the Pink Sheets on March 7, 2008, was \$0.16 per share.

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In this prospectus, Delphi, the company, we, us and our refer to Delphi Corporation, a Delaware corporation. We sometimes in this prospectus refer to Delphi, with respect to dates on and after the effective date of the Plan, as reorganized Delphi, and, accordingly, the foregoing terms, when used as of and after the effective date of the Plan, refer to reorganized Delphi.

The descriptions and disclosure in this prospectus with respect to reorganized Delphi assume that the Plan becomes effective on the terms confirmed by the Bankruptcy Court. The effectiveness of the Plan is not scheduled to occur until after the expiration of the rights offerings. We cannot assure you that the terms of the Plan will not change due to market conditions, the Bankruptcy Court's requirements, or otherwise after the expiration of either or both of the rights offerings. Moreover, the effectiveness of the Plan is subject to a number of conditions, including the completion of the transactions contemplated by the EPCA, the entry of certain orders by the Bankruptcy Court and the obtaining of necessary exit financing. We are currently seeking \$6.1 billion of exit financing, an amount that is consistent with the confirmation order of the Plan. There can be no assurances that such exit financing will be obtained (or, if obtained, the terms thereof) or such other conditions will be satisfied, and we cannot assure you that the Plan will become effective on the terms described in this prospectus or at all.

References in this prospectus to our capital stock, when used with respect to dates on and after the effective date of the Plan, refer to the capital stock of reorganized Delphi. On the effective date of the Plan, all existing shares of our common stock, and any options, warrants, rights to purchase shares of our common stock or other equity securities (excluding the right to receive shares of common stock of reorganized Delphi as a result of the exercise of rights in the rights offerings) outstanding prior to the effective date of the Plan will be canceled.

We are distributing the rights and offering the underlying shares of common stock of reorganized Delphi directly to you. We have not employed any brokers, dealers or underwriters in connection with the solicitation or exercise of rights in the rights offerings, and no commissions, fees or discounts will be paid in connection with the rights offerings. Computershare Trust Company, N.A. is acting as rights agent for the rights offerings, and Georgeson Inc. is acting as information agent for the rights offerings. Although some of our directors, officers and other employees may solicit responses from you, those directors, officers and other employees will not receive any commissions or compensation for their services other than their normal compensation.

As permitted under the rules of the Securities and Exchange Commission (the SEC), this prospectus incorporates important business information about us that is contained in documents that we file with the SEC but that are not included in or delivered with this prospectus. You may obtain copies of these documents, without charge, from the website maintained by the SEC at www.sec.gov, as well as from Delphi. See **Incorporation By Reference and **Where You Can Find More Information**.**

You should rely only on the information contained or incorporated by reference in this prospectus or any supplement to this prospectus. We have not authorized anyone to provide you with different information. These securities are not being offered in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this prospectus, and you should assume that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or of any sale of the common stock of reorganized Delphi.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to those documents already on file. The information incorporated by

reference is an important part of this prospectus. We incorporate by reference the documents listed below:

Annual Report on Form 10-K for the year ended December 31, 2007; and

Current Reports on Form 8-K filed January 9, 2008, January 15, 2008, January 30, 2008 (as modified by the Form 8-K/A filed February 20, 2008), February 26, 2008, February 29, 2008 and March 5, 2008.

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Notwithstanding the foregoing, information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K, including the related exhibits under Item 9.01, is not incorporated by reference in this prospectus.

We will provide to each person, including any beneficial owner of our common stock or other securities, to whom a prospectus is delivered, a copy of any or all of the reports or documents that have been incorporated by reference in this prospectus but not delivered with this prospectus. You may request a copy of these reports or documents at no cost, by writing or telephoning us at:

Delphi Corporation
5725 Delphi Drive
Troy, Michigan 48098
Telephone: (248) 813-2000
Attention: Investor Relations

These reports and documents also may be accessed through our Internet website at www.delphi.com. Our website, and the information contained in, accessible from or connected to our website, shall not be deemed to be incorporated into, or otherwise constitute a part of, this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file with the SEC at the Public Reference Room of the SEC at 100 F Street N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website at www.sec.gov that contains reports, proxy statements and other information that we file electronically with the SEC.

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the Warrants, the shares underlying the Warrants, the rights offerings and the shares underlying the rights. This prospectus does not contain all of the information set forth in the registration statement and its exhibits. Statements made by us in this prospectus as to the contents of any contract, agreement or other document referred to in this prospectus are not necessarily complete. For a more complete description of these contracts, agreements and other documents, you should carefully read the exhibits to the registration statement and the documents that we refer to above under the caption Incorporation by Reference.

None of the Plan, the Disclosure Statement, any other filings by Delphi with the Bankruptcy Court, nor any Schedule 13D or amendment thereto or any other filing by any Investor shall be deemed to be incorporated into, or otherwise constitute a part of, this prospectus.

FOR RESIDENTS OF INDIANA, OHIO, PENNSYLVANIA, UTAH AND TEXAS ONLY

WE HAVE ENGAGED GEORGESON SECURITIES CORPORATION TO ASSIST US IN THE DISCOUNT RIGHTS OFFERING AND THE PAR RIGHTS OFFERING AS AN ACCOMMODATING BROKER IN INDIANA, OHIO, PENNSYLVANIA AND UTAH, AND IN THE DISCOUNT RIGHTS OFFERING AS AN ACCOMMODATING BROKER IN TEXAS TO PERSONS WHO ARE ENTITLED TO EXERCISE DISCOUNT RIGHTS IN TEXAS. SEE FOR TEXAS RESIDENTS ONLY BELOW. IN SUCH STATES, APPLICABLE STATE SECURITIES LAWS REQUIRE SUCH OFFERINGS TO BE MADE BY A REGISTERED BROKER-DEALER.

GEORGESON SECURITIES CORPORATION IS A REGISTERED BROKER-DEALER IN ALL FIFTY STATES. GEORGESON SECURITIES CORPORATION IS NOT UNDERWRITING THE RIGHTS OFFERINGS, HAS NO OBLIGATION TO PURCHASE ANY RIGHTS OR SHARES OF COMMON STOCK OF REORGANIZED DELPHI AND IS NOT OBLIGATED TO FIND OR QUALIFY ANY PURCHASERS OF THE RIGHTS OR THE SHARES OF COMMON STOCK OF REORGANIZED DELPHI. GEORGESON SECURITIES CORPORATION HAS NOT PREPARED A REPORT OR OPINION CONSTITUTING RECOMMENDATIONS OR ADVICE TO US IN CONNECTION WITH EITHER OF THE RIGHTS OFFERINGS. IN ADDITION, GEORGESON SECURITIES CORPORATION HAS

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EXPRESSED NO OPINION AS TO THE FAIRNESS OF THE EXERCISE PRICE, THE TERMS OR STRUCTURE OF THE RIGHTS OFFERINGS OR THE PRICES AT WHICH THE COMMON STOCK OF REORGANIZED DELPHI MAY TRADE AFTER ISSUANCE. GEORGESON SECURITIES CORPORATION DOES NOT MAKE ANY RECOMMENDATIONS AS TO WHETHER ANY RIGHTS HOLDER SHOULD EXERCISE OR TRANSFER ITS RIGHTS.

FOR TEXAS RESIDENTS ONLY

WE HAVE RECEIVED QUALIFICATION OF THE RIGHTS OFFERINGS FROM ALL REQUIRED STATE SECURITIES COMMISSIONS, EXCEPT WITH RESPECT TO THE DISCOUNT RIGHTS OFFERING IN TEXAS. AS A RESULT, IF YOU ARE A RESIDENT OF, OR HAVE YOUR PRINCIPAL PLACE OF BUSINESS IN, TEXAS, YOU WILL BE ENTITLED TO EXERCISE OR TRANSFER DISCOUNT RIGHTS ONLY IF YOU CERTIFY TO THE RIGHTS AGENT THAT YOU ARE ONE OF THE FOLLOWING:

(I) AN EXISTING SECURITY HOLDER OF DELPHI,

(II) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1)-(4), (7) AND (8) UNDER THE SECURITIES ACT), EXCLUDING ANY SELF-DIRECTED EMPLOYEE BENEFIT PLAN WITH INVESTMENT DECISIONS MADE SOLELY BY PERSONS THAT ARE ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a)(5)-(6) UNDER THE SECURITIES ACT),

(III) A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT),

(IV) A CORPORATION, PARTNERSHIP, TRUST, ESTATE OR OTHER ENTITY (EXCLUDING INDIVIDUALS) HAVING A NET WORTH OF NOT LESS THAN \$5 MILLION OR A WHOLLY OWNED SUBSIDIARY OF SUCH ENTITY, AS LONG AS THE ENTITY WAS NOT FORMED FOR THE PURPOSE OF ACQUIRING THE RIGHTS AND THE UNDERLYING SHARES OF COMMON STOCK OF REORGANIZED DELPHI, OR

(V) ANOTHER EXEMPT PERSON UNDER THE TEXAS STATE SECURITIES LAWS.

WE AND THE RIGHTS AGENT, AS APPLICABLE, HAVE THE DISCRETION TO DELAY OR TO REFUSE TO DISTRIBUTE ANY SHARES YOU MAY ELECT TO PURCHASE THROUGH THE EXERCISE OF DISCOUNT RIGHTS IF WE DEEM IT NECESSARY TO COMPLY WITH TEXAS STATE SECURITIES OR BLUE SKY LAWS.

**FOR ALL HOLDERS OF DISCOUNT RIGHTS
WHO DESIRE TO TRANSFER DISCOUNT RIGHTS TO A RESIDENT OF TEXAS**

A HOLDER OF DISCOUNT RIGHTS MAY TRANSFER DISCOUNT RIGHTS TO A PERSON OR ENTITY THAT IS A RESIDENT OF, OR HAS ITS PRINCIPAL PLACE OF BUSINESS IN, TEXAS ONLY IF THE TRANSFEROR OR THE TRANSFEREE CERTIFIES TO THE RIGHTS AGENT THAT THE TRANSFEREE IS ONE OF THE SPECIFIED PERSONS LISTED IN CLAUSES (I) THROUGH (V) ABOVE UNDER FOR TEXAS RESIDENTS ONLY.

WE AND THE RIGHTS AGENT, AS APPLICABLE, HAVE THE DISCRETION TO DELAY OR TO REFUSE TO EFFECT ANY TRANSFER OF DISCOUNT RIGHTS IF WE DEEM IT NECESSARY TO

COMPLY WITH TEXAS STATE SECURITIES OR BLUE SKY LAWS.

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QUESTIONS AND ANSWERS ABOUT THE RIGHTS OFFERINGS

The following are examples of what we anticipate will be common questions about the rights offerings. The answers are based on selected information from this prospectus and the documents incorporated by reference herein. The following questions and answers do not contain all of the information that is important to you and may not address all of the questions that you may have about the rights offerings. This prospectus and the documents incorporated by reference herein contain more detailed descriptions of the terms and conditions of the rights offerings and provides additional information about us and our business, including potential risks related to the rights offering, the common stock of reorganized Delphi, our reorganization and our business.

Exercising the rights and investing in the common stock of reorganized Delphi involves risks. We urge you to carefully read the Risk Factors sections beginning on page 35 of this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2007, and all other information included or incorporated by reference in this prospectus in its entirety, before you decide whether or not to exercise rights.

Overview of Rights Offerings

Q: What are the rights offerings?

A: We are concurrently conducting two rights offerings: (1) a discount rights offering and (2) a par rights offering.

Q: What is the discount rights offering and who is eligible to participate?

A: The discount rights offering is the issuance to Eligible Holders (as defined below), at no charge (except as described below), of transferable rights (the discount rights) to purchase up to a total of 41,026,309 shares of common stock of reorganized Delphi. Each Eligible Holder will receive, for each \$99.07 of such Eligible Holder's Eligible Claim (as defined below), one discount right.

An Eligible Holder means the holder of an Eligible Claim as of 5:00 p.m., New York City time, on January 17, 2008, the date on which the confirmation hearing with respect to the Plan commenced before the Bankruptcy Court, or a transferee receiving such holder's discount rights. An Eligible Claim means (i) a General Unsecured Claim, a Section 510(b) Note Claim, a Section 510(b) Equity Claim or a Section 510(b) ERISA Claim, as such terms are defined in the Plan, in each case that has been allowed or reconciled by Delphi by the date of commencement of the confirmation hearing with respect to the Plan, and with respect to General Unsecured Claims, as may also be adjusted for cure amounts resulting from certain Bankruptcy Court orders entered on February 27, 2008, or (ii) a General Unsecured Claim that has not been allowed, disallowed or reconciled by the date of commencement of the confirmation hearing with respect to the Plan but that has been provisionally allowed or estimated solely for purposes of participation in the discount rights offering in the respective amounts ordered by the Bankruptcy Court on January 25, 2008 and in certain cases, as may be adjusted for cure amounts resulting from Bankruptcy Court orders entered on February 27, 2008. To the extent that the provisional allowance or estimation results in a particular Eligible Holder receiving more discount rights than such Eligible Holder should have received based on the ultimate allowed amount of such claim and such discount rights are transferred or exercised (the excess discount rights), then, in Delphi's sole discretion, (a) Delphi will be authorized but not required to withhold an amount of common stock of reorganized Delphi (at a value of \$59.61 per share) equal to the value of such excess discount rights (at a value of \$21.22 per right, which equals the difference between the exercise price of the discount rights and the Plan value of \$59.61 per share of common stock) from the ultimate distribution to such Eligible Holder or (b) to the extent the value of such direct grant of common stock of reorganized Delphi is less than

the value of the excess discount rights, and Delphi elects to pursue such payment in its sole discretion, such Eligible Holder will be required to remit payment to Delphi in an amount equal to the value of such excess discount rights in excess of the value of the common stock of reorganized Delphi withheld under (a). To the extent that the provisional allowance or estimation results in a particular Eligible Holder receiving fewer discount rights than such Eligible Holder should have received

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based on the ultimate allowed amount of such claim, no subsequent adjustment will be made in respect of such Eligible Holder's Eligible Claim.

If you are a resident of, or have your principal place of business in, Texas, you will be entitled to exercise or transfer discount rights only if you certify to the rights agent that you are within one of specified categories of persons under Texas state securities laws. See **For Texas Residents Only** on page v of this prospectus and **Other than complying with the exercise procedures described above and paying the exercise price, are there any other conditions to my exercise of rights?** below.

In addition, regardless of your residence or principal place of business, if you desire to transfer discount rights to a person or entity that is a resident of, or has its principal place of business in, Texas, as a condition to that transfer, you or the proposed transferee must certify to the rights agent that the proposed transferee is within one of specified categories of persons under Texas state securities law. See **For All Holders of Discount Rights Who Desire to Transfer Discount Rights to a Resident of Texas** on page v of this prospectus and **May I transfer my rights if I do not want to purchase any shares?** below.

Q: What is the par rights offering and who is eligible to participate?

A: The par rights offering is a distribution to holders of our common stock, at no charge, of nontransferable rights (the **par rights**) to purchase up to a total of 21,680,996 shares of common stock of reorganized Delphi. Each holder of our common stock will receive one par right for each 26 shares of our common stock owned of record at 5:00 p.m., New York City time, on January 17, 2008, the date on which the confirmation hearing with respect to the Plan commenced before the Bankruptcy Court.

Q: What is a right?

A: We are distributing two types of rights: **discount rights** and **par rights**.

Each discount right carries with it a **basic subscription privilege** and an **oversubscription privilege**. The **basic subscription privilege** entitles each Eligible Holder to purchase one share of common stock of reorganized Delphi for \$38.39 in cash per full share. The **oversubscription privilege** entitles each Eligible Holder who fully exercises its **basic subscription privilege** to subscribe for additional shares of common stock of reorganized Delphi at an exercise price of \$38.64 in cash per full share to that extent that any shares are not purchased by other Eligible Holders under their **basic subscription privileges** as of the expiration date of the discount rights offering. If an insufficient number of shares are available to fully satisfy **oversubscription privilege** requests, the available shares, if any, will be allocated pro rata among Eligible Holders who exercised their **oversubscription privilege** based upon the number of shares each oversubscribing Eligible Holder subscribed for under its **basic subscription privilege**. If there is a pro rata allocation of the remaining shares and an Eligible Holder receives an allocation of a greater number of shares than it subscribed for under its **oversubscription privilege**, then we will allocate to such Eligible Holder only the number of shares for which it subscribed under its **oversubscription privilege**, and we will allocate all remaining shares pro rata among all other Eligible Holders who exercised their **oversubscription privileges** on the same basis as described above.

Each **par right** entitles the holder to purchase one share of common stock of reorganized Delphi for \$59.61 in cash per full share. There is no **oversubscription privilege** in the **par rights offering**.

We will not issue fractional **par rights**, however, we will issue fractional **discount rights**. Because fractional **par rights** will not be issued in the **par rights offering**, and cash will not be paid in lieu of fractional **par rights** in the **par rights offering**, you will need to hold at least 26 shares of common stock in order to receive one

par right. If you hold fewer than 26 shares of common stock, you will not receive any par rights. Otherwise, the number of par rights that you receive will be rounded to the nearest whole number, with such adjustments as we may determine in our sole discretion are necessary so that we offer 21,680,996 shares of common stock of reorganized Delphi in the par rights offering.

A fractional discount right will not be exercisable unless it is aggregated with other fractional discount rights so that when exercised, in the aggregate, such fractional discount rights result in the purchase of a whole share of common stock of reorganized Delphi. In other words, fractional discount rights cannot be

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exercised for fractional shares of common stock of reorganized Delphi and must be combined so that reorganized Delphi issues only whole shares of common stock. Accordingly, if you hold fractional discount rights, you will lose any value represented by those fractional discount rights unless you sell them or you purchase from another Eligible Holder a sufficient amount of fractional discount rights to acquire upon exercise a whole share of common stock of reorganized Delphi.

Although the discount rights offering and the par rights offering are being conducted concurrently, they are independent of one another. Therefore, to the extent you are eligible to receive and exercise discount rights and/or par rights you may choose to exercise, as applicable, only discount rights, only par rights, both discount rights and par rights or no rights at all.

Q: What is the purpose of the rights offerings?

A: On October 8, 2005, we and certain of our U.S. subsidiaries filed voluntary petitions for reorganization relief under chapter 11 of the Bankruptcy Code, and on October 14, 2005, three additional U.S. subsidiaries filed voluntary petitions for reorganization relief under the Bankruptcy Code in the Bankruptcy Court. On January 25, 2008, the Bankruptcy Court confirmed the Plan. The rights offerings are being made to raise a portion of the funds necessary to consummate the Plan.

Q: How will you use the proceeds from the rights offerings?

A: We will receive total gross proceeds of up to approximately \$2.9 billion from the rights offerings (assuming that all par rights are exercised), before deducting fees, including the Investors' backstop commitment fee, and expenses related to the rights offerings. The gross proceeds from the discount rights offering (including proceeds of any shares of common stock purchased by the Investors pursuant to their backstop commitment) will be up to approximately \$1.6 billion, before deducting the \$39 million backstop commitment fee paid to the Investors, and the gross proceeds from the par rights offering (assuming that all par rights are exercised) will be up to approximately \$1.3 billion, in each case, before deducting approximately \$6.1 million of expenses relating to the rights offerings. If any shares of common stock of reorganized Delphi are purchased pursuant to the exercise of the oversubscription privilege in the discount rights offering, we will receive additional gross proceeds of \$0.25 per share of common stock purchased pursuant to the oversubscription privilege, which additional proceeds will be distributed pro rata to Eligible Holders that did not exercise or transfer any of their discount rights in the discount rights offering based on the ultimate allowed amount of each such holder's Eligible Claim.

We intend to use the net proceeds from the rights offerings and the \$975 million from the additional equity investments in reorganized Delphi by the Investors (after deducting the \$18 million preferred stock commitment fee paid to the Investors and the \$6 million arrangement fee paid to ADAH), together with borrowings under our exit financing, to the extent obtained, if at all, to make payments and distributions contemplated by the Plan and for general corporate purposes. The net proceeds from the discount rights offering will be used for general corporate purposes, and the net proceeds from the par rights offering will be used to satisfy certain liquidity requirements, to satisfy certain claims of our unions, to reduce the amount of preferred stock distributed to GM and to partially satisfy certain claims of certain unsecured creditors as described under Use of Proceeds. The backstop commitment of the Investors does not apply to the par rights offering. If fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan). See Use of Proceeds for a description of the application of the proceeds of the rights offerings.

Q: Have Delphi and its U.S. subsidiaries which filed bankruptcy petitions under chapter 11 of the Bankruptcy Code completed their reorganization?

A: No. We will not emerge from bankruptcy as a going concern unless and until a plan of reorganization becomes effective. We filed the first amended Plan with the Bankruptcy Court on December 10, 2007, and the Plan was confirmed by the Bankruptcy Court on January 25, 2008, as amended as of that date. The effectiveness of the Plan currently is not scheduled to occur until after the expiration of the rights offerings.

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We cannot assure you that the terms of the Plan will not change due to market conditions, the Bankruptcy Court's requirements, or otherwise after the expiration of either or both of the rights offerings. Moreover, the effectiveness of the Plan is subject to a number of conditions, including the completion of the transactions contemplated by the EPCA, the entry of certain orders by the Bankruptcy Court and the obtaining of necessary exit financing. We are currently seeking \$6.1 billion of exit financing, an amount that is consistent with the confirmation order of the Plan. There can be no assurances that such exit financing will be obtained (or, if obtained, the terms thereof) or such other conditions will be satisfied, and we cannot assure you that the Plan will become effective on the terms described in this prospectus or at all. See "Are there any conditions to the issuance of the shares of common stock if I exercise my rights?" and "What are the conditions to completion of the transactions contemplated by the EPCA?" below.

Q: How does Delphi plan to complete its emergence from bankruptcy?

A: On March 31, 2006, we outlined a strategic transformation plan to prepare for our return to stable, profitable business operations through a broad-based global restructuring. Consistent with our transformation plan, on August 3, 2007, we executed the EPCA with the Investors, which was subsequently amended on December 10, 2007. The EPCA contemplates completion of the Plan including, among other things, the proposed financial recovery of our stakeholders and the treatment of specific claims asserted by GM, the resolution of pension funding issues, the terms of the preferred stock to be issued under the Plan, the establishment of a joint claims oversight committee and the corporate governance of reorganized Delphi.

Exercise of Rights and Other Procedural Matters

Q: What is the record date for the rights offerings?

A: The record date, which is the date used to determine the Eligible Holders entitled to receive discount rights and the stockholders entitled to receive par rights, is at 5:00 p.m., New York City time, on January 17, 2008, the date on which the confirmation hearing with respect to the Plan commenced before the Bankruptcy Court.

Q: How many rights am I receiving?

A: Each Eligible Holder will receive, at no charge, for each \$99.07 of such Eligible Holder's Eligible Claim, one transferable discount right.

Each holder of our common stock will receive, at no charge, for each 26 shares of our common stock owned of record at 5:00 p.m., New York City time, on January 17, 2008, one nontransferable par right.

We will issue a total of 41,026,309 discount rights in the discount rights offering, which represent rights to purchase a total of 41,026,309 shares of common stock of reorganized Delphi. We will issue a total of 21,680,996 par rights in the par rights offering, which represent rights to purchase a total of 21,680,996 shares of common stock of reorganized Delphi.

Q: Will I receive fractional shares or cash in lieu of fractional shares?

A: No. We will not issue fractional shares or cash in lieu of fractional shares upon the exercise of rights.

In addition, we will not issue fractional par rights, however, we will issue fractional discount rights. Because fractional par rights will not be issued in the par rights offering, and cash will not be paid in lieu of fractional par rights in the par rights offerings, you will need to hold at least 26 shares of common stock in order to

receive one par right. If you hold fewer than 26 shares of common stock, you will not receive any par rights. Otherwise, the number of par rights that you receive will be rounded to the nearest whole number, with such adjustments as we may determine in our sole discretion are necessary so that we offer 21,680,996 shares of common stock of reorganized Delphi in the par rights offering.

A fractional discount right will not be exercisable unless it is aggregated with other fractional discount rights so that when exercised, in the aggregate, such fractional discount rights result in the purchase of a whole share of common stock of reorganized Delphi. In other words, fractional discount rights cannot be exercised for fractional shares of common stock of reorganized Delphi and must be combined so that

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reorganized Delphi issues only whole shares of common stock. Accordingly, if you hold fractional discount rights, you will lose any value represented by those fractional discount rights unless you sell them or you purchase from another Eligible Holder a sufficient amount of fractional discount rights to acquire upon exercise a whole share of common stock of reorganized Delphi.

Q: How much does a right cost?

A: We are distributing the rights at no charge. Discount rights distributed are subject to the procedures described above under "What is the discount rights offering and who is eligible to participate?" to the extent that the provisional allowance or estimation results in a particular Eligible Holder receiving more discount rights than such Eligible Holder should have received based on the ultimate allowed amount of such claim and such discount rights are transferred or exercised.

To exercise discount rights, however, you will be required to pay \$38.39 in cash for each full share of common stock for which you are exercising discount rights pursuant to your basic subscription privilege and \$38.64 in cash for each full share of common stock for which you are exercising discount rights pursuant to your oversubscription privilege. The discount rights will be transferable. Therefore, you may choose to sell some of your discount rights and use the net proceeds from the sale to pay all or a portion of the exercise price for some or all of your remaining discount rights.

To exercise par rights, you will be required to pay \$59.61 in cash for each full share of common stock for which you are exercising rights. There is no oversubscription privilege in the par rights offering. The par rights will not be transferable. Therefore, you will not be able to sell par rights. See the Questions and Answers under the heading "Transferability of Rights" below.

Q: How many shares may I purchase if I exercise my rights?

A: As stated above, each Eligible Holder will receive one discount right for each \$99.07 of such Eligible Holder's Eligible Claim, and each holder of our common stock will receive one par right for each 26 shares of our common stock owned of record at 5:00 p.m., New York City time, on January 17, 2008, the record date for the rights offerings. Each discount right is a right to purchase one share of common stock of reorganized Delphi, and each par right is a right to purchase one share of common stock of reorganized Delphi.

We will not issue fractional par rights; however, we will issue fractional discount rights. No fractional shares will be issued, nor will cash be paid in lieu of fractional shares, upon the exercise of fractional discount rights. A fractional discount right will not be exercisable unless it is aggregated with other fractional discount rights so that when exercised, in the aggregate, such fractional discount rights result in the purchase of a whole share of common stock of reorganized Delphi. Accordingly, if you hold fractional discount rights, you will lose any value represented by those fractional discount rights unless you sell them or you purchase from another Eligible Holder a sufficient amount of fractional discount rights to acquire upon exercise a whole share of common stock of reorganized Delphi.

As an example, if you are an Eligible Holder with an Eligible Claim of \$1,000,000, as of 5:00 p.m., New York City time, on January 17, 2008, the record date for the discount rights offering, you would receive 10,093.87302 discount rights. Because fractional shares of common stock of reorganized Delphi will not be issued in the discount rights offering, these 10,093.87302 discount rights would entitle you to purchase 10,093 shares of common stock of reorganized Delphi in the discount rights offering. The purchase price for each share of common stock is \$38.39 in cash per full share in the discount rights offering pursuant to the

basic subscription privilege. Under this example, if you wished to exercise in full your discount rights, you would be required to pay an aggregate exercise price of \$387,470.27 (\$38.39 in cash per full share multiplied by 10,093 whole shares) in the discount rights offering. As to the fractional discount right of 0.87302, however, which represents approximately \$86.49 of your Eligible Claim, you will lose any value attributable to such fractional right unless you sell that fractional discount right or you purchase from another Eligible Holder a sufficient amount of fractional discount rights to acquire upon exercise a whole share of common stock of reorganized Delphi.

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As an example, if you owned 1,000 shares of common stock, as of 5:00 p.m., New York City time, on January 17, 2008, the record date for the par rights offering, you would receive 38 par rights (rounded to the nearest whole number from 38.46, subject to such adjustments as we may determine in our sole discretion are necessary so that we offer 21,680,996 shares of common stock of reorganized Delphi in the par rights offering). You would not receive a fractional par right to purchase the approximately 0.46 of a share of common stock of reorganized Delphi or any cash in lieu thereof, and therefore will receive no value attributable to such fraction. Because fractional par rights will not be issued in the par rights offering, you would be entitled to purchase 38 whole shares of common stock of reorganized Delphi in the par rights offering. The purchase price for each share of common stock is \$59.61 in cash per full share in the par rights offering. Under this example, if you wished to exercise in full your par rights, you would be required to pay an aggregate exercise price of \$2,265.18 (\$59.61 in cash per full share multiplied by 38 whole shares) in the par rights offering.

Although the discount rights offering and the par rights offering are being conducted concurrently, they are independent of one another. Therefore, to the extent you are eligible to receive and exercise discount rights and/or par rights, you may choose to exercise, as applicable, only discount rights, only par rights, both discount rights and par rights or no rights at all.

Q: How was the exercise price per share of common stock determined?

A: The exercise price was determined after extensive negotiations with the Investors, the creditors committee, the equity committee and GM. After several weeks of negotiations, we decided to pursue an agreement with the Investors that was supported by the creditors committee, the equity committee and GM, under which the Investors would be willing to provide their investment to support our reorganization and transformation plan. The discount rights exercise price of \$38.39 in cash per full share represents a \$21.22 per share discount from the \$59.61 in cash per full share deemed value for Plan distribution purposes established in the Plan. The par rights exercise price of \$59.61 in cash per full share is the same as the per share value of common stock of reorganized Delphi for Plan distribution purposes established in the Plan. Specifically, under the Plan, certain of our creditors will be accepting shares of common stock of reorganized Delphi in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan), with such shares being valued for such purposes at \$59.61 per full share. The per share discount for the discount rights and the per share deemed value have been approved by the Bankruptcy Court pursuant to the confirmation order confirming the Plan. See Bankruptcy Cases. The exercise prices of the rights do not necessarily bear any relationship to the book value of our assets, past operations, cash flows, losses, financial condition or other common criteria used to value equity securities. The exercise prices of the rights should not be considered an indication of the actual value of reorganized Delphi or the shares of its common stock.

Q: When will I receive my rights certificates?

A: Promptly after the date of this prospectus, the rights agent will send a discount rights certificate to each Eligible Holder (as may be adjusted for cure amounts resulting from Bankruptcy Court orders entered on February 27, 2008) and a par rights certificate to each registered holder of our common stock as of 5:00 p.m., New York City time, on the record date, based on our stockholder registry maintained at the transfer agent for our common stock. If you hold securities out of which your Eligible Claim arises or your shares of common stock, as applicable, through a brokerage account, bank or other nominee, you will not receive actual rights certificates. Instead, as described in this prospectus, you must instruct your broker, bank or nominee whether or not to exercise rights on your behalf. If you wish to obtain separate rights certificates,

you should promptly contact your broker, bank or other nominee and request separate rights certificates. It is not necessary to have a physical rights certificate to effect a sale of your discount rights or to exercise your rights if you hold securities out of which your Eligible Claims arises or your shares of common stock, as applicable, through a brokerage account, bank or other nominee.

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Q: If I own options to purchase shares of common stock as of the record date, will I receive rights?

A: No. Only Eligible Holders will receive discount rights, and only stockholders of record at 5:00 p.m., New York City time, on the record date will receive par rights. If you exercise options after the record date, you will not receive any rights with respect to the shares of our common stock acquired upon exercise of those options. On the effective date of the Plan, all outstanding options, warrants, rights to purchase shares of our common stock and other equity securities (excluding the right to receive shares of common stock of reorganized Delphi as a result of the exercise of rights in the rights offerings) will be canceled pursuant to the Plan.

Q: How do I exercise my rights?

A: If you hold securities out of which your Eligible Claim arises or your shares of common stock, as applicable, through a brokerage account, bank or other nominee, your broker, bank or nominee should contact you to inquire as to whether or not you wish to exercise your rights. Your broker, bank or nominee, as the case may be, will act on your behalf if you wish to exercise your rights. Payment of the applicable exercise price for your rights must be made by you as directed by your broker, bank or nominee. Such payment may be made from funds in your account, or if such funds are not in sufficient quantity or form for payment, you will have to provide your broker, bank or nominee with sufficient funds in a form acceptable to it. See The Rights Offerings Exercise of Rights.

If you do not hold securities out of which your Eligible Claim arises or your shares of common stock, as applicable, through a brokerage account, bank or other nominee, to exercise your rights, you must properly complete and sign your rights certificate(s) and deliver your rights certificate(s) to Computershare Trust Company, N.A. who is acting as the rights agent for the rights offerings. The rights agent will not accept a facsimile transmission of your completed rights certificate(s). We recommend that you send your rights certificate(s) by overnight courier or, if you send your rights certificate(s) by mail, we recommend that you send them by registered mail, properly insured, with return receipt requested. Delivery of your rights certificate(s) must be accompanied by full payment of the applicable exercise price for each share of common stock you wish to purchase. Your payment of the applicable exercise price must be made in U.S. dollars for the number of shares of common stock you are purchasing pursuant to the exercise of rights by (1) certified check drawn upon a U.S. bank payable to the rights agent, (2) cashier's check drawn upon a U.S. bank or express money order payable to the rights agent or (3) wire transfer of immediately available funds to the account maintained by the rights agent for the purpose of the rights offerings, in each case in accordance with the Instructions for Completion of Delphi Corporation Rights Certificates accompanying the mailing of this prospectus. The rights agent will not accept non-certified checks drawn on personal or business accounts. See The Rights Offerings Exercise of Rights and The Rights Offerings Payment of Exercise Price.

You should deliver your rights certificate(s) and payment of the applicable exercise price (unless you decide to wire your payment) to the rights agent by mail or overnight courier to:

By Mail:
Computershare Trust
Company, N.A.
Attn: Corporate Actions

By Overnight Courier:
Computershare Trust
Company, N.A.
Attn: Corporate Actions

By Hand:
Computershare Trust
Company, N.A.
Attn: Corporate Actions

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P.O. Box 859208
Braintree, MA 02185-9208

161 Bay State Drive
Braintree, MA 02184

161 Bay State Drive
Braintree, MA 02184

Telephone Number For Confirmation: (800) 499-7619

If you decide to wire your payment to the rights agent, please see the Wire Confirmation Form attached as Exhibit A to the Instructions for Completion of Delphi Corporation Rights Certificates for wire instructions. A copy of the Instructions for Completion of Delphi Corporation Rights Certificates accompanied the mailing of this prospectus.

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Lead plaintiffs in the Securities Actions (as defined under [The Rights Offerings Exercise by Lead Plaintiffs](#)), in lieu of paying the exercise price in cash, will have the right to exercise their discount rights as described below under [The Rights Offerings Exercise by Lead Plaintiffs](#).

Payments of the applicable exercise price for the common stock will be held in an escrow account until the effective date of the Plan, unless we withdraw or terminate the rights offerings. No interest will be paid to you on the funds you deposit with the rights agent. The rights agent will pay to us any interest earned on the payments held by the rights agent before your shares have been issued to you or your payment is returned to you, without interest, because your exercise has not been satisfied for any reason.

In addition, if you are a resident of, or have your principal place of business in, Texas, you will be entitled to exercise discount rights only if you certify to the rights agent that you are within one of specified categories of persons under Texas state securities laws. If you are a resident of, or have your principal place of business in, Texas, you should have received a form of certification as part of your rights certificate or the other materials accompanying the mailing of this prospectus. Accordingly, if you are a resident of, or have your principal place of business in, Texas and you desire to exercise discount rights, please complete this certification and return it to the rights agent with your rights certificate and, if you are exercising rights, the payment of the applicable exercise price. See [For Texas Residents Only](#) on page v of this prospectus and [Other than complying with the exercise procedures described above and paying the exercise price, are there any other conditions to my exercise of rights?](#) below.

Q: Other than complying with the exercise procedures described above and paying the exercise price, are there any other conditions to my exercise of rights?

A: Yes, there are other conditions if you are a resident of, or have your principal place of business in, Texas and you want to exercise discount rights.

We have received qualification of the rights offerings from all required state securities commissions, except with respect to the discount rights offering in Texas. As a result, if you are a resident of, or have your principal place of business in, Texas, you will be entitled to exercise discount rights only if you certify to the rights agent that you are one of the following:

- (i) an existing security holder of Delphi,
- (ii) an accredited investor (as defined in Rule 501(a)(1)-(4), (7) and (8) under the Securities Act), excluding any self-directed employee benefit plan with investment decisions made solely by persons that are accredited investors (as defined in Rule 501(a)(5)-(6) under the Securities Act),
- (iii) a qualified institutional buyer (as defined in Rule 144A under the Securities Act),
- (iv) a corporation, partnership, trust, estate or other entity (excluding individuals) having a net worth of not less than \$5 million or a wholly owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the rights and the underlying shares of common stock of reorganized Delphi, or
- (v) another exempt person under the Texas state securities laws.

If you are a resident of, or have your principal place of business in, Texas, you should have received a form of certification as part of your rights certificate or the other materials accompanying the mailing of this prospectus. Accordingly, if you are a resident of, or have your principal place of business in, Texas and you desire to exercise rights, please complete this certification and return it to the rights agent with your rights

certificate and the payment of the applicable exercise price. We have the discretion to delay or to refuse to distribute any shares you may elect to purchase through the exercise of discount rights if we deem it necessary to comply with Texas state securities or blue sky laws.

For further information, including a number you can call if you have questions about the certification, see

For Texas Residents Only on page v of this prospectus and The Rights Offerings State Securities and Blue Sky Matters.

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Q: Will I be charged a commission or a fee if I exercise my rights?

A: We will not charge a brokerage commission or a fee to rights holders for exercising their rights. If you exercise your rights through a broker, bank or other nominee, however, you will be responsible for any fees charged by your broker, bank or nominee.

Q: When do the rights expire?

A: Both the discount rights and the par rights expire, if not previously exercised, at 5:00 p.m., New York City time, on March 31, 2008, unless the exercise period applicable to such rights is extended. See The Rights Offerings Expiration of the Rights Offerings. If the applicable exercise period is extended, we will issue a press release announcing the extension no later than 9:00 a.m., New York City time, on the business day after the most recently announced expiration date.

We may, in our sole discretion, extend the time for exercising either or both of the discount rights or the par rights. If there is a change in the terms of either rights offering prior to the expiration date that requires us to file a post-effective amendment to the registration statement, we will circulate an updated prospectus after the post-effective amendment has been declared effective by the SEC and, to the extent necessary, will extend the expiration date (and the corresponding withdrawal deadline) of the applicable rights offering to allow holders of those rights sufficient time to make a new investment decision, including having the opportunity to exercise previously unexercised rights or to withdraw previously exercised rights. Promptly following any such occurrence, we will issue a press release announcing any changes with respect to the rights offerings and the new expiration date.

Q: Am I required to exercise my rights?

A: No. However, if you do not exercise or sell all of your discount rights prior to the expiration of the discount rights offering or exercise all of your par rights prior to the expiration of the par rights offering, your rights will expire, and you will lose any value represented by your rights. In addition, any shares of common stock of reorganized Delphi into which your discount rights would otherwise have been exercisable will be purchased by the Investors, and any shares of common stock of reorganized Delphi into which your par rights would otherwise have been exercisable will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan), in each case, diluting your ownership interest. Pursuant to the Plan, your ownership interest in us will be significantly diluted even if you do exercise your par rights. At 5:00 p.m., New York City time, on the record date, 563,477,461 shares of our common stock were outstanding.

Q: Do I have the right to purchase additional shares in the event that not all Eligible Holders or stockholders, as applicable, fully exercise their rights?

A: No, in the case of the par rights. Yes, in the case of the discount rights.

Each discount right entitles each Eligible Holder who fully exercises its basic subscription privilege to subscribe, prior to the expiration date of the discount rights offering, for additional shares of common stock of reorganized Delphi at an exercise price of \$38.64 in cash per full share to the extent that any shares are not purchased by other Eligible Holders under their basic subscription privileges as of the expiration date of the discount rights offering. If an insufficient number of shares are available to fully satisfy oversubscription

privilege requests, the available shares, if any, will be allocated pro rata among Eligible Holders who exercised their oversubscription privilege based upon the number of shares each oversubscribing Eligible Holder subscribed for under its basic subscription privilege. If there is a pro rata allocation of the remaining shares and an Eligible Holder receives an allocation of a greater number of shares than it subscribed for under its oversubscription privilege, then we will allocate to such Eligible Holder only the number of shares for which it subscribed under its oversubscription privilege, and we will allocate all remaining shares pro rata among all other Eligible Holders who exercised their oversubscription privileges on the same basis as described above. If you make an oversubscription request, you must remit to the rights agent the full exercise price for such additional shares of common stock of reorganized Delphi that you are requesting at the time you make the request. To the extent that you request more shares than

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we are able to allocate to you, we will return to you your exercise payment with respect to the shares we were unable to allocate to you, without interest.

Q: What will happen to the shares underlying rights that are not exercised?

A: The Investors have agreed to backstop the discount rights offering, on the terms and subject to the conditions of the EPCA, by purchasing from us on the effective date of the Plan, at the \$38.39 in cash per full share basic subscription privilege exercise price, any shares of common stock of reorganized Delphi being offered in the discount rights offering that are not purchased pursuant to the exercise of discount rights. This means that if any discount rights are not exercised in the discount rights offering (including after giving effect to any exercises of oversubscription privileges), on the effective date of the Plan, the Investors will purchase from us the shares of common stock underlying those discount rights, diluting your ownership interest.

The backstop commitment of the Investors does not apply to the par rights offering. If fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan). See Use of Proceeds.

Transferability of Rights

Q: Is there a way to realize value if I decide not to exercise my rights?

A: Rights holders who do not exercise all of their rights prior to the expiration date of the applicable rights offering will lose any value represented by their unexercised rights. Your discount rights are transferable and, if you decide not to exercise all of your discount rights, you may realize value by selling your unexercised discount rights. Your par rights are not transferable. Therefore, if you decide not to exercise all of your par rights, you will not be able to realize any value with respect to the par rights you do not exercise. You will also not realize any value for fractional par rights, as no fractional par rights will be issued.

Q: May I transfer my rights if I do not want to purchase any shares?

A: Yes, for the discount rights. No, for the par rights.

The discount rights are transferable until 5:00 p.m., New York City time, on the business day prior to the expiration date of the discount rights offering. Unless the discount rights offering is extended, the deadline for transfer will be 5:00 p.m., New York City time, on March 28, 2008. See The Rights Offerings Transferability of Rights and Listing.

However, any transfer of discount rights must be made sufficiently in advance of the expiration date to comply with settlement procedures applicable to sales of securities. Although we can give no assurance that there will be any trading market for the discount rights, if trading in the discount rights is initiated, we expect that such trading will be on a customary basis in accordance with normal settlement procedures, and that trades effected in discount rights will be required to be settled within three trading days after the trade date. A purchase and sale of discount rights that is effected on the date that is two days prior to the expiration date of the discount rights offering would be required to be settled not later than the time the discount rights will have expired. Therefore, if discount rights are purchased on or after the date that is two business days prior to the expiration date of the discount rights offering, such discount rights may be received after they have already expired and will be of no value.

If you desire to transfer discount rights to a person or entity that is a resident of, or has its principal place of business in, Texas, as a condition to that transfer, you or the proposed transferee must certify to the rights agent that the proposed transferee is within one of the following specified categories of persons:

- (i) an existing security holder of Delphi,
- (ii) an accredited investor (as defined in Rule 501(a)(1)-(4), (7) and (8) under the Securities Act), excluding any self-directed employee benefit plan with investment decisions made solely by persons that are accredited investors (as defined in Rule 501(a)(5)-(6) under the Securities Act),

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- (iii) a qualified institutional buyer (as defined in Rule 144A under the Securities Act),
- (iv) a corporation, partnership, trust, estate or other entity (excluding individuals) having a net worth of not less than \$5 million or a wholly owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the rights and the underlying shares of common stock of reorganized Delphi, or
- (v) another exempt person under the Texas state securities laws.

You should have received a form of certification as part of your rights certificate or the other materials accompanying the mailing of this prospectus. Accordingly, if you desire to transfer discount rights to a person or entity that is a resident of, or has its principal place of business in, Texas, please complete this certification and return it to the rights agent with your rights certificate. See *For All Holders of Discount Rights Who Desire to Transfer Discount Rights to a Resident of Texas* on page v of this prospectus.

In addition, if you are a resident of, or have your principal place of business in, Texas, you will be entitled to transfer discount rights only if you certify to the rights agent that you are within one of specified categories of persons under Texas state securities laws. If you are a resident of, or have your principal place of business in, Texas, you should have received a form of certification as part of your rights certificate or the other materials accompanying the mailing of this prospectus. Accordingly, if you are a resident of, or have your principal place of business in, Texas and you desire to transfer discount rights, please complete this certification and return it to the rights agent with your rights certificate. See *For Texas Residents Only* on page v of this prospectus and *Other than complying with the exercise procedures described above and paying the exercise price, are there any other conditions to my exercise of rights?* above.

We and the rights agent, as applicable, have the discretion to delay or to refuse to effect any transfer of discount rights if we deem it necessary to comply with Texas state securities or blue sky laws.

Q: Will the rights be listed for trading on any national securities exchange or quoted on any U.S. inter-dealer quotation system?

A: No. The rights will not be listed on any securities exchange or quoted on any automated quotation system. We intend, however, to cooperate with any registered broker-dealer who may seek to initiate price quotations for the discount rights on the OTC Bulletin Board. The ability to trade the discount rights on the OTC Bulletin Board is entirely dependent upon registered broker-dealers applying to the OTC Bulletin Board to initiate quotation of the discount rights. Other than furnishing to registered broker-dealers copies of this prospectus and documents filed as exhibits to the registration statement of which this prospectus forms a part, we will have no control over the process of quotation initiation on the OTC Bulletin Board. We cannot assure you that the discount rights will be quoted on the OTC Bulletin Board or that an active trading market for the discount rights will exist. The par rights will not be transferable and therefore will have no trading market.

Q: Will I receive interest on any funds I deposit with the rights agent to exercise my rights?

A: No. No interest will be paid to you on the funds you deposit with the rights agent. The rights agent will pay to us any interest earned on the payments held by the rights agent before your shares have been issued to you or your payment is returned to you, without interest, because your exercise has not been satisfied for any reason.

Issuance of Common Stock

Q: When will I receive the shares of common stock I am purchasing by exercising my rights?

A: If you properly exercise your rights and the Plan becomes effective, you will be deemed to own the shares on the effective date of the Plan. We will issue shares of common stock of reorganized Delphi for which rights are exercised as soon as practicable after the effective date of the Plan. No interest will be paid to you on the funds you deposit with the rights agent.

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Q: When can I sell the shares of common stock that I am purchasing by exercising my rights?

A: Unless you are our affiliate, you generally may sell the shares that you are purchasing by exercise of your rights immediately after you are deemed to own such shares on the effective date of the Plan. We have agreed to provide the Investors, GM and certain creditors with registration rights that would allow them to resell shares of common stock (and shares of certain Senior Convertible Preferred Stock) of reorganized Delphi that they acquire pursuant to the Plan or upon conversion of shares of Convertible Preferred Stock, and, in the case of the Investors, that they otherwise own after the effective date of the Plan. See Certain Relationships and Related Transactions Registration Rights Agreement.

Q: Will the common stock be listed for trading on any national securities exchange or quoted on any U.S. inter-dealer quotation system?

A: We intend to apply to list the common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, if and when we meet the respective listing requirements. There can be no assurances, however, that we will meet the respective listing requirements on the effective date of the Plan or at any time thereafter. Therefore, the shares of common stock of reorganized Delphi may not be listed or quoted on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system at the time they are issued on the effective date of the Plan. Although we have an obligation under the EPCA to use our commercially reasonable efforts to list the shares of common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, we cannot assure you that the common stock of reorganized Delphi will ever be listed on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system. If we are not able to list the common stock of reorganized Delphi on the New York Stock Exchange or any other securities exchange or quotation system, we intend to cooperate with any registered broker-dealer who may seek to initiate price quotations for the common stock of reorganized Delphi on the OTC Bulletin Board. Other than furnishing to registered broker-dealers copies of this prospectus and documents filed as exhibits to the registration statement of which this prospectus forms a part, we will have no control over the process of quotation initiation on the OTC Bulletin Board. We cannot assure you that the common stock of reorganized Delphi will be quoted on the OTC Bulletin Board or that an active trading market for the common stock of reorganized Delphi will exist.

Q: How many shares of common stock will be outstanding at the time the Plan becomes effective?

A: On the effective date of the Plan, all existing shares of our common stock, and any options, warrants, rights to purchase shares of our common stock or other equity securities (excluding the right to receive shares of common stock of reorganized Delphi as a result of the exercise of rights in the rights offerings) outstanding prior to the effective date of the Plan will be canceled. Pursuant to the Plan, on or as soon as practicable after the effective date of the Plan, following the funding of the Investors equity commitments, there will be up to 160,124,155 shares of common stock of reorganized Delphi outstanding, assuming conversion of all of the up to 35,381,155 shares of Convertible Preferred Stock that may be issued under the Plan (assuming the issuance of 16,508,176 shares of Series C Convertible Preferred Stock to GM under the Plan) (which are convertible at any time into shares of common stock of reorganized Delphi, initially on a one-for-one basis), no exercise of par rights and exercise in full of discount rights (or the Investors backstop commitment of the discount rights offering) and exercise in full of the Warrants at the initial exercise price. See Risk Factors Risks Related to the Rights Offerings On the effective date of the Plan, all of the shares of common stock owned by you prior to that time will be canceled. Whether or not you exercise your rights, if you currently hold shares of Delphi common stock, your common stock ownership interest will be diluted and Effects of the Rights Offerings on the Investors Ownership, Use of Proceeds and Capitalization.

The 160,124,155 share figure assumes that the aggregate amount of all Trade and Other Unsecured Claims (as defined in the Plan) that are allowed or estimated for distribution purposes by the Bankruptcy Court total approximately \$1.31 billion and are satisfied with 17,237,418 shares of common stock of reorganized Delphi and is further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. Assumptions made with respect to the exercise of rights and warrants and the

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conversion of convertible securities for the purposes of this paragraph differ from the assumptions used elsewhere in this prospectus in stating the maximum number of shares of reorganized Delphi common stock outstanding on, or as promptly as practicable after, the effective date of the Plan and from those set forth under Unaudited Pro Forma Condensed Consolidated Financial Information.

The ownership percentages and number of outstanding shares of reorganized Delphi common stock set forth in this prospectus also assume that 16,508,176 shares of Series C Convertible Preferred Stock are issued to GM under the Plan. However, to the extent that any par rights are exercised in the par rights offering, the gross proceeds generated from the exercise of par rights will be distributed in the order described under Use of Proceeds and, to the extent that GM receives a cash distribution from such proceeds, the number of shares of Series C Convertible Preferred Stock that would be issued to GM will be reduced by one share for each \$59.61 of such cash distribution.

In addition, we will have available for issuance to our employees under the Delphi Corporation 2007 Long-Term Incentive Plan a number of shares of common stock of reorganized Delphi equal to 8% of the number of the fully diluted shares of common stock of reorganized Delphi outstanding immediately following consummation of the Plan and the transactions contemplated thereby. Any such issuance of shares to our employees will dilute your ownership interest in us.

Withdrawal of Exercise of Rights; Termination of Rights Offerings

Q: If I exercise rights in the rights offerings, may I withdraw the exercise?

A: Yes, prior to the applicable withdrawal deadline but not thereafter, except as set forth in the following paragraph. Once you have exercised your rights, you may withdraw your exercise at any time prior to the withdrawal deadline applicable to those rights by following the procedures described under The Rights Offerings Withdrawal of Exercise of Rights. Unless the applicable rights offering is extended, the withdrawal deadline for both the discount rights and the par rights is 5:00 p.m., New York City time, on March 26, 2008. You will have no right to withdraw your exercise of rights after the applicable withdrawal deadline, except as set forth in the following paragraph.

We intend to provide you with the right to withdraw your previous exercise of rights after the applicable withdrawal deadline only if there are changes to the Plan after the applicable withdrawal deadline that the Bankruptcy Court determines are materially adverse to the holders of the par rights or the discount rights, as the case may be, and the Bankruptcy Court requires resolicitation of votes under section 1126 of the Bankruptcy Code or an opportunity to change previously cast acceptances or rejections of the Plan. If you withdraw your exercise of rights under such circumstances and in accordance with the withdrawal procedures described in this prospectus, we will return to you your exercise payments with respect to any rights so withdrawn, without interest. If (1) we provide rights holders with withdrawal rights and (2) either (a) we and the Investors have not entered into an amendment to the EPCA providing that the Investors backstop commitment applies to any discount rights that are so withdrawn, or (b) we have not otherwise established funding for the Plan, then we may terminate the rights offerings and, under such circumstances, the Plan that includes the rights offerings described in this prospectus may not become effective, and, if you so withdraw your rights and we terminate the rights offerings, we will return to you your exercise payments, without interest. We can give no assurance, however, that if we grant withdrawal rights to holders that we and the Investors will enter into an amendment to the EPCA or that we will otherwise establish funding for the Plan as described above. In addition, if the EPCA otherwise terminates after the expiration date, then we may terminate the rights offerings, the Plan that includes the rights offerings described in this prospectus may not become effective, and, if we terminate the rights offerings, we will return to you your exercise payments, without interest.

Q:

If there are significant modifications to or other changes in the Plan after the expiration date of the rights offerings, can I change my mind about exercising my rights?

A: No, except as set forth in the second paragraph above under If I exercise my rights in the rights offerings, may I withdraw the exercise? Except in that limited circumstance, following the withdrawal deadline, your

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exercise of rights may not be withdrawn in whole or in part for any reason, including significant modifications to the Plan. Therefore, even if the Plan is modified after the expiration date in such a way that causes you to change your mind about investing in the common stock of reorganized Delphi, except in the limited circumstance described above, you nonetheless will be legally bound to purchase the shares of common stock of reorganized Delphi for which you exercised your rights if the Plan becomes effective.

Q: Can Delphi terminate the rights offerings?

A: We currently have no intention of terminating the rights offerings, but we reserve the right to terminate the rights offerings, subject to the obligation under the EPCA to use our reasonable best efforts to consummate the transactions contemplated by the EPCA and the Plan. See [The Rights Offerings Extensions, Termination and Amendments](#). Completion of the rights offerings is a condition of the Investors' and our obligations under the EPCA. If we terminate the rights offerings and ADAH does not waive the condition that the rights offerings shall have occurred, the equity investments pursuant to the EPCA will not occur, and we may not be able to raise the cash needed to fund the Plan.

Q: If the rights offerings are terminated, will my payment be refunded to me?

A: Yes. If the rights offerings are withdrawn or terminated, the rights agent will return as soon as practicable all exercise payments. However, no interest will be paid to you on the funds you deposit with the rights agent. See [The Rights Offerings Extensions, Termination and Amendments](#).

Conditions to Consummation of the Rights Offerings

Q: Do a minimum number of rights have to be exercised in the rights offerings?

A: No. There is no condition that a minimum number of rights must be exercised in the rights offerings. We will receive gross proceeds of up to approximately \$1.6 billion from the sale of shares of common stock of reorganized Delphi in connection with the discount rights offering before deducting fees, including the Investors' backstop commitment fee, and expenses related to the discount rights offering, regardless of the number of rights exercised, as a result of the backstop commitment of the Investors. See [The Rights Offerings Backstop Commitment](#). The backstop commitment of the Investors does not apply to the par rights offering. If fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan). See [Use of Proceeds](#).

Q: Are there any conditions to the issuance of the shares of common stock if I exercise my rights?

A: Yes. The issuance of the common stock is conditioned on the Plan's becoming effective. Effectiveness of the Plan is subject to a number of conditions, including completion of the transactions contemplated by the EPCA, the entry of certain orders by the Bankruptcy Court and the obtaining of necessary exit financing. We are currently seeking \$6.1 billion of exit financing, an amount that is consistent with the confirmation order of the Plan. The transactions contemplated by the EPCA also are subject to a number of conditions which are more fully described below under [What are the conditions to completion of the transactions contemplated by the EPCA?](#) and under [Certain Relationships and Related Transactions Equity Purchase and Commitment Agreement](#). There can be no assurances that such exit financing will be obtained (or, if obtained, the terms thereof) or such other conditions will be satisfied, and we cannot assure you that the Plan will become effective on the terms described in this prospectus or at all. Payments of the exercise price for the common stock will be

held in an escrow account until the effective date of the Plan, unless we withdraw or terminate the rights offerings. If the rights offerings are withdrawn or terminated, the rights agent will return all rights exercise payments as soon as practicable. No interest will be paid to you on the funds you deposit with the rights agent.

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Q: What are the conditions to completion of the transactions contemplated by the EPCA?

A: The obligations of the Investors to fund their equity investments pursuant to the EPCA are subject to a number of conditions which are set forth in the EPCA and include the following:

the terms of specified investment documents (the forms of which have already been approved by the Plan Investors), including the confirmation order confirming the Plan, the registration statement of which this prospectus forms a part, our amended and restated certificate of incorporation and bylaws, the certificates of designation for the Convertible Preferred Stock and the registration rights agreement (as defined under Certain Relationships and Related Transactions Registration Rights Agreement), and amendments thereto are reasonably satisfactory to ADAH to the extent such terms would have a material impact on the Investors proposed investment in us;

there must not have occurred, after October 29, 2007, (1) any material strike or material labor stoppage or slowdown involving the International Union, United Automobile, Aerospace and Agricultural Implement Workers of American (UAW), the International Union of Electrical, Salaried, Machine and Furniture Workers Communications Workers of America (IUE-CWA) or the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC (USW) at either Delphi or GM or any of their respective subsidiaries or (2) any strike, labor stoppage or slowdown involving the UAW, IUE-CWA or USW and either Ford Motor Company or Chrysler Group (or its successors) or at any of their respective subsidiaries that would have a material impact on the Investors proposed investment in us;

our debt and equity capitalization as of the effective date of the Plan (including our required pension contributions from and after the effective date of the Plan through December 31, 2008) must not exceed specified amounts;

we must have undrawn availability of \$1.4 billion under our asset backed loan facility (after taking into account any open letters of credit under such facility and any reductions in availability due to any shortfall in collateral under the borrowing base formula set forth in such facility);

we must have demonstrated and certified, to the reasonable satisfaction of ADAH, that pro forma interest expense (calculated in accordance with the provisions of the EPCA) during 2008 on our indebtedness will not exceed \$585 million;

ADAH shall be reasonably satisfied that we have obtained agreement with the Pension Benefit Guarantee Corporation that certain scheduled liens will be withdrawn in accordance with applicable law;

the aggregate amount of Trade and Other Unsecured Claims must be no more than \$1.45 billion (subject to certain waivers and exclusions);

we must not have entered into any agreement, or taken any action to seek Bankruptcy Court approval relating to any plan, proposal, offer or transaction, that is inconsistent with the EPCA, the term sheets for the Convertible Preferred Stock, the Global Settlement Agreement between Delphi and GM dated September 6, 2007, as amended December 7, 2007 (the GM Settlement), the Master Restructuring Agreement between Delphi Corporation and GM dated September 6, 2007, as amended December 7, 2007 (the Master Agreement), or the Plan;

we must not have changed our recommendation or approval of the transactions contemplated by the EPCA or the Plan in a manner adverse to the Investors or approved or recommended an alternative transaction; and

the employment and compensation arrangements with our senior management must be on market terms and reasonably acceptable to ADAH and we must have resolved any claims by former executive officers or executive officers that have resigned or been terminated on terms acceptable to ADAH or otherwise ordered by the Bankruptcy Court.

In addition, the obligations of both the Investors and us under the EPCA are subject to the following additional conditions: (1) the rights offerings described in this prospectus must have occurred (although

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there is no requirement that a particular amount of rights be exercised); and (2) we must have received the proceeds of our exit financing which, together with the equity investments by the Investors and the gross proceeds from the rights offerings, are sufficient to fully fund the Plan (to the extent we are to fund such transactions as contemplated by the Plan). We currently estimate that approximately \$6.1 billion of exit financing will be necessary to satisfy these conditions.

As set forth in the EPCA, all of the Investors' conditions may be waived with respect to all Investors by ADAH in its sole discretion. We also can waive the conditions applicable to our obligations under the EPCA. The Investors have advised us that there are agreements among the Investors that limit ADAH's unilateral right to waive certain EPCA conditions.

The EPCA also may be terminated by us or the Investors under certain circumstances. The Investors will not have to complete the equity investments contemplated by the EPCA, and we will not have to fulfill our obligations under the EPCA, if the EPCA is terminated. We can terminate the EPCA in certain circumstances described in the EPCA, including the following: (1) if we enter into an Alternative Transaction Agreement (as defined in the EPCA) where we agree to engage in an alternative transaction, but we can only do so if: (a) our Board of Directors has determined that the alternative transaction is superior to the transactions contemplated by the EPCA and that failure to engage in the alternative transaction would breach their fiduciary duties; (b) we have given the Investors an opportunity to negotiate changes to the EPCA but our Board of Directors has still determined that, despite such changes, the alternative transaction is superior; and (c) we have paid the Investors an alternative transaction fee of \$83 million; and (2) at any time on or after March 31, 2008, if the closing of the transactions contemplated pursuant to the EPCA has not occurred on or before such date.

We also have agreed to pay out-of-pocket costs and expenses reasonably incurred by the Investors or their affiliates subject to the terms, conditions and limitations set forth in the EPCA.

ADAH can terminate the EPCA in certain circumstances described in the EPCA, including the following: (1) at any time on or after March 31, 2008, if the closing of the transactions contemplated pursuant to the EPCA has not occurred on or before such date; (2) there has been a Change of Recommendation (as defined in the EPCA); or (3) we shall have entered into an Alternative Transaction Agreement. ADAH has extended the first date by which it could terminate the EPCA if the effective date of the Plan has not occurred from March 31, 2008 to April 5, 2008.

Any Investor other than ADAH may terminate the EPCA, as to itself, at any time on or after June 30, 2008 if the closing of the transactions contemplated pursuant to the EPCA has not occurred on or before such date.

Backstop Commitment and Role of the Investors

Q: Who are the Investors?

A: ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus are the Investors. As of March 10, 2008, based on their most recently filed Schedules 13D or Form 4, as the case may be, the Investors and their affiliates beneficially owned a total of 125,739,448 shares, or 22.3%, of our outstanding common stock. The Investors have the ability under the EPCA, prior to the date that the registration statement of which this prospectus forms a part becomes effective under the Securities Act, to arrange for a limited number of additional investors to whom the Investors may sell, in accordance with the EPCA and applicable securities laws, any shares of common stock of reorganized Delphi that they purchase pursuant to the Plan and the EPCA. Some of the Investors have

informed us that they have arranged or intend to arrange for such sales to additional investors. The amount and percentage of shares to be owned by the Investors gives effect to the expected sale of shares of common stock of reorganized Delphi to such additional investors. For the number of shares that each Investor has informed us that it expects to sell to such additional investors, see Effects of the Rights Offering on the Investors and GM's Ownership. Such sales to additional investors may be made by the Investors directly to such additional investors, or may be made by Delphi directly to such additional investors, and may substantially decrease the Investors' ownership percentage in reorganized Delphi. The

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additional investors will have the rights of the Investors from whom they purchase common stock of Reorganized Delphi under the registration rights agreement. See **Certain Relationships and Related Transactions** **Registration Rights Agreement**. The Investors are not obligated to backstop the discount rights offering unless certain conditions are satisfied under the EPCA.

Q: How were the Investors selected?

A: With the assistance of our financial advisor and investment banker, we explored alternative investment proposals from several potential investors. We worked with these various investor groups to create a limited and focused competitive investment proposal process. Through this process we developed a potential framework for our reorganization plan and our transformation plan. After several months of negotiations, we decided to pursue agreements with the Investors. Our selection of the Investors was based, in part, on the potential investments in support of our transformation plan and reorganization plan that they were willing to provide. In addition, we believe that the Investors each brought certain strengths to a potential transaction.

Q: How do the Investors' commitments work?

A: The Investors have agreed, on the terms and subject to the conditions of the EPCA, to backstop the discount rights offering by purchasing from us on the effective date of the Plan, for a price of \$38.39 in cash per full share, any shares of common stock of reorganized Delphi being offered in the discount rights offering that are not purchased pursuant to the exercise of discount rights. This obligation would include shares underlying discount rights distributed to the Investors, in their capacity as Eligible Holders, that are not exercised in the discount rights offering. In addition, on the terms and subject to the conditions of the EPCA, the Investors have agreed to make additional equity investments in reorganized Delphi by purchasing \$800 million of Senior Convertible Preferred Stock and an additional \$175 million of common stock of reorganized Delphi on the effective date of the Plan, for total equity investments in reorganized Delphi, assuming the full backstop commitment, of \$2.55 billion. See **The Rights Offerings** **Backstop Commitment**. The obligations of the Investors to fund their equity commitments pursuant to the EPCA are subject to the satisfaction of a number of conditions which are more fully described under **Certain Relationships and Related Transactions** **Equity Purchase and Commitment Agreement**. We have paid the Investors aggregate fees of \$63 million for their equity commitments and arrangement services, of which approximately \$39 million relates to the backstop commitment of the discount rights offering. See **Certain Relationships and Related Transactions** **Equity Purchase and Commitment Agreement** for a description of the EPCA.

The backstop commitment of the Investors does not apply to the par rights offering. If fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan). Pursuant to the Plan, Appaloosa has agreed not to participate in the par rights offering, and par rights that would otherwise be distributed to Appaloosa will be instead distributed to the other holders of record of our common stock as of the record date for the rights offerings.

As of March 10, 2008, based on their most recently filed Schedules 13D or Form 4, as the case may be, the Investors and their affiliates beneficially owned a total of 125,739,448 shares, or 22.3%, of our outstanding common stock. On the effective date of the Plan, following the cancellation of all existing shares of our common stock and all of our other existing equity securities outstanding prior to the effective date of the Plan and following the funding of the Investors' equity commitments, each of ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus and their respective affiliates would beneficially own either (1) assuming the original rights holders exercise all of their rights in the rights offerings and each Investor purchases no shares of common stock pursuant to its backstop commitment in the discount

rights offering, a total of 14,438,623, 5,031,776, 1,607,481, 1,612,167, 3,452,693 and 8,041,408 shares, respectively, or 10.7%, 3.7%, 1.2%, 1.2%, 2.6% and 6.0%, respectively, of the outstanding common stock of reorganized Delphi, or (2) assuming rights holders (other than the Plan Investors and their affiliates) exercise no rights in the rights offerings and each Investor purchases the full amount of its backstop commitment in the discount rights offering, a total of

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16,829,014, 10,150,735, 2,013,967, 2,018,653, 10,894,441 and 12,835,849 shares, respectively, or 12.5%, 7.5%, 1.5%, 1.5%, 8.1% and 9.5%, respectively, of the outstanding common stock of reorganized Delphi, in each case assuming (i) conversion of all of the Investors' shares of Senior Convertible Preferred Stock and taking into account shares of common stock of reorganized Delphi received by certain Investors and their affiliates in their capacity as stockholders and creditors of Delphi pursuant to the Plan (including any shares received pursuant to the exercise by the Investors of discount rights in the discount rights offering), (ii) no exercise of par rights, (iii) no exercise of Warrants, (iv) 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims (as defined in the Plan) in an aggregate amount of approximately \$1.31 billion and (v) 16,508,176 shares of Series C Convertible Preferred Stock are issued to GM (and are converted into shares of common stock of reorganized Delphi, initially on a one-for-one basis). References to the number of shares and percentage ownership are further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. Assumptions made with respect to the exercise of rights and warrants and the conversion of convertible securities for the purposes of this paragraph differ from the assumptions used elsewhere in this prospectus in stating the maximum number of shares of reorganized Delphi common stock outstanding on, or as promptly as practicable after, the effective date of the Plan and from those set forth under Unaudited Pro Forma Condensed Consolidated Financial Information. The Investors have the ability under the EPCA, prior to the date that the registration statement of which this prospectus forms a part is declared effective under the Securities Act, to arrange for a limited number of additional investors to whom the Investors may sell, in accordance with the EPCA and applicable securities laws, any shares of common stock of reorganized Delphi that they purchase pursuant to the Plan and the EPCA. Some of the Investors have informed us that they have arranged or intend to arrange for such sales to additional investors. The amount and percentage of shares to be owned by the Investors gives effect to the expected sale of shares of common stock of reorganized Delphi to such additional investors. For the number of shares that each Investor has informed us that it expects to sell to such additional investors, see Effects of the Rights Offering on the Investors' and GM's Ownership. Such sales to additional investors may be made by the Investors directly to such additional investors, or may be made by Delphi directly to such additional investors, and may substantially decrease the Investors' ownership percentage in reorganized Delphi. The additional investors will have the rights of the Investors from whom they purchase common stock of reorganized Delphi under the registration rights agreement. See Capitalization and Effects of the Rights Offerings on the Investors' Ownership, Certain Relationships and Related Transactions Registration Rights Agreement, Use of Proceeds.

The Investors are not soliciting participation by the holders of rights in the rights offerings or engaging in any other marketing or sales activity in connection with the rights offerings. However, each Investor (other than certain Investors, including Merrill) may use their prospectus to offer and sell discount rights, common stock of reorganized Delphi issuable upon exercise of discount rights or common stock of reorganized Delphi issuable in connection with such Investor's backstop of the discount rights offering from time to time, as determined by such selling Investor. See Plan of Distribution.

Other Rights Offerings Matters

Q: Has Delphi or its Board of Directors made a recommendation as to whether I should exercise my rights?

A: No. Neither we nor our Board of Directors has made any recommendation as to whether or not you should exercise your rights. We have been informed by the Investors that they have not made any recommendation as to whether or not any holder of rights should exercise their rights. You should make an independent investment decision about whether or not to exercise your rights. If you do not exercise your par rights or exercise or sell your discount rights, you will lose any value represented by your rights and your percentage ownership interest in us will be further diluted.

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Q: What are the material United States federal income tax consequences of the discount rights offering to an Eligible Holder?

A: The material United States federal income tax consequences to an Eligible Holder depend upon whether the Eligible Claims constitute securities for United States federal income tax purposes. If such Eligible Claims constitute securities, an Eligible Holder that exchanges its Eligible Claims for newly-issued common stock and discount rights pursuant to the Plan generally should not recognize gain or loss on the receipt of the discount rights. If such Eligible Claims do not constitute securities, a holder that exchanges its Eligible Claims for newly-issued common stock and discount rights pursuant to the Plan generally should recognize gain or loss on the receipt of the discount rights. You should refer to United States Federal Income Tax Considerations for a more complete discussion, including additional qualifications and limitations. In addition, you should consult your own tax advisor as to the tax consequences to you of the receipt, exercise, disposition and expiration of the discount rights, and the ownership and disposition of common stock received as a result of the exercise of the discount rights, in light of your particular circumstances.

Q: What are the material United States federal income tax consequences of the par rights offering to a holder of our common stock?

A: The material United States federal income tax consequences of the par rights offering to a holder of our common stock depend upon whether such holder receives newly-issued common shares pursuant to the Plan. If a holder of our common stock receives newly-issued common shares pursuant to the Plan, holds shares of our common stock as capital assets, and is not subject to special treatment under United States federal income tax law (e.g., as a bank or dealer in securities), the holder generally will not recognize gain or loss on the receipt of par rights. A holder of our common stock that does not receive newly-issued common shares pursuant to the Plan generally will recognize gain or loss on the receipt of par rights. You should refer to United States Federal Income Tax Considerations for a more complete discussion, including additional qualifications and limitations. In addition, you should consult your own tax advisor as to the tax consequences to you of the receipt, exercise, disposition and expiration of the par rights, and the ownership and disposition of common stock received as a result of the exercise of the par rights, in light of your particular circumstances.

Q: Is exercising my rights risky?

A: The exercise of your rights involves risks. Exercising your rights means buying shares of the common stock of reorganized Delphi and should be considered as carefully as you would consider any other equity investment. You should carefully read the Risk Factors sections beginning on page 35 of this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2007, and all other information included or incorporated by reference in this prospectus in its entirety, before you decide whether or not to exercise your rights.

Q: What should I do if I have other questions?

A: If you have any questions about the procedure for exercising your rights, including the procedure if you have lost your rights certificate, or otherwise about the rights offerings, please contact Georgeson Inc., who is acting as our information agent, at:

Georgeson Inc.
199 Water Street, 26th Floor
New York, NY 10038

Banks and Brokers Call:
(212) 440-9800

All Others Call Toll-Free:
(800) 279-7134

For a more complete description of the rights offerings, see [The Rights Offerings](#) beginning on page 71 of this prospectus.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus or incorporated in this prospectus by reference. This summary is not complete and does not contain all of the information that you should consider before exercising the rights to purchase common stock of reorganized Delphi. You should read carefully this entire prospectus and the documents incorporated herein by reference, including the Risk Factors section beginning on page 35 of this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2007, and all other information included or incorporated by reference in this prospectus in its entirety, before making an investment decision.

Our Company

We believe we are a leading global supplier of mobile electronics and transportation systems, including powertrain, safety, thermal, controls and security systems, electrical/electronic architecture, and in-car entertainment technologies. Engineered to meet and exceed the rigorous standards of the automotive industry, our technology is also found in computing, communications, energy and medical applications. We were incorporated in 1998 in contemplation of our separation from GM in 1999. Technology developed and products manufactured by us are changing the way drivers interact with their vehicles. We are a leader in the breadth and depth of technology to help make cars and trucks smarter, safer and better. We supply products to nearly every major global automotive original equipment manufacturer.

In addition, since our separation from GM, we have diversified our customer base by taking advantage of our technological and manufacturing core competencies. We have entered and continue to pursue additional opportunities in adjacent markets such as in communications (including telematics), computer components, automotive aftermarket, energy and the medical devices industry.

We have extensive technical expertise in a broad range of product lines and strong systems integration skills, which enable us to provide comprehensive, systems-based solutions to vehicle manufacturers. We have established an expansive global presence, with a network of manufacturing sites, technical centers, sales offices and joint ventures located in major regions of the world. We operate our business along the following reporting segments that are grouped on the basis of similar product, market and operating factors:

Electronics and Safety, which includes audio, entertainment and communications, safety systems, body controls and security systems, displays, mechatronics and power electronics, as well as advanced development of software and silicon;

Powertrain Systems, which includes extensive systems integration expertise in gasoline, diesel and fuel handling and full end-to-end systems including fuel injection, combustion, electronics controls, exhaust handling, and test and validation capabilities;

Electrical/Electronic Architecture, which includes complete electrical architecture and components products;

Thermal Systems, which includes Heating, Ventilating and Air Conditioning systems, components for multiple transportation and other adjacent markets, commercial/industry applications and powertrain cooling and related technologies;

Automotive Holdings Group, which includes non-core product lines and plant sites that do not fit our future strategic framework; and

Corporate and Other, which includes the Product and Service Solutions business which is comprised of independent aftermarket, diesel aftermarket, original equipment service, consumer electronics and medical systems, in addition to the expenses of corporate administration, other expenses and income of a non-operating or strategic nature, including certain historical pension, postretirement and workers compensation benefit costs, and the elimination of inter-segment transactions.

In connection with our transformation plan, we intend to sell or wind down certain non-core product lines, including those that comprise our Automotive Holdings Group segment. The sale and wind-down process is being

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conducted in consultation with our customers, unions and other stakeholders in a manner we believe will carefully manage the transition of affected product lines. We began to report our non-core steering and halfshaft and interiors and closures product lines in discontinued operations for accounting purposes. Previously, the steering and halfshaft product line was a separate operating segment and the interiors and closures product line was part of our Automotive Holdings Group segment.

Bankruptcy Cases

Filing of Chapter 11 Cases

On October 8, 2005, we and certain of our U.S. subsidiaries filed voluntary petitions for reorganization relief under chapter 11 of the Bankruptcy Code, and on October 14, 2005, three additional U.S. subsidiaries filed voluntary petitions for reorganization relief under the Bankruptcy Code. The Bankruptcy Court is jointly administering these cases as *In re Delphi Corporation, et al.*, Case No. 05-44481 (RDD). Our non-U.S. subsidiaries, which were not included in the filings, have continued their business operations without supervision from the Bankruptcy Court and are not subject to the requirements of the Bankruptcy Code. We and our debtor subsidiaries have been operating our businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and Bankruptcy Court orders. As debtors-in-possession, we and our debtor-subidiaries are authorized under chapter 11 of the Bankruptcy Code to continue to operate as an ongoing business in the ordinary course, but are not permitted to engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

Equity Purchase and Commitment Agreement

On August 3, 2007, we and the Investors executed the EPCA, which was subsequently amended on December 10, 2007, pursuant to which, and on the terms and subject to the conditions of which, the Investors have agreed to invest, assuming the full backstop commitment, \$2.55 billion in reorganized Delphi.

On the terms and subject to the conditions of the EPCA, the Investors have agreed to backstop the discount rights offering by purchasing from us on the effective date of the Plan, at the \$38.39 in cash per full share basic subscription privilege exercise price, any shares of common stock of reorganized Delphi being offered in the discount rights offering that are not purchased pursuant to the exercise of discount rights. In addition, on the terms and subject to the conditions of the EPCA, the Investors have agreed to make additional equity investments in reorganized Delphi by purchasing \$800 million of Senior Convertible Preferred Stock and an additional \$175 million of common stock of reorganized Delphi on the effective date of the Plan, for total equity investments in reorganized Delphi, assuming the full backstop commitment, of \$2.55 billion.

The obligations of the Investors to fund their equity investments pursuant to the EPCA are subject to the satisfaction of a number of conditions that are set forth in the EPCA. In addition, the EPCA also may be terminated by us or the Investors under certain circumstances. Neither we nor the Investors will have to consummate the transactions contemplated by the EPCA if the EPCA is terminated. The conditions set forth in the EPCA and the circumstances under which we or the Investors may terminate the EPCA are described under *Certain Relationships and Related Transactions* Equity Purchase and Commitment Agreement.

The EPCA also attaches a plan of reorganization, including the proposed financial recovery of our stakeholders and the treatment of specific claims asserted by GM, the resolution of pension funding issues, the terms of the preferred stock to be issued under the Plan, the establishment of a joint claims oversight committee and the corporate governance of reorganized Delphi.

Plan Confirmation and Effectiveness

On September 6, 2007, we filed the Plan with the Bankruptcy Court together with the Disclosure Statement which describes the Plan and sets forth certain information about our chapter 11 cases. On December 10, 2007, we filed with the Bankruptcy Court the first amended Plan and the first amended Disclosure Statement. The Disclosure Statement was approved by the Bankruptcy Court on December 10, 2007.

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On December 15, 2007, we mailed to each creditor and each equity security holder entitled to vote on the Plan a ballot to vote to accept or reject the Plan. The ability of common stockholders to vote on the Plan is independent of, and separate from, common stockholders' ability to participate in the par rights offering.

The voting solicitation period ended on January 11, 2008, and on January 25, 2008, the Bankruptcy Court confirmed the Plan, as amended on that date. Among other things, the Plan provides for the adoption of the Delphi Corporation 2007 Short-Term Incentive Plan, the Delphi Corporation 2007 Long-Term Incentive Plan, the Delphi Corporation Supplemental Executive Retirement Program and the Delphi Corporation Salaried Retirement Equalization Savings Program. These incentive plans and retirement programs will become effective only on the consummation of the Plan. Under the Delphi Corporation 2007 Long-Term Incentive Plan, we will have available for issuance to our employees a number of shares of common stock of reorganized Delphi equal to 8% of the number of fully diluted shares of common stock of reorganized Delphi outstanding immediately following consummation of the Plan and the transactions contemplated thereby. Also on January 25, 2008, the Bankruptcy Court approved the final settlement of certain multi-district securities litigation (the Securities Actions).

We will not emerge from bankruptcy as a going concern unless and until the Plan becomes effective. The effectiveness of the Plan currently is not scheduled to occur until after the expiration of the rights offerings. Even if rights are exercised in the rights offerings, we will not issue shares of common stock of reorganized Delphi for which those rights are exercised unless and until the Plan becomes effective. Effectiveness of the Plan is subject to a number of conditions, including the completion of the transactions contemplated by the EPCA, the entry of certain orders by the Bankruptcy Court and the obtaining of necessary exit financing. We are currently seeking \$6.1 billion of exit financing, an amount that is consistent with the confirmation order of the Plan. The transactions contemplated by the EPCA also are subject to the satisfaction of a number of conditions which are more fully described under Certain Relationships and Related Transactions Equity Purchase and Commitment Agreement. There can be no assurances that such exit financing will be obtained (or, if obtained, the terms thereof) or such other conditions will be satisfied, and we cannot assure you that the Plan will become effective on the terms described in this prospectus or at all.

We cannot assure you that the terms of the Plan will not change due to market conditions, the Bankruptcy Court's requirements or otherwise after the expiration of either or both of the rights offerings. You will have the right to withdraw your exercise of rights until the withdrawal deadline for the applicable rights offering. You will have no right to withdraw your exercise of rights after the withdrawal deadline for the applicable rights offering, except as set forth in the following sentence. We intend to provide you with the right to withdraw your previous exercise of rights after the applicable withdrawal deadline only if there are changes to the Plan after the withdrawal deadline that the Bankruptcy Court determines are materially adverse to the holders of the par rights or the discount rights, as the case may be, and the Bankruptcy Court requires resolicitation of votes under section 1126 of the Bankruptcy Code or an opportunity to change previously cast acceptances or rejections of the Plan. If you withdraw your exercise of rights under such circumstances and in accordance with the withdrawal procedures described in this prospectus, we will return to you your exercise payments with respect to any rights so withdrawn, without interest. If (1) we provide rights holders with withdrawal rights and (2) either (a) we and the Investors have not entered into an amendment to the EPCA providing that the Investors' backstop commitment applies to any discount rights that are so withdrawn, or (b) we have not otherwise established funding for the Plan, then we may terminate the rights offerings, and, under such circumstances, the Plan that includes the rights offerings described in this prospectus may not become effective, and, if you so withdraw your rights and we terminate the rights offerings, we will return to you your exercise payments, without interest. We can give no assurance, however, that if we grant withdrawal rights to holders that we and the Investors will enter into an amendment to the EPCA or that we will otherwise establish funding for the Plan as described above. In addition, if the EPCA otherwise terminates after the expiration date, then we may terminate the rights offerings, the Plan that includes the rights offerings described in this prospectus may not become

effective, and, if we terminate the rights offerings, we will return to you your exercise payments, without interest.

Recent Developments

On March 5, 2008, we announced we were taking necessary steps to enable completion of our proposed \$6.1 billion exit financing syndication. We plan to use our exit financing proceeds to make payments under the Plan,

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including repayment of our senior secured debtor-in-possession financing, and to support the operations of reorganized Delphi. In order to facilitate our efforts to emerge, GM has advised us that an affiliate is prepared to provide a portion of the \$6.1 billion in exit financing. Our proposed \$6.1 billion exit financing package is now expected to include a \$1.6 billion asset-backed revolving credit facility, at least \$1.7 billion of first-lien term loan, an up to \$2.0 billion first-lien term note to be issued to an affiliate of GM (junior to the \$1.7 billion first-lien term loan), and a \$825 million second-lien term loan, of which any unsold portion would be issued to GM and/or its affiliates consistent with the terms of the EPCA.

While we believe that GM's increased participation in the exit financing structure is necessary to successfully syndicate our exit financing on a timely basis and is consistent with the EPCA, certain Investors have advised us that the proposed exit financing would not comply with conditions in the EPCA. In order to reduce uncertainties regarding the proposed exit financing structure, on March 5, 2008, we filed a motion in the Bankruptcy Court seeking limited relief from the Bankruptcy Court under section 1142 of the Bankruptcy Code with respect to the Plan. The Investors other than Goldman responded to the motion on March 6, 2008.

The hearing on our motion was held by the Bankruptcy Court on March 7, 2008. At the hearing, during which the Bankruptcy Court did not grant the specific relief sought by Delphi, the Bankruptcy Court said that while GM could not directly provide incremental exit financing to Delphi without the consent of the Investors, the prohibition against additional agreements with GM did not extend to incremental financing provided through GM subsidiaries or pursuant to certain other structures. In its ruling, the Bankruptcy Court also observed that Delphi had been given sufficient guidance by the Bankruptcy Court to proceed to seek exit financing on terms that are potentially achievable. Although certain of the Investors continue to object to the proposed exit financing, Delphi believes its proposed exit financing is consistent with the Bankruptcy Court's guidance and previously issued confirmation order and will be moving forward with the syndication efforts to raise \$6.1 billion in financing.

The occurrence of the effective date of the Plan remains subject to the risk factors previously disclosed in the Disclosure Statement and in our Annual Report on Form 10-K for the year ended December 31, 2007 filed with the SEC on February 19, 2008.

Our principal executive offices are located at 5725 Delphi Drive, Troy, Michigan 48098, and our telephone number is (248) 813-2000.

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THE OFFERING

Rights

We are distributing to Eligible Holders, at no charge (except as described below), transferable rights (the discount rights) to purchase up to a total of 41,026,309 shares of common stock of reorganized Delphi. Each Eligible Holder will receive, for each \$99.07 of such Eligible Holder's Eligible Claim, one discount right.

We are distributing to holders of our common stock, at no charge, nontransferable rights (the par rights) to purchase up to a total of 21,680,996 shares of common stock of reorganized Delphi. Each holder of our common stock will receive one par right for each 26 shares of our common stock owned of record at 5:00 p.m., New York City time, on January 17, 2008, the date on which the confirmation hearing with respect to the Plan commenced before the Bankruptcy Court.

Discount rights distributed are subject to the procedures described above under Questions and Answers About the Rights Offerings Overview of Rights Offerings What is the discount rights offering and who is eligible to participate? to the extent that the provisional allowance or estimation results in a particular Eligible Holder receiving more discount rights than such Eligible Holder should have received based on the ultimate allowed amount of such claim and such discount rights are transferred or exercised.

Exercise Price

Each discount right carries with it a basic subscription privilege and an oversubscription privilege. The basic subscription privilege entitles each Eligible Holder to purchase one share of common stock of reorganized Delphi for \$38.39 in cash per full share. The oversubscription privilege entitles each Eligible Holder who fully exercises its basic subscription privilege to subscribe, prior to the expiration date of the discount rights offering, for additional shares of common stock of reorganized Delphi for an exercise price of \$38.64 in cash per full share to the extent that any shares are not purchased by other Eligible Holders under their basic subscription privilege as of the expiration date of the discount rights offering. If an insufficient number of shares are available to fully satisfy oversubscription privilege requests, the available shares, if any, will be allocated pro rata among Eligible Holders who exercised their oversubscription privilege based upon the number of shares each oversubscribing Eligible Holder subscribed for under its basic subscription privilege. If there is a pro rata allocation of the remaining shares and an Eligible Holder receives an allocation of a greater number of shares than it subscribed for under its oversubscription privilege, then we will allocate to such Eligible Holder only the number of shares for which it subscribed under its oversubscription privilege, and we will allocate all remaining shares pro rata among all other Eligible Holders who exercised their oversubscription privileges on the same basis as described above.

Each par right entitles the holder to purchase one share of common stock of reorganized Delphi for \$59.61 in cash per full share. There is no oversubscription privilege in the par rights offering.

We will not issue fractional par rights, however, we will issue fractional discount rights. Because fractional par rights will not be issued

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in the par rights offering, and cash will not be paid in lieu of fractional par rights in the par rights offering, you will need to hold at least 26 shares of common stock in order to receive one par right. If you hold fewer than 26 shares of common stock, you will not receive any par rights.

Otherwise, the number of par rights that you receive will be rounded to the nearest whole number, with such adjustments as we may determine in our sole discretion are necessary so that we offer 21,680,996 shares of common stock of reorganized Delphi to record holders in the par rights offering.

A fractional discount right will not be exercisable unless it is aggregated with other fractional discount rights so that when exercised, in the aggregate, such fractional discount rights result in the purchase of a whole share of common stock of reorganized Delphi. In other words, fractional discount rights cannot be exercised for fractional shares of common stock of reorganized Delphi and must be combined so that reorganized Delphi issues only whole shares of common stock. Accordingly, if you hold fractional discount rights, you will lose any value represented by those fractional discount rights unless you sell them or you purchase from another Eligible Holder a sufficient amount of fractional discount rights to acquire upon exercise a whole share of common stock of reorganized Delphi.

Although the discount rights offering and the par rights offering are being conducted concurrently, they are independent of one another. Therefore, to the extent you are eligible to receive and exercise discount rights and/or par rights, you may choose to exercise, as applicable, only discount rights, only par rights, both discount rights and par rights or no rights at all.

Record Date

5:00 p.m., New York City time, on January 17, 2008, which was the date used to determine the Eligible Holders and the stockholders, as applicable, entitled to receive rights.

Expiration

The rights expire, if not previously exercised, at 5:00 p.m., New York City time, on March 31, 2008, unless the applicable exercise period is extended. The rights offerings currently are scheduled to expire prior to the effective date of the Plan. We cannot assure you that the terms of the Plan will not change due to market conditions, the Bankruptcy Court's requirements or otherwise after the expiration of the rights offerings and prior to the effective date of the Plan, even though you will have no right to withdraw your exercise of rights after the applicable withdrawal deadline except in the limited circumstances described below under **Withdrawal of Exercise of Rights.**

Shares of Common Stock Outstanding After the Rights Offerings

If the Plan becomes effective, on the effective date of the Plan, all existing shares of our common stock, and any options, warrants, rights to purchase shares of our common stock or other equity securities (excluding the right to receive shares of common stock of reorganized Delphi as a result of the exercise of rights in the rights offerings) outstanding prior to the effective

date of the Plan will be canceled, and there will be outstanding up to 160,124,155 shares of common stock of reorganized Delphi, assuming (1) conversion of all of the up to 35,381,155 shares of Convertible Preferred Stock (convertible at

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any time into shares of common stock of reorganized Delphi, initially on a one-for-one basis) that may be issued under the Plan (assuming the issuance of 16,508,176 shares of Series C Convertible Preferred Stock to GM under the Plan), (2) no exercise of par rights and exercise in full of discount rights (or the backstop commitment of the Investors of the discount rights offering), which rights are exercisable to purchase up to a total of 41,026,309 shares of common stock of reorganized Delphi, and (3) exercise in full of the warrants and exercise in full of the other Delphi warrants to be issued pursuant to the Plan, which warrants and other Delphi warrants initially will be exercisable to purchase up to a total of 25,113,275 shares of common stock of reorganized Delphi. The 160,124,155 share figure assumes that 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims in an aggregate amount of approximately \$1.31 billion, which number of shares is subject to upward or downward adjustment depending on the value of those claims and is further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. See Capitalization.

Investors

ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus are the Investors.

Backstop Commitment

The Investors have agreed, on the terms and subject to the conditions of the EPCA, to backstop the discount rights offering by purchasing from us on the effective date of the Plan, at the \$38.39 in cash per full share basic subscription privilege exercise price, any shares of common stock of reorganized Delphi being offered in the discount rights offering that are not purchased pursuant to the exercise of discount rights. We have paid the Investors a fee of approximately \$39 million for their backstop commitment.

The backstop commitment of the Investors does not apply to the par rights offering. If fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan).

On the effective date of the Plan, following the cancellation of all existing shares of our common stock and all of our other existing equity securities outstanding prior to the effective date of the Plan and following the funding of the Investors' equity commitments, each of ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus and their respective affiliates would beneficially own either (1) assuming the original rights holders exercise all of their rights in the rights offerings and each Investor purchases no shares of common stock pursuant to its backstop commitment in the discount rights offering, a total of 14,438,623, 5,031,776, 1,607,481, 1,612,167, 3,452,693 and 8,041,408 shares, respectively, or 10.7%, 3.7%, 1.2%, 1.2%, 2.6% and 6.0%, respectively, of the outstanding common

stock of reorganized Delphi, or (2) assuming rights holders (other than the Plan Investors and their affiliates) exercise no rights in the rights offerings and each Investor purchases the full amount of its backstop

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commitment in the discount rights offering, a total of 16,829,014, 10,150,735, 2,013,967, 2,018,653, 10,894,441 and 12,835,849 shares, respectively, or 12.5%, 7.5%, 1.5%, 1.5%, 8.1% and 9.5%, respectively, of the outstanding common stock of reorganized Delphi, in each case assuming (i) conversion of all of the Investors' shares of Senior Convertible Preferred Stock and taking into account shares of common stock of reorganized Delphi received by certain Investors and their affiliates in their capacity as stockholders and creditors of Delphi pursuant to the Plan (including any shares received pursuant to the exercise by the Investors of discount rights in the discount rights offering), (ii) no exercise of par rights, (iii) no exercise of Warrants, (iv) 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims in an aggregate amount of approximately \$1.31 billion and (v) 16,508,176 shares of Series C Convertible Preferred Stock are issued to GM (and are converted into shares of common stock of reorganized Delphi, initially on a one-for-one basis). References to the number of shares and percentage ownership are further estimated based on our assumptions regarding, among other things, the ultimate amount of unsecured claims, cure amounts and allowed accrued post-petition interest. Assumptions made with respect to the exercise of rights and warrants and the conversion of convertible securities for the purposes of this paragraph differ from the assumptions used elsewhere in this prospectus in stating the maximum number of shares of reorganized Delphi common stock outstanding on, or as promptly as practicable after, the effective date of the Plan and from those set forth under Unaudited Pro Forma Condensed Consolidated Financial Information. The Investors have the ability under the EPCA, prior to the date that the registration statement of which this prospectus forms a part is declared effective under the Securities Act, to arrange for a limited number of additional investors to whom the Investors may sell, in accordance with the EPCA and applicable securities laws, any shares of common stock of reorganized Delphi that they purchase pursuant to the Plan and the EPCA. Some of the Investors have informed us that they have arranged or intend to arrange for such sales to additional investors. The amount and percentage of shares to be owned by the Investors gives effect to the expected sale of shares of common stock of reorganized Delphi to such additional investors. For the number of shares that each Investor has informed us that it expects to sell to such additional investors, see Effects of the Rights Offering on the Investors' and GM's Ownership. Such sales to additional investors may be made by the Investors directly to such additional investors, or may be made by Delphi directly to such additional investors, and may substantially decrease the Investors' ownership percentage in reorganized Delphi. The additional investors will have the rights of the Investors from whom they purchase under the registration rights agreement. See Certain Relationships and Related Transactions Registration Rights Agreement, The Rights Offerings Backstop Commitment, Use of Proceeds, Capitalization and Effects of the Rights Offerings on the Investors' Ownership.

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The Investors are not soliciting participation by the holders of rights in the rights offerings or engaging in any other marketing or sales activity in connection with the rights offerings. However, each Investor (other than certain Investors, including Merrill) may use this prospectus to offer and sell discount rights, common stock of reorganized Delphi issuable upon exercise of discount rights or common stock of reorganized Delphi issuable in connection with such Investor's backstop of the discount rights offering from time to time, as determined by such selling Investor. See Plan of Distribution.

The Investors' backstop commitment and commitment to make the additional equity investments are subject to the satisfaction of numerous conditions which are more fully described under Certain Relationships and Related Transactions Equity Purchase and Commitment Agreement.

Procedures for Exercise

If you hold securities out of which your Eligible Claim arises or your shares of common stock, as applicable, through a brokerage account, bank or other nominee, your broker, bank or nominee should contact you to inquire as to whether or not you wish to exercise your rights. Your broker, bank or nominee, as the case may be, will act on your behalf if you wish to exercise your rights.

If you do not hold securities out of which your Eligible Claim arises or your shares of common stock, as applicable, through a brokerage account, bank or other nominee (i.e., you are a registered holder and hold a physical certificate), to exercise your rights you must properly complete and sign your rights certificate(s) and deliver your rights certificate(s) to the rights agent. Delivery of your rights certificate(s) must be accompanied by full payment of the applicable exercise price for each share you wish to purchase. See The Rights Offerings Exercise of Rights and Payment of Exercise Price.

If you are a resident of, or have your principal place of business in, Texas, you will only be entitled to exercise discount rights if you certify to the rights agent that you are within one of specified categories of persons under Texas state securities laws. See For Texas Residents Only on page v of this prospectus and Blue Sky Laws below. We and the rights agent, as applicable, have the discretion to delay or to refuse to distribute any shares you may elect to purchase through the exercise of discount rights if we deem it necessary to comply with Texas state securities or blue sky laws.

Oversubscription Privilege in Discount Rights Offering

There is no oversubscription privilege in the par rights offering. If a rights holder does not fully exercise its par rights, those unexercised rights will expire.

Each discount right entitles each Eligible Holder who fully exercises its basic subscription privilege to subscribe, prior to the expiration date of the discount rights offering, for additional shares of common stock of

reorganized Delphi for an exercise price of \$38.64 in cash per full share to the extent that any shares are not purchased by other Eligible Holders under their basic subscription privileges, as of the expiration date of the discount rights offering. If an insufficient number of shares are available to fully satisfy oversubscription privilege requests, the

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available shares, if any, will be allocated pro rata among Eligible Holders who exercised their oversubscription privilege based upon the number of shares each oversubscribing Eligible Holder subscribed for under its basic subscription privilege. If there is a pro rata allocation of the remaining shares and an Eligible Holder receives an allocation of a greater number of shares than it subscribed for under its oversubscription privilege, then we will allocate to such Eligible Holder only the number of shares for which it subscribed under its oversubscription privilege, and we will allocate the remaining shares pro rata among all other Eligible Holders who exercised their oversubscription privileges on the same basis as described above.

Any shares of common stock of reorganized Delphi for which unexercised discount rights would have otherwise been exercisable will be purchased by the Investors, and any shares of common stock of reorganized Delphi for which unexercised par rights would have otherwise been exercisable will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan). See Use of Proceeds.

Transferability of Rights

The par rights are not transferable. The discount rights are transferable until 5:00 p.m., New York City time, on the business day prior to the expiration date of the discount rights offering. Unless the discount rights offering is extended, the deadline for transfer of discount rights will be 5:00 p.m., New York City time, on March 28, 2008. However, if you are a resident of, or have your principal place of business in, Texas, you will be entitled to transfer discount rights only if you certify to the rights agent that you are within one of specified categories of persons under Texas state securities laws. In addition, regardless of your residence or principal place of business, if you desire to transfer discount rights to a person or entity that is a resident of, or has its principal place of business in, Texas, as a condition to that transfer, you or the proposed transferee must certify to the rights agent that the proposed transferee is within one of specified categories of persons under Texas state securities law. See For Texas Residents Only and For All Holders of Discount Rights Who Desire to Transfer Discount Rights to a Resident of Texas on page v of this prospectus, The Rights Offerings State Securities and Blue Sky Matters and The Rights Offerings Transferability of Rights and Listing.

No Listing of Rights

The rights will not be listed on any securities exchange or quoted on any automated quotation system. We intend, however, to cooperate with any registered broker-dealer who may seek to initiate price quotations for the discount rights on the OTC Bulletin Board. The ability to trade the discount rights on the OTC Bulletin Board is entirely dependent upon registered broker-dealers applying to the OTC Bulletin Board to initiate quotation of the discount rights. Other than furnishing to registered broker-dealers copies of this prospectus and documents filed as exhibits to the registration statement of which this prospectus forms a part, we will have no control over the process of quotation initiation on the OTC Bulletin Board. We cannot assure

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you that the discount rights will be quoted on the OTC Bulletin Board or that an active trading market for the rights will exist. Because the par rights are not transferable, there will be no trading market for the par rights.

Issuance of Common Stock

If you properly exercise your rights and the Plan becomes effective, you will be deemed to own the shares on the effective date of the Plan. We will issue shares of common stock of reorganized Delphi for which rights are exercised as soon as practicable after the effective date of the Plan. No interest will be paid to you on the funds you deposit with the rights agent.

Blue Sky Laws

We have received qualification of the rights offerings from all required state securities commissions, except with respect to the discount rights offering in Texas. As a result, if you are a resident of, or have your principal place of business in, Texas, you will be entitled to exercise or transfer discount rights only if you certify to the rights agent that you are within one of specified categories of persons under Texas state securities laws. In addition, regardless of your residence or principal place of business, if you desire to transfer discount rights to a person or entity that is a resident of, or has its principal place of business in, Texas, as a condition to that transfer, you or the proposed transferee must certify to the rights agent that the proposed transferee is within one of specified categories of persons under Texas state securities law. See *For Texas Residents Only* and *For All Holders of Discount Rights Who Desire to Transfer Discount Rights to a Resident of Texas* on page v of this prospectus and *The Rights Offerings State Securities and Blue Sky Matters*. We and the rights agent, as applicable, have the discretion to delay or to refuse to distribute any shares you may elect to purchase through the exercise of discount rights, and to delay or refuse to effect any transfer of discount rights, if we deem it necessary to comply with Texas state securities or blue sky laws.

Withdrawal of Exercise of Rights

Your exercise of rights may be validly withdrawn at any time prior to the applicable withdrawal deadline, but not thereafter, except as set forth in the second following paragraph. Unless the applicable rights offering is extended, the withdrawal deadline will be 5:00 p.m., New York City time, on March 26, 2008. For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be received by the rights agent prior to the withdrawal deadline at its address set forth under *The Rights Offerings Delivery of Rights Certificates and Payment*.

Although the discount rights offering and the par rights offering are being conducted concurrently, they are independent of one another. Therefore, to the extent you are eligible to receive and exercise discount rights and/or par rights, if you choose to withdraw your exercise of rights, you may choose to withdraw only discount rights, withdraw only par rights, or withdraw all of your rights, in each case in accordance with the procedures set forth in this prospectus.

We intend to provide you with the right to withdraw your previous exercise of rights after the applicable withdrawal deadline only if there are changes to the Plan after the withdrawal deadline that the

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Bankruptcy Court determines are materially adverse to the holders of the par rights or discount rights, as the case may be, and the Bankruptcy Court requires resolicitation of votes under section 1126 of the Bankruptcy Code or an opportunity to change previously cast acceptances or rejections of the Plan. If you withdraw your exercise of rights under such circumstances and in accordance with the withdrawal procedures described in this prospectus, we will return to you your exercise payments with respect to any rights so withdrawn, without interest. If (1) we provide rights holders with withdrawal rights and (2) either (a) we and the Investors have not entered into an amendment to the EPCA providing that the Investors backstop commitment applies to any discount rights that are so withdrawn, or (b) we have not otherwise established funding for the Plan, then we may terminate the rights offerings, and, under such circumstances, the Plan that includes the rights offerings described in this prospectus may not become effective. If you so withdraw your rights, we will return to you your exercise payments, without interest. We can give no assurance, however, that if we grant withdrawal rights to holders that we and the Investors will enter into an amendment to the EPCA or that we will otherwise establish funding for the Plan as described above. In addition, if the EPCA otherwise terminates after the expiration date, then we may terminate the rights offerings, the Plan that includes the rights offerings described in this prospectus may not become effective, and, under such circumstances, we will return to you your exercise payments, without interest.

Use of Proceeds

Our total gross proceeds from the rights offerings (assuming that all par rights are exercised) will be up to approximately \$2.9 billion before deducting fees, including the Investors' backstop commitment fee, and expenses related to the rights offerings. We will receive gross proceeds of up to approximately \$1.6 billion from the sale of shares of common stock of reorganized Delphi in connection with the discount rights offering before deducting fees, including the Investors' backstop commitment fee, and expenses related to the discount rights offering, regardless of the number of discount rights exercised, as a result of the backstop commitment of the Investors. The net proceeds from the discount rights offering will be used to make payments and distributions contemplated by the Plan and for general corporate purposes. If any shares of common stock of reorganized Delphi are purchased pursuant to the exercise of the oversubscription privilege in the discount rights offering, we will receive additional gross proceeds of \$0.25 per share of common stock purchased pursuant to the oversubscription privilege, which additional proceeds will be distributed pro rata to Eligible Holders that did not exercise or transfer any of their discount rights in the discount rights offering based on the ultimate allowed amount of each such holder's Eligible Claim. We will receive gross proceeds of up to approximately \$1.3 billion from the sale of shares of common stock of reorganized Delphi in connection with the par rights offering (assuming that all par rights are exercised), before deducting fees and expenses related to the par rights offering. The net proceeds from the par rights offering will be used to satisfy certain

liquidity requirements, to satisfy certain claims of our unions, to reduce the amount of preferred stock distributed to GM and to partially

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satisfy certain claims of certain unsecured creditors as described under Use of Proceeds.

We intend to use the net proceeds from the rights offerings and the \$975 million from the additional equity investments in reorganized Delphi by the Investors, together with borrowings under our exit financing, to the extent obtained, if at all, to make payments and distributions contemplated by the Plan and for general corporate purposes. See Use of Proceeds for a description of the application of the proceeds of the rights offerings and the Plan.

No Recommendation

Neither we nor our Board of Directors has made any recommendation as to whether or not you should exercise your rights. We have been informed by the Investors that they have not made any recommendation as to whether or not any holder of rights should exercise their rights. You should make an independent investment decision about whether or not to exercise your rights. If you do not exercise or sell your rights, you will lose any value represented by your rights and your percentage ownership interest in us will be diluted.

Termination of Rights Offering

We currently have no intention of terminating the rights offerings, but we reserve the right to terminate the rights offerings, subject to our obligations under the EPCA to use our reasonable best efforts to complete the rights offerings. Completion of the rights offerings is a condition of the Investors' obligations under the EPCA. If we terminate the rights offerings and the Investors and we do not waive the condition that the rights offerings shall have occurred, the equity investments pursuant to the EPCA will not occur, and we may not be able to raise the cash needed to fund the Plan. If the rights offerings are withdrawn or terminated, the rights agent will return all exercise payments as soon as practicable. No interest will be paid to you on the funds you deposit with the rights agent.

Transferability of Common Stock

Unless you are our affiliate, you generally may sell the shares that you are purchasing on exercise of your rights immediately after you are deemed to own such shares on the effective date of the Plan. We have agreed to provide the Investors, GM and certain creditors with registration rights that would allow them to resell shares of common stock (and shares of certain Senior Convertible Preferred Stock) of reorganized Delphi that they acquire pursuant to the Plan or upon conversion of shares of Convertible Preferred Stock, and, in the case of the Investors, that they otherwise own after the effective date of the Plan. See Certain Relationships and Related Transactions Registration Rights Agreement.

Trading of Common Stock

Our outstanding common stock is quoted on the Pink Sheets, a quotation service for over the counter (OTC) securities, under the symbol DPHIQ. On January 16, 2008, the last trading day prior to the record date, the last reported sale price for our common stock on the Pink Sheets was \$0.15 per share.

We intend to apply to list the common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, if and when we meet the respective listing requirements. There can be no assurances, however, that we will meet the respective listing requirements on the effective date of the Plan or

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at any time thereafter. Therefore, the shares of common stock of reorganized Delphi may not be listed or quoted on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system at the time they are issued on the effective date of the Plan. Although we have an obligation under the EPCA to use our commercially reasonable efforts to list the shares of common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, we cannot assure you that the common stock of reorganized Delphi will ever be listed on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system. If we are not able to list the common stock of reorganized Delphi on the New York Stock Exchange or any other securities exchange or quotation system, we intend to cooperate with any registered broker-dealer who may seek to initiate price quotations for the common stock of reorganized Delphi on the OTC Bulletin Board. Other than furnishing to registered broker-dealers copies of this prospectus and documents filed as exhibits to the registration statement of which this prospectus forms a part, we will have no control over the process of quotation initiation on the OTC Bulletin Board. We cannot assure you that the common stock of reorganized Delphi will be quoted on the OTC Bulletin Board or that an active trading market for the common stock of reorganized Delphi will exist.

Material United States Federal Income
Tax Consequences of Discount Rights
Offering to an Eligible Holder

The material United States federal income tax consequences to an Eligible Holder depend upon whether the Eligible Claims constitute securities for United States federal income tax purposes. If such Eligible Claims constitute securities, an Eligible Holder that exchanges its Eligible Claims for newly-issued common stock and discount rights pursuant to the Plan generally should not recognize gain or loss on the receipt of the discount rights. If such Eligible Claims do not constitute securities, a holder that exchanges its Eligible Claims for newly-issued common stock and discount rights pursuant to the Plan generally should recognize gain or loss on the receipt of the discount rights. You should refer to United States Federal Income Tax Considerations for a more complete discussion, including additional qualifications and limitations. In addition, you should consult your own tax advisor as to the tax consequences to you of the receipt, exercise, disposition and expiration of the discount rights, and the ownership and disposition of common stock received as a result of the exercise of the discount rights, in light of your particular circumstances.

Material United States Federal Income
Tax Consequences of Par Rights Offering
to a Holder of Our Common Stock

The material United States federal income tax consequences of the par rights offering to a holder of our common stock depend upon whether such holder receives newly-issued common shares pursuant to the Plan. If a holder of our common stock receives newly-issued common shares pursuant to the Plan, holds shares of our common stock as capital assets, and is not subject to special treatment under United States federal income tax law (e.g., as a bank or dealer in securities),

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the holder generally will not recognize gain or loss on the receipt of par rights. A holder of our common stock that does not receive newly-issued common shares pursuant to the Plan generally will recognize gain or loss on the receipt of par rights. You should refer to "United States Federal Income Tax Considerations" for a more complete discussion, including additional qualifications and limitations. In addition, you should consult your own tax advisor as to the tax consequences to you of the receipt, exercise, disposition and expiration of the par rights, and the ownership and disposition of common stock received as a result of the exercise of the par rights, in light of your particular circumstances.

Rights Agent and Information Agent Computershare Trust Company, N.A. is acting as rights agent for the rights offerings, and Georgeson Inc. is acting as information agent for the rights offerings.

Risk Factors Exercising the rights and investing in the common stock of reorganized Delphi involve substantial risks. We urge you to carefully read the "Risk Factors" sections beginning on page 35 of this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2007, and all other information included or incorporated by reference in this prospectus in its entirety, before you decide whether or not to exercise rights.

KEY DATES

Record Date 5:00 p.m., New York City time, on January 17, 2008, which was the date used to determine the Eligible Holders entitled to receive discount rights and the stockholders entitled to receive par rights. The record date was the date on which the confirmation hearing with respect to the Plan commenced in the Bankruptcy Court.

Rights Distribution Date March 11, 2008.

Expiration Date Both the discount rights and the par rights expire, if not previously exercised, at 5:00 p.m., New York City time, on March 31, 2008, unless we extend the exercise period applicable to such rights. Any rights unexercised at the end of the applicable exercise period will expire without any payment to the holders with respect to those unexercised rights.

Withdrawal Deadline Unless we extend the applicable rights offering, the withdrawal deadline will be 5:00 p.m., New York City time, on March 26, 2008.

Transfer Deadline The transfer deadline is 5:00 p.m., New York City time, on March 28, 2008.

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RISK FACTORS

An investment in the common stock of reorganized Delphi involves a high degree of risk. You should consider carefully the following information about these risks, together with the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2007, which is incorporated herein by reference, the other information included or incorporated by reference in this prospectus in its entirety before exercising the rights to purchase common stock of reorganized Delphi. Any of the risks we describe below or in the information incorporated herein by reference could cause our business, financial condition and/or operating results to suffer. The market price of the common stock of reorganized Delphi could decline if one or more of these risks and uncertainties develop into actual events. You could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. Some of the statements in Risk Factors are forward-looking statements. For more information about forward-looking statements, please see Special Note Regarding Forward-Looking Statements.

Risks Related to the Rights Offerings

On the effective date of the Plan, all of the shares of common stock owned by you prior to that time will be canceled. Whether or not you exercise your rights, if you currently hold shares of Delphi common stock, your common stock ownership interest will be diluted.

On the effective date of the Plan, all existing shares of our common stock, and any options, warrants, rights to purchase shares of our common stock or other equity securities (excluding the right to receive shares of common stock of reorganized Delphi as a result of the exercise of rights in the rights offerings) outstanding prior to the effective date of the Plan will be canceled. As of the record date, there were 563,477,461 shares of our common stock outstanding. On or as soon as practicable after the effective date of the Plan, there will be outstanding up to 160,124,155 shares of common stock of reorganized Delphi (which figure includes shares underlying securities that are convertible into or exercisable for shares of common stock of reorganized Delphi) as follows:

461,552 shares of common stock of reorganized Delphi, to the holders of our common stock as of the record date;

Warrants exercisable to purchase up to a total of 25,113,275 shares of common stock of reorganized Delphi, to the holders of our common stock as of the record date;

41,026,309 shares of common stock of reorganized Delphi in the discount rights offering (including the sale of any shares of common stock purchased by the Investors pursuant to their backstop commitment);

21,680,996 shares of common stock of reorganized Delphi in the par rights offering. If fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be distributed to certain of our creditors, as set forth in the sixth bullet point of this section, in partial satisfaction of their claims or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM, as set forth in the last bullet point below, in each case to the extent they do not receive a cash distribution of the proceeds of the par rights offering as described under Use of Proceeds.) Therefore, any shares of common stock of reorganized Delphi issued upon exercise of par rights are not additive to the anticipated number of shares outstanding as of the effective date of the Plan, and the 21,680,996 share number has been excluded from the 160,124,155 share number above;

4,558,479 shares of common stock of reorganized Delphi to the Investors pursuant to the EPCA (without giving effect to any shares purchased pursuant to their backstop commitment or pursuant to their exercise of rights in the rights offerings);

17,237,418 shares of common stock of reorganized Delphi to the holders of Trade and Other Unsecured Claims (this figure assumes that such claims total approximately \$1.31 billion and that certain cure amounts will be paid in cash; in addition, if fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased

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pursuant to the exercise of par rights will be distributed to certain of our creditors in partial satisfaction of those claims or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM, as set forth in the last bullet point below, in each case to the extent they do not receive a cash distribution of the proceeds of the par rights offering as described under "Use of Proceeds");

31,349,736 shares of common stock of reorganized Delphi to holders of claims arising under or as a result of Delphi's senior notes;

4,996,231 shares of common stock of reorganized Delphi to holders of claims arising under or as a result of Delphi's subordinated notes;

9,478,887 shares of Series A-1 Senior Convertible Preferred Stock of reorganized Delphi to ADAH;

9,394,092 shares of Series B Senior Convertible Preferred Stock of reorganized Delphi to the Investors other than ADAH; and

16,508,176 shares of Series C Convertible Preferred Stock of reorganized Delphi to GM (assuming that no par rights are exercised; to the extent that any par rights are exercised, the gross proceeds generated from the exercise of par rights will be distributed in the order described under "Use of Proceeds" and, to the extent that GM receives a cash distribution from such proceeds, the number of shares of Series C Convertible Preferred Stock that would be issued to GM will be reduced by one share for each \$59.61 of such cash distribution).

In addition, we will have available for issuance to our employees under the Delphi Corporation 2007 Long-Term Incentive Plan a number of shares of common stock of reorganized Delphi equal to 8% of the number of the fully diluted shares of common stock of reorganized Delphi outstanding immediately following consummation of the Plan and the transactions contemplated thereby. Any such issuance of shares to our employees will dilute your ownership interest in us.

To the extent that Trade and Other Unsecured Claims total less than \$1.31 billion, the 17,237,418 shares of common stock will be reduced by up to one share for each \$59.61 reduction in the total amount of these claims, and the ownership percentages of (but not the number of shares of common stock of reorganized Delphi issued to) the other holders of reorganized Delphi common stock (including rights holders that exercise rights in the rights offerings) will proportionately increase. To the extent that these claims total more than \$1.45 billion (including estimated cure amounts but excluding all allowed accrued post-petition interest), a condition of the Plan will not be satisfied. If ADAH and Delphi have each waived the condition to effectiveness of the Plan that such claims total no more than \$1.45 billion (including estimated cure amounts but excluding all allowed accrued post-petition interest) and the creditors' committee has consented or not objected to such waiver, to the extent that such claims total more than \$1.475 billion (including estimated cure amounts but excluding all allowed accrued post-petition interest), the 17,237,418 shares of common stock will be increased by up to one share for each \$59.61 increase in the total amount of these claims, the ownership percentages of (but not the number of shares of common stock of reorganized Delphi issued to) the other holders of reorganized Delphi common stock (including rights holders that exercise rights in the rights offerings) will proportionately decrease, and we will issue additional shares of common stock to the Investors so that the Investors' ownership is not diluted and the conversion prices of the Senior Convertible Preferred Stock to be issued to the Investors will be proportionately decreased. There can be no assurance that ADAH will waive such condition. References to the number of shares are further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. See "Use of Proceeds," "Capitalization" and "Effects of the Rights Offerings on the Investors' Ownership."

We will issue a total of 41,026,309 shares of common stock in connection with the discount rights offering, regardless of the number of discount rights exercised, as a result of the backstop commitment of the Investors. The backstop commitment of the Investors does not apply to the par rights offering. However, if fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan).

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Even if you fully exercise your par rights in the par rights offering, if you currently hold shares of Delphi common stock, your common stock ownership interest in reorganized Delphi will be significantly reduced at the effective date of the Plan. If you do not fully exercise your par rights in the par rights offering, your common stock ownership interest will be even further reduced. The magnitude of the reduction of your percentage ownership will depend on the number of shares of common stock, if any, you purchase in the par rights offering. Rights holders who do not exercise their rights or discount rights holders who do not sell their rights prior to the expiration date will lose any value represented by their rights. If we obtain exit financing on terms different from those described below, then the modified terms of the exit financing may have an impact on the value of your investment in reorganized Delphi.

Even if rights are exercised in the rights offerings, we will not issue shares of common stock of reorganized Delphi for which those rights are exercised unless and until the Plan becomes effective. Effectiveness of the Plan is subject to a number of conditions, including the obtaining of approximately \$6.1 billion of exit financing.

Even if you exercise rights, we will only issue shares of common stock of reorganized Delphi for which those rights were exercised if the Plan becomes effective. If the Plan does not become effective, we will refund to you the total amount of the exercise price, if any, paid by you upon exercise of your rights, without interest. Effectiveness of the Plan is subject to a number of conditions, including the completion of the transactions contemplated by the EPCA, the entry of certain orders by the Bankruptcy Court and the obtaining of necessary exit financing. We are currently seeking \$6.1 billion of exit financing, an amount that is consistent with the confirmation order of the Plan. The transactions contemplated by the EPCA also are subject to the satisfaction of a number of conditions which are more fully described under **Certain Relationships and Related Transactions** Equity Purchase and Commitment Agreement. There can be no assurances that such exit financing will be obtained (or if obtained, the terms thereof) or such other conditions will be satisfied, and we cannot assure you that the Plan will become effective on the terms described in this prospectus or at all.

In addition, if the Plan does not become effective before March 31, 2008, certain pension funding waivers that we have received from the United States Internal Revenue Service (the **IRS**) will expire. Without meeting this deadline or receiving additional waivers from the IRS, failure of the Plan to become effective by March 31, 2008 could result in a significant tax assessment against us and a drawing down by the Pension Benefit Guaranty Corporation (the **PBGC**) of letters of credit totaling approximately \$160 million. Although we would vigorously contest the validity of any such tax assessment, there can be no assurance that we would be successful in such a challenge.

We may not be able to obtain sufficient exit financing to support the Plan, and the terms of the exit financing we obtain, if any, may differ from those described in this prospectus and such terms could adversely affect reorganized Delphi and your investment.

Effectiveness of the Plan and consummation of the transactions contemplated by the EPCA are subject to a number of conditions, including obtaining exit financing. We are seeking on the effective date of the Plan to replace our debtor-in-possession financing with approximately \$6.1 billion of new exit financing. The \$6.1 billion exit financing package is expected to include a \$1.6 billion asset-backed revolving credit facility, at least \$1.7 billion of first-lien term loan, an up to \$2.0 billion first-lien term note to be issued to an affiliate of GM (junior to the \$1.7 billion first-lien term loan), and a \$825 million second-lien term loan, of which any unsold portion would be issued to GM and/or its affiliates. The EPCA further provides the Investors certain rights to review the terms of the exit financing we obtain in light of the financing and other related conditions and covenants of the EPCA, including a limitation that our pro forma interest expense (calculated in accordance with the provisions of the EPCA) during 2008 with respect to our total indebtedness, as defined in the EPCA, will not exceed \$585 million. We do not have sufficient firm commitments from lenders to complete our exit financing. There can be no assurances that such exit financing can be obtained, or that such financing can be obtained on the terms we are seeking.

In addition, if obtained, our exit financing will contain customary restrictive covenants, including, but not limited to, restrictions on the ability of reorganized Delphi and its subsidiaries to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures

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and merge or acquire or sell assets with usual and customary exceptions to such limitations. Such covenants may limit our flexibility with respect to the management of our business.

Texas state securities laws may limit your ability to exercise or transfer discount rights

We have received qualification of the rights offerings from all required state securities commissions, except with respect to the discount rights offering in Texas. As a result, if you are a resident of, or have your principal place of business in, Texas, you will be entitled to exercise or transfer discount rights only if you certify to the rights agent that you are one of the following:

- (i) an existing security holder of Delphi,
- (ii) an accredited investor (as defined in Rule 501(a)(1)-(4), (7) and (8) under the Securities Act), excluding any self-directed employee benefit plan with investment decisions made solely by persons that are accredited investors (as defined in Rule 501(a)(5)-(6) under the Securities Act),
- (iii) a qualified institutional buyer (as defined in Rule 144A under the Securities Act),
- (iv) a corporation, partnership, trust, estate or other entity (excluding individuals) having a net worth of not less than \$5 million or a wholly owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the rights and the underlying shares of common stock of reorganized Delphi, or
- (v) another exempt person under the Texas state securities laws.

In addition, regardless of your residence or principal place of business, if you desire to transfer discount rights to a person or entity that is a resident of, or has its principal place of business in, Texas, as a condition to that transfer, you or the proposed transferee must certify to the rights agent that the proposed transferee is within one of the above specified categories of persons under Texas state securities law.

We and the rights agent, as applicable, have the discretion to delay or to refuse to distribute any shares you may elect to purchase through the exercise of discount rights, and delay or refuse to effect any transfer of discount rights, if we deem it necessary to comply with Texas state securities or blue sky laws.

Following the withdrawal deadline, your exercise of rights may not be withdrawn, except in very limited circumstances.

Once you have exercised your rights, you may withdraw your exercise at any time prior to the applicable withdrawal deadline, but not thereafter, except as set forth in the following paragraph. Unless the applicable rights offering is extended, the withdrawal deadline will be 5:00 p.m., New York City time, on March 26, 2008.

We intend to provide you with the right to withdraw your previous exercise of rights after the applicable withdrawal deadline only if there are changes to the Plan after the withdrawal deadline that the Bankruptcy Court determines are materially adverse to the holders of the par rights or discount rights, as the case may be, and the Bankruptcy Court requires resolicitation of votes under section 1126 of the Bankruptcy Code or an opportunity to change previously cast acceptances or rejections of the Plan. If you withdraw your exercise of rights under such circumstances and in accordance with the withdrawal procedures described in this prospectus, we will return to you your exercise payments with respect to any rights so withdrawn, without interest. If (1) we provide rights holders with withdrawal rights and (2) either (a) we and the Investors have not entered into an amendment to the EPCA providing that the Investors backstop commitment applies to any discount rights that are so withdrawn, or (b) we have not otherwise established

funding for the Plan, then we may terminate the rights offerings, and, under such circumstances, the Plan that includes the rights offerings described in this prospectus may not become effective, and, if you so withdraw your rights and we terminate the rights offerings, we will return to you your exercise payments, without interest. We can give no assurance, however, that if we grant withdrawal rights to holders that we and the Investors will enter into an amendment to the EPCA or that we will otherwise establish funding for the Plan as described above. In addition, if the EPCA otherwise terminates after the expiration date, then we may terminate the rights offerings, the Plan that includes the rights offerings described in this prospectus may not become effective, and, if we terminate the rights offerings, we will return to you your exercise payments, without interest.

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Following the withdrawal deadline, except in the limited circumstance described above, you may not withdraw your exercise of rights in whole or in part for any reason, including a decline in our common stock price or changes in the Plan, even though we have not already issued the shares to you and the applicable withdrawal deadline has occurred. Even if circumstances arise after you have exercised your rights that causes you to change your mind about investing in the common stock of reorganized Delphi, you will be legally bound to purchase the shares of common stock of reorganized Delphi for which you exercised your rights if the Plan becomes effective.

We may make significant changes to the Plan following the expiration of the rights offerings, but you will no longer be able to withdraw your exercise of rights, except in very limited circumstances.

The rights offerings are scheduled to expire prior to the effective date of the Plan. We cannot assure you that the terms of the Plan will not change due to market conditions, the Bankruptcy Court's requirements or otherwise after the expiration of the rights offerings. The Bankruptcy Court will consider the best interests of all claim and equity security holders in Delphi's chapter 11 cases, and could require changes to the Plan which could have an adverse impact on your interests as a common stockholder. The value of your common stock may also be adversely affected. In addition, we may negotiate other changes to the Plan.

Following the applicable withdrawal deadline, your exercise of rights may not be withdrawn in whole or in part for any reason, including a delay in confirmation of the Plan or significant modifications to the Plan, unless there are changes to the Plan after the withdrawal deadline that the Bankruptcy Court determines are materially adverse to the holders of the par rights or discount rights, as the case may be, and the Bankruptcy Court requires resolicitation of votes under section 1126 of the Bankruptcy Code or an opportunity to change previously cast acceptances or rejections of the Plan. If you withdraw your exercise of rights under such circumstances and in accordance with the withdrawal procedures described in this prospectus, we will return to you your exercise payments with respect to any rights so withdrawn, without interest. If (1) we provide rights holders with withdrawal rights and (2) either (a) we and the Investors have not entered into an amendment to the EPCA providing that the Investors' backstop commitment applies to any discount rights that are so withdrawn, or (b) we have not otherwise established funding for the Plan, then we may terminate the rights offerings, the Plan that includes the rights offerings described in this prospectus may not become effective, and, if you so withdraw your rights and we terminate the rights offerings, under such circumstances, we will return to you your exercise payments, without interest. We can give no assurance, however, that if we grant withdrawal rights to holders that we and the Investors will enter into an amendment to the EPCA or that we will otherwise establish funding for the Plan as described above. In addition, if the EPCA otherwise terminates after the expiration date, then we may terminate the rights offerings, the Plan that includes the rights offerings described in this prospectus may not become effective, and, if we terminate the rights offerings, we will return to you your exercise payments, without interest.

Therefore, except in that limited circumstance, even if the Plan is modified after the expiration date, and you change your mind about investing in the common stock of reorganized Delphi, you nonetheless will be legally bound to purchase the shares of common stock of reorganized Delphi for which you exercised your rights if the Plan becomes effective.

The commitments of the Investors are conditioned upon specified factors, and if these conditions are not met, we may not be able to raise the proceeds necessary to fund our cash obligations under the Plan, and the Plan may not become effective.

The Investors' obligations under the EPCA are subject to the satisfaction of numerous conditions as described under Certain Relationships and Related Transactions - Equity Purchase and Commitment Agreement. Some of these conditions are not in our control. For example, we may not be able to obtain sufficient exit financing, or if we do, we

may not be able to satisfy the limitation on interest expense that is a condition to the Investors' obligations under the EPCA. If we are not able to meet these conditions or any of the other conditions under the EPCA, ADAH may be unwilling to waive the conditions, and, in such case, the Investors would no longer be obligated to purchase any shares of common stock that are not purchased pursuant to the exercise of rights in the discount rights offering or make an additional \$975 million equity investment in reorganized Delphi. As a result, we may not be able to raise the proceeds necessary to fund our cash obligations under the Plan, and the Plan may not become effective. If this happens, we may be forced to propose an alternate plan or make significant modifications to our current Plan, any of

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which actions could have an adverse impact on your interest as a creditor or common stockholder or the value of your claims or shares of common stock.

The exercise price does not reflect a determination of our value or the value of the common stock of reorganized Delphi.

Each holder of our common stock will receive one par right for each 26 shares of our common stock owned of record at 5:00 p.m., New York City time, on January 17, 2008. Each Eligible Holder will receive one discount right for each \$99.07 of such Eligible Holder's Eligible Claim. We will not issue fractional shares or cash in lieu of fractional shares. Each discount right entitles the holder to purchase one share of common stock of reorganized Delphi for \$38.39 in cash per full share pursuant to the basic subscription privilege (and \$38.64 in cash per full share pursuant to the oversubscription privilege), and each par right entitles the holder to purchase one share of common stock of reorganized Delphi for \$59.61 in cash per full share. The exercise prices were determined after extensive negotiations and renegotiations with the Investors, the creditors' committee, the equity committee and GM. With the assistance of our financial advisor and investment banker, we explored alternative investment proposals from several potential investors. Through this process we developed a potential framework for our reorganization plan and our transformation plan. After several months of negotiations, we decided to pursue an agreement with the Investors that was supported by the creditors' committee, the equity committee and GM, under which the Investors would be willing to provide their investment to support our reorganization and transformation plan. The discount rights exercise price of \$38.39 in cash per full share represents a \$21.22 per share discount from the \$59.61 per full share deemed value for Plan distribution purposes established in the Plan. The par rights exercise price of \$59.61 in cash per full share is the same as the per share value of common stock of reorganized Delphi for Plan distribution purposes established in the Plan. Specifically, under the Plan, our creditors will be accepting shares of common stock of reorganized Delphi in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan), with such shares being valued for such purposes at \$59.61 per full share. The per share discount for the discount rights and the per share deemed value have been approved by the Bankruptcy Court pursuant to the confirmation order confirming the Plan. See Bankruptcy Cases. The exercise prices of the rights do not necessarily bear any relationship to the book value of our assets, past operations, cash flows, losses, financial condition or other common criteria used to value equity securities. The exercise prices of the rights should not be considered an indication of the actual value of reorganized Delphi or the shares of its common stock.

One or both of the rights offerings may be terminated at any time prior to the expiration date, and neither we nor the rights agent will have any obligation to you except to return your exercise payment, without interest.

We may decide not to continue with one or both of the rights offerings, and we may terminate one or both of the rights offerings prior to the expiration date. If one or both of the rights offerings are withdrawn or terminated, the rights agent will return as soon as practicable all exercise payments for that rights offering, without interest, and you will not be able to purchase common stock from us in that rights offering. No interest will be paid to you on the funds you deposit with the rights agent. Completion of the rights offerings is a condition of the Investors' obligations under the EPCA. If we terminate one or both of the rights offerings and ADAH does not waive the condition that the rights offerings shall have occurred, the Investors' equity commitment obligations, including their obligation to backstop the discount rights offering by purchasing from us any shares of common stock of reorganized Delphi being offered in the discount rights offering that are not purchased pursuant to the exercise of discount rights and their obligation to make \$975 million of additional equity investments in reorganized Delphi, will be discharged, and we may not be able to raise the cash needed to fund the Plan.

You must act promptly and follow instructions carefully if you want to exercise your rights.

If you desire to exercise rights in either or both of the rights offerings, you and, if applicable, brokers, banks or other nominees acting on your behalf, must act promptly to ensure that all required certificates and payments are actually received by Computershare Trust Company, N.A., the rights agent, prior to the expiration date of the rights offerings. The time period to exercise rights is limited. If you or your broker, bank or other nominee, as applicable,

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fails to complete and sign the rights certificate(s), sends an incorrect payment amount or otherwise fails to follow the procedures that apply to the exercise of your rights, we may, depending on the circumstances, reject your exercise of rights or accept it only to the extent of the payment received. Neither we nor the rights agent undertakes to contact you concerning, or attempt to correct, an incomplete or incorrect rights certificate or payment or contact you concerning whether a broker, bank or other nominee holds rights on your behalf. We have the sole discretion to determine whether an exercise properly follows the procedures that apply to the exercise of your rights.

No prior market exists for the rights.

The rights are a new issue of securities with no established trading market. The par rights are not transferable. The discount rights are transferable until 5:00 p.m., New York City time, on the business day prior to the expiration date of the discount rights offering. Unless the discount rights offering is extended, the deadline for transfer will be 5:00 p.m., New York City time, on March 28, 2008. Unless exercised, the rights will cease to have any value following the expiration date. The rights will not be listed on any securities exchange or quoted on any automated quotation system. We intend, however, to cooperate with any registered broker-dealer who may seek to initiate price quotations for the discount rights on the OTC Bulletin Board. The ability to trade the discount rights on the OTC Bulletin Board is entirely dependent upon registered broker-dealers applying to the OTC Bulletin Board to initiate quotation of the discount rights, which we cannot predict will be initiated or, if initiated, will continue. We can give no assurance that a market for the discount rights will develop or, if a market does develop, as to how long it will continue, the liquidity of the market or at what price the discount rights will trade. Because the par rights are not transferable, there will be no trading market for the par rights.

Even if a trading market does develop for the discount rights, the discount rights may expire and be of no value if they are purchased prior to the expiration date but such purchase is not settled before 5:00 p.m., New York City time, on the expiration date.

Although we can give no assurance that there will be any trading market for the discount rights, if trading in the discount rights is initiated on the OTC Bulletin Board, we expect that such trading will be on a customary basis in accordance with normal settlement procedures applicable to sales of securities, and that trades effected in discount rights will be required to be settled within three trading days after the trade date. A purchase and sale of discount rights that is effected on the date that is two days prior to the expiration date of the discount rights offering would be required to be settled not later than the time the discount rights will have expired. Therefore, if discount rights are purchased on or after the date that is two days prior to the expiration date, such discount rights may be received after they have already expired and will be of no value.

Furthermore, we have not received qualification of the discount rights offering in Texas. As a result, if you are a resident of, or have your principal place of business in, Texas, you will be entitled to exercise or transfer discount rights only if you certify to the rights agent that you are within one of specified categories of persons under Texas state securities laws. In addition, regardless of your residence or principal place of business, if you desire to transfer discount rights to a person or entity that is a resident of, or has its principal place of business in, Texas, as a condition to that transfer, you or the proposed transferee must certify to the rights agent that the proposed transferee is within one of the specified categories of persons under Texas state securities law. See *For Texas Residents Only* and *For All Holders of Discount Rights Who Desire to Transfer Discount Rights to a Resident of Texas* on page v of this prospectus and *The Rights Offerings State Securities and Blue Sky Matters*. We and the rights agent, as applicable, have the discretion to delay or to refuse to distribute any shares you may elect to purchase through the exercise of discount rights, and to delay or refuse to effect any transfer of discount rights, if we deem it necessary to comply with Texas state securities or blue sky laws.

In addition, under the securities laws of some states, shares of common stock can be sold in such states only through registered or licensed brokers or dealers. The requirement of a seller to comply with the requirements of state blue sky laws may lead to delay or inability of a holder of our securities to dispose of such securities, thereby causing an adverse effect on the resale price of our securities and your investment in reorganized Delphi.

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Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act) and related rules, certain acquisitions of voting securities may not be completed unless certain notification and waiting period requirements have been satisfied. If, as a result of exercising your rights, you would hold shares of common stock of reorganized Delphi worth more than \$63.1 million as of the effective date of the Plan, then you and we may be required to make a filing under the HSR Act and wait for any applicable waiting periods to expire or terminate before we can satisfy your exercise of rights. You are encouraged to consult with your counsel regarding the application of the HSR Act to the transactions contemplated hereby.

Risks Related to Common Stock of Reorganized Delphi***The common stock of reorganized Delphi may not have an active trading market and its public float will be significantly reduced if rights holders do not exercise rights in the rights offerings.***

There will be up to 160,124,155 shares of common stock of reorganized Delphi outstanding on the effective date of the Plan, not taking into account any conversion of shares of Convertible Preferred Stock, any exercise of rights in the rights offerings (but, in the case of the discount rights offering, assuming the Investors' backstop commitment) or any exercise of Warrants, compared to approximately 563,477,461 shares of our common stock outstanding as of the record date. The 160,124,155 share figure assumes that 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims in an aggregate amount of approximately \$1.31 billion, which number of shares is subject to upward or downward adjustment depending on the value of those claims and is further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. In addition, as of the effective date of the Plan, GM will own 16,508,176 shares of Series C Convertible Preferred Stock of reorganized Delphi, which are convertible into shares of common stock of reorganized Delphi, initially on a one-for-one basis. See Capitalization.

If rights holders do not exercise all of their rights in the rights offerings and the Investors purchase all or a portion of their backstop commitment, the public float of the common stock of reorganized Delphi may be significantly reduced to the extent that the Investors' shares are excluded from the calculation of the public float. Similarly, if fewer than all of the par rights are exercised in the par rights offering, the shares of common stock of reorganized Delphi offered in the par rights offering that are not purchased pursuant to the exercise of par rights will be issued to certain of our creditors in partial satisfaction of certain of their claims (or, in the case of GM, as shares of Series C Convertible Preferred Stock issued to GM under the Plan), and the public float of the common stock of reorganized Delphi may be further reduced to the extent that these creditors' shares are excluded from the calculation of the public float.

On the effective date of the Plan, following the cancellation of all existing shares of our common stock and all of our other existing equity securities outstanding prior to the effective date of the Plan and following the funding of the Investors' equity commitments, each of ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus and their respective affiliates would beneficially own either (1) assuming the original rights holders exercise all of their rights in the rights offerings and each Investor purchases no shares of common stock pursuant to its backstop commitment in the discount rights offering, a total of 14,438,623, 5,031,776, 1,607,481, 1,612,167, 3,452,693 and 8,041,408 shares, respectively, or 10.7%, 3.7%, 1.2%, 1.2%, 2.6% and 6.0%, respectively, of the outstanding common stock of reorganized Delphi, or (2) assuming rights holders (other than the Plan Investors and their affiliates) exercise no rights in the rights offerings and each Investor purchases the full amount of its backstop commitment in the discount rights offering, a total of 16,829,014, 10,150,735, 2,013,967, 2,018,653, 10,894,441 and 12,835,849 shares, respectively, or 12.5%, 7.5%, 1.5%, 1.5%, 8.1% and 9.5%, respectively, of the outstanding common stock of reorganized Delphi, in each case assuming (i) conversion of all of the Investors' shares of Senior Convertible Preferred Stock and taking into account

shares of common stock of reorganized Delphi received by certain Investors and their affiliates in their capacity as stockholders and creditors of Delphi pursuant to the Plan (including any shares received pursuant to the exercise by the Investors of discount rights in the discount rights offering), (ii) no exercise of par rights, (iii) no exercise of Warrants, (iv) 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims in an aggregate

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amount of approximately \$1.31 billion and (v) 16,508,176 shares of Series C Convertible Preferred Stock are issued to GM (and are converted into shares of common stock of reorganized Delphi, initially on a one-for-one basis). References to the number of shares and percentage ownership are further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. Assumptions made with respect to the exercise of rights and warrants and the conversion of convertible securities for the purposes of this paragraph differ from the assumptions used elsewhere in this prospectus in stating the maximum number of shares of reorganized Delphi common stock outstanding on, or as promptly as practicable after, the effective date of the Plan and from those set forth under Unaudited Pro Forma Condensed Consolidated Financial Information. The Investors have the ability under the EPCA, prior to the date that the registration statement of which this prospectus forms a part is declared effective under the Securities Act, to arrange for a limited number of additional investors to whom the Investors may sell, in accordance with the EPCA and applicable securities laws, any shares of common stock of reorganized Delphi that they purchase pursuant to the Plan and the EPCA. Some of the Investors have informed us that they have arranged or intend to arrange for such sales to additional investors. The amount and percentage of shares to be owned by the Investors gives effect to the expected sale of shares of common stock of reorganized Delphi to such additional investors. For the number of shares that each Investor has informed us that it expects to sell to such additional investors, see Effects of the Rights Offering on the Investors and GM's Ownership. Such sales to additional investors may be made by the Investors directly to such additional investors, or may be made by Delphi directly to such additional investors, and may substantially decrease the Investors' ownership percentage in reorganized Delphi. The additional investors will have the rights of the Investors from whom they purchase common stock of reorganized Delphi under the registration rights agreement (whether or not such shares are issued to the additional investors directly by Delphi). See Certain Relationships and Related Transactions Registration Rights Agreement. There can be no assurance that any of the Investors would actively participate in any trading market for the common stock of reorganized Delphi that may develop. Consequently, it is possible that there would be limited liquidity for the shares of common stock of reorganized Delphi, even if such shares are listed on any securities exchange or traded on the Pink Sheets. See Use of Proceeds, Capitalization and Effects of the Rights Offerings on the Investors' Ownership.

Following our delisting in October 2005 from the New York Stock Exchange, price quotations for our common stock have been available on the Pink Sheets. Delisting from the New York Stock Exchange resulted in a reduction in the liquidity of our common stock. We intend to apply to list the common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, if and when we meet the respective listing requirements. There can be no assurances, however, that we will meet the respective listing requirements on the effective date of the Plan or at any time thereafter. Therefore, the shares of common stock of reorganized Delphi may not be listed on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system at the time they are issued on the effective date of the Plan. Although we have an obligation under the EPCA to use our commercially reasonable efforts to list the shares of common stock of reorganized Delphi on the New York Stock Exchange or, if approved by ADAH, the Nasdaq Global Select Market, we cannot assure you that the common stock of reorganized Delphi will ever be listed on the New York Stock Exchange, the Nasdaq Global Select Market or any other securities exchange or quotation system. If we are not able to list or quote the common stock of reorganized Delphi on the New York Stock Exchange or any other securities exchange or quotation system, we intend to cooperate with any registered broker-dealer who may seek to initiate price quotations for the common stock of reorganized Delphi on the OTC Bulletin Board.

Trading on the OTC Bulletin Board is dependent on a broker-dealer being willing to make a market in the common stock of reorganized Delphi, which we cannot predict will be initiated or, if initiated, will continue. No assurance can be given that the common stock of reorganized Delphi will be quoted on the OTC Bulletin Board or that an active trading market will exist. The nature of OTC Bulletin Board trading may limit your ability to resell your shares of the common stock of reorganized Delphi if an active trading market for the common stock of reorganized Delphi does not emerge. Even if an active market does develop for the common stock of reorganized Delphi, we can give no assurance as to how long it will continue, the liquidity of the market or at what price the common stock of reorganized Delphi

will trade. Lack of liquidity of the common stock of reorganized Delphi also may make it more difficult for us to raise additional capital, if necessary, through equity financings.

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The terms of the exit financing will restrict the ability of reorganized Delphi to pay cash dividends on its common stock.

On September 8, 2005, our Board of Directors announced the elimination of the quarterly dividend on our common stock. After the Plan becomes effective, the payment of any future dividends on shares of reorganized Delphi will be at the discretion of the Board of Directors of reorganized Delphi and will depend upon various factors, including our earnings, operations, financial condition, cash and capital requirements, restrictions in financing agreements, business conditions and other factors. Under Delaware law, unless a corporation has available surplus, it cannot declare or pay dividends on its capital stock. In addition, we anticipate that our exit financing will include negative covenants, similar to those currently contained in our debtor-in-possession financing, that will restrict or condition our payment of dividends. Because of these limitations, we do not expect to pay dividends on the common stock of reorganized Delphi so long as our exit financing is in effect.

The preferred stock to be issued to the Investors and GM on the effective date of the Plan will rank senior to the common stock with respect to the payment of dividends and with respect to distributions upon our liquidation, dissolution or winding up.

On the effective date of the Plan, following the funding of the Investors' equity commitments, reorganized Delphi will issue to the Investors and GM a total of up to 35,381,155 shares of Convertible Preferred Stock (convertible at any time into shares of common stock of reorganized Delphi, initially on a one-for-one basis) (assuming the issuance of 16,508,176 shares of Series C Convertible Preferred Stock to GM). This Convertible Preferred Stock will rank senior to the common stock of reorganized Delphi with respect to the payment of dividends and with respect to distributions if we liquidate, dissolve or wind up. As a result, reorganized Delphi may not pay dividends on shares of its common stock, or make any distributions with respect to its shares of common stock in the event of a liquidation, dissolution or winding up of reorganized Delphi, unless all accrued and unpaid dividends on shares of its preferred stock have been paid in full and holders of preferred stock have been paid in full the liquidation preference of their shares of preferred stock.

GM is our largest customer and as such we are particularly sensitive to changes in their production volumes. In addition, our Plan requires that GM make certain payments in support of our overall reorganization plan.

GM is our largest customer and accounted for 37% of our total net sales from continuing operations in 2007, and a portion of our non-GM sales are to Tier 1 suppliers who ultimately sell our products to GM. In addition, GM accounts for an even greater percentage of our net sales in North America where we have limited ability to adjust our cost structure to changing economic and industry conditions and where we are faced with high wage and benefit costs. Additionally, our revenues may be affected by decreases in GM's business or market share.

Delphi and GM have entered into comprehensive settlement agreements which were approved by the Bankruptcy Court on January 25, 2008. These settlement agreements are not effective until and unless Delphi emerges from chapter 11. These settlement agreements, among other things, provide that GM will assume approximately \$7.3 billion of certain post-retirement benefits for certain of our active and retired hourly employees, including health care and life insurance, and will make significant contributions to Delphi to fund various special attrition programs, consistent with the provisions of the U.S. labor agreements, and significant, ongoing contributions to Delphi and reorganized Delphi to reimburse Delphi for labor costs in excess of \$26 per hour, excluding certain costs, including hourly pension and other postretirement benefit contributions.

GM has reported a variety of challenges it is facing, including with respect to its debt ratings, its relationships with its unions and large shareholders and its cost and pricing structures. If GM is unable or unwilling to engage in a business relationship with us on a basis that involves improved terms for Delphi, as set forth in the comprehensive settlement

agreements that have been agreed to as part of our Plan (as compared to those currently in place), we believe that our sales, cost structure and profitability will be adversely affected.

For further information, see the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2007, including under [Business Arrangements Between Delphi and GM](#), [Risk Factors](#) [Business](#)

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Environment and Economic Conditions and Management's Discussion and Analysis of Financial Condition and Results of Operations, which is incorporated by reference in this prospectus.

The price of our common stock currently is below, and the price of the common stock of reorganized Delphi may be below, the exercise prices of the rights. Our stock price historically has been, and the stock price of shares of reorganized Delphi is likely to continue to be, volatile, and you may lose all or part of your investment in reorganized Delphi.

On March 7, 2008, the closing price of our common stock on the Pink Sheets was \$0.16 per share, and, as of the record date, there were 563,477,461 shares of our common stock outstanding. Giving effect to the cancellation of all of our existing shares of common stock on the effective date of the Plan, assuming that the total market value of our common stock remains unchanged, and assuming there are 160,124,155 shares of common stock of reorganized Delphi that will be outstanding on, or as soon as practicable after, the effective date of the Plan (assuming conversion of all of the up to 35,381,155 shares of Convertible Preferred Stock (which are convertible at any time into shares of common stock of reorganized Delphi, initially on a one-for-one basis) that may be issued under the Plan (assuming the issuance of 16,508,176 shares of Series C Convertible Preferred Stock to GM under the Plan), no exercise of par rights and exercise in full of discount rights (or the Investors' backstop commitment of the discount rights offering) and exercise in full of the Warrants at the initial exercise price), the adjusted closing price of our common stock on March 7, 2008 would have been \$0.56 per share. This adjusted closing price was determined based on a purely mathematical calculation by dividing total market value by the 160,124,155 shares of common stock of reorganized Delphi and should not be deemed to be indicative of comparative share values.

The exercise price of the discount rights is \$38.39 in cash per full share of common stock of reorganized Delphi pursuant to the basic subscription privilege (and \$38.64 in cash per full share of common stock of reorganized Delphi pursuant to the oversubscription privilege), and the exercise price of the par rights is \$59.61 in cash per full share of common stock of organized Delphi. We cannot assure you that the market price of the common stock of reorganized Delphi will not be below the exercise prices of the rights, or decline further below the exercise prices, after the applicable withdrawal deadline for the rights offerings. After the applicable withdrawal deadline for the rights offerings, you will have no withdrawal rights and no right to receive your shares of common stock of reorganized Delphi until the Plan becomes effective. If that occurs, you will suffer an immediate unrealized loss on those shares as a result. The exercise prices of the rights should not be considered an indication of the future trading price of the common stock of reorganized Delphi. The market price of our common stock has been, and the market price of the common stock of reorganized Delphi is likely to continue to be, volatile, experiencing wide fluctuations in response to numerous factors, many of which are beyond our control. Such factors include:

- our obligations that remain after our emergence from our reorganization cases;
- our operating performance and the performance of our competitors and other similar companies;
- the performance of our customers and their demand for our products;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in earnings estimates or recommendations by research analysts who track the common stock of reorganized Delphi or the stocks of other companies in our industry;
- changes in general economic conditions;
- the number of shares outstanding;

actions of our current and future stockholders;

our involvement in legal proceedings;

the arrival or departure of key personnel;

the extent to which, if at all, broker-dealers choose to make a market in the common stock of reorganized Delphi;

acquisitions, strategic alliances or joint ventures involving us or our competitors; and

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other developments affecting us, our industry or our competitors.

In addition to being dependent upon the implementation of the Plan and the transactions contemplated thereby, our ability to continue on a going-concern basis is dependent upon, among other things, maintaining the support of key vendors and customers, and retaining key personnel, along with financial, business, and other factors, many of which are beyond our control. Even if the Plan becomes effective and we emerge from bankruptcy, the uncertainty regarding these factors following our emergence from bankruptcy and the effect of other unknown adverse factors, could threaten our existence as a going concern. Our independent registered public accounting firm has included a going-concern explanatory paragraph in its report on our consolidated financial statements.

Furthermore, the stock market historically has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of the common stock of reorganized Delphi. The price of the common stock of reorganized Delphi could fluctuate based upon factors that have little or nothing to do with us or our performance, and these fluctuations could materially reduce our stock price.

As a result, you may not be able to resell your shares of the common stock of reorganized Delphi at or above the rights offering exercise prices, and you may lose all or part of your investment in the common stock of reorganized Delphi.

Holders of Series A-1 Senior Convertible Preferred Stock have voting rights that may restrict our ability to take corporate actions.

On the effective date of the Plan, reorganized Delphi will issue a total of 9,478,887 shares of Series A-1 Senior Convertible Preferred Stock to ADAH (total liquidation value of approximately \$400 million). So long as any shares of Series A-1 Preferred Stock are outstanding, reorganized Delphi and its subsidiaries will be prohibited from taking specified actions if all of the holders of the Series A-1 Senior Convertible Preferred Stock object. These specified actions include, subject to limited exceptions:

any action to liquidate reorganized Delphi;

any amendment to the charter or bylaws of reorganized Delphi that adversely affects the Series A Senior Convertible Preferred Stock (any expansion of the Board of Directors would be deemed adverse); and

during the two years after the effective date of the Plan:

a sale, transfer or other disposition of all or substantially all of the assets of reorganized Delphi;

any merger or consolidation involving a change in control of reorganized Delphi; and

any acquisition of, or investment in, any other person or entity for an aggregate value, in each case, in excess of \$250 million in any twelve-month period after the effective date of the Plan.

If any holder of the Series A-1 Senior Convertible Preferred Stock objects to any of the foregoing actions that we desire to take, it could have an adverse impact on the business and the market price of the common stock of reorganized Delphi.

Substantial future sales of shares of the common stock of reorganized Delphi in the public market could cause our stock price to fall.

On the effective date of the Plan, all existing shares of our common stock, and any options, warrants, rights to purchase shares of our common stock or other equity securities (excluding the right to receive shares of common stock of reorganized Delphi as a result of the exercise of rights in the rights offerings) outstanding prior to the effective date of the Plan will be canceled. On or as soon as practicable after the effective date of the Plan, following the funding of the Investors' equity commitments, there will be up to 160,124,155 shares of common stock of reorganized Delphi outstanding, assuming (1) conversion of all of the up to 35,381,155 shares of Convertible Preferred Stock (which are convertible at any time into shares of common stock of reorganized Delphi, initially on a one-for-one basis) that may be issued under the Plan (assuming the issuance of 16,508,176 shares of Series C Convertible Preferred Stock to GM under the Plan), (2) no exercise of par rights and exercise in full of discount

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rights (or the Investors' backstop commitment of the discount rights offering) and (3) exercise in full of the Warrants at the initial exercise price. These newly issued shares will be freely tradable without restriction in the public market, except that any such shares held by our affiliates, as the term is defined in Rule 144 under the Securities Act, and any shares of Senior Convertible Preferred Stock issued to the Investors pursuant to the Plan (and any shares of common stock underlying such Senior Convertible Preferred Stock), which shares will constitute restricted securities, may generally only be sold in compliance with the restrictions of Rule 144 under the Securities Act or pursuant to an effective registration statement, including registration statements filed pursuant to the registration rights agreement described below. See Shares Eligible for Future Sale.

In addition, we will have available for issuance to our employees under the Delphi Corporation 2007 Long-Term Incentive Plan a number of shares of common stock of reorganized Delphi equal to 8% of the number of the fully diluted shares of common stock of reorganized Delphi outstanding immediately following consummation of the Plan and the transactions contemplated thereby. Any such issuance of shares to our employees will dilute your ownership interest in us.

Holders of Series A-1 Senior Convertible Preferred Stock can elect to convert such preferred stock to Series A-2 Senior Convertible Preferred Stock, whereby they would give up the voting rights described above and obtain the registration rights described below. We have agreed as part of the Plan to grant registration rights to (i) the Investors with respect to all of their shares of common stock of reorganized Delphi, whether acquired pursuant to the Plan or otherwise (which at the effective date of the Plan could be as many as 54,742,659 shares (giving effect to expected sales to additional investors) if each Investor purchases the full amount of its backstop commitment and exercises all of its par rights and discount rights), any shares of Series A-2 Senior Convertible Preferred Stock into which their 9,478,887 shares of Series A-1 Senior Convertible Preferred Stock are converted, all of their 9,394,092 shares of Series B Senior Convertible Preferred Stock and all of the shares of common stock of reorganized Delphi underlying the Series A-2 Senior Convertible Preferred Stock and the Series B Senior Convertible Preferred Stock, (ii) GM with respect to all of the shares of common stock of reorganized Delphi underlying the Series C Convertible Preferred Stock and (iii) holders of general unsecured claims which received on the effective date of the Plan a distribution under the Plan of 10% or more of the common stock of reorganized Delphi issued pursuant to the Plan with respect to such shares of common stock of reorganized Delphi issued pursuant to the Plan.

As part of these registration rights, we have agreed, as soon as practicable, and in any event no later than seven days, after the effective date of the Plan, to prepare and file with the SEC a shelf registration statement registering resales of those shares by the Investors and GM, and, in addition, the Investors and GM will have certain rights, as described under Certain Relationships and Related Transactions Registration Rights Agreement below, to require us to file registration statements covering the resale of those shares or to include them in registration statements that we may file for ourselves or other stockholders. In addition, under the Plan, holders of general unsecured claims which received a distribution under the Plan of 10% or more of the common stock of reorganized Delphi will be granted, in the aggregate, one demand right to require us to file a registration statement covering the resale of their shares of common stock issued pursuant to the Plan. Following their registration and resale under the applicable registration statement, those shares of our capital stock would be freely tradable unless acquired by an affiliate of ours. By exercising their registration rights and selling a large number of shares, the Investors, GM and such 10% holders could cause the price of the common stock of reorganized Delphi to decline.

In general, under Rule 144 under the Securities Act, a person, or persons whose shares are aggregated, who is not (and has not been for at least three months prior to the date of sale) our affiliate and owns shares that were purchased from us, or any affiliate, at least six months previously, is entitled to resell their restricted shares without limitation, subject to the availability of current public information about us if such shares have been held for longer than six months and less than one year. Under Rule 144, a person that is our affiliate, and has held its restricted shares for at least six months, is entitled to resell, within any three-month period, a number of shares that does not exceed the greater of 1%

of our then-outstanding shares of common stock or the average weekly trading volume of our common stock calculated in accordance with Rule 144, subject to manner of sale provisions, notice requirements and the availability of current public information about us. We are unable to estimate the number of shares that will be sold under Rule 144 under the Securities Act since this will depend on the market price for our common stock, the personal circumstances of the stockholder and other factors.

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The number of outstanding shares of reorganized Delphi common stock set forth above assumes that the aggregate amount of all Trade and Other Unsecured Claims that are allowed or estimated for distribution purposes by the Bankruptcy Court total approximately \$1.31 billion and are satisfied with 17,237,418 shares of common stock of reorganized Delphi, and are further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest.

Our ability to utilize our net operating loss carryovers and other tax attributes may be limited.

We have significant net operating loss carryovers (NOLs) and other United States federal income tax attributes. Section 382 of the Internal Revenue Code of 1986, as amended, limits a corporation's ability to utilize NOLs and other tax attributes following a Section 382 ownership change. We expect that we will undergo a Section 382 ownership change upon the implementation of the Plan and, consequently, our ability to utilize our NOLs and other tax attributes may be limited. However, certain special rules applicable to ownership changes that occur in bankruptcy may be available to limit the consequences of such an ownership change. If we were to undergo a Section 382 ownership change prior to or after implementation of the Plan, our NOLs and other tax attributes may be limited to a greater extent or in some cases eliminated. While we believe that we have not undergone any Section 382 ownership change to date, we cannot give you any assurance that we will not undergo a Section 382 ownership change prior to or after implementation of the Plan.

The issuance of additional preferred stock or additional common stock may adversely affect holders of common stock of reorganized Delphi.

The Board of Directors of reorganized Delphi will have the authority, without any further vote or action by our common stockholders, to issue up to 75 million shares of preferred stock of reorganized Delphi and to determine the terms, including voting and conversion rights, of those shares and to issue up to 250 million shares of common stock of reorganized Delphi (including the shares issuable upon conversion of the Senior Convertible Preferred Stock and the shares issuable upon exercise of the Warrants). The voting and other rights of the holders of the common stock of reorganized Delphi will be subject to, and may be adversely affected by, the rights of the holders of Series A-1 Senior Convertible Preferred Stock and any other preferred stock that may be issued in the future. Similarly, subject to the limitations imposed by the rules of any stock exchange or quotation system on which our common stock may be listed or quoted, the Board of Directors of reorganized Delphi may issue additional shares of common stock without any further vote or action by our common stockholders, which would have the effect of diluting common stockholders. An issuance could occur in the context of another public or private offering of shares of common stock or preferred stock or in a situation in which the common stock or preferred stock is used to acquire the assets or stock of another company. The issuance of common stock or preferred stock, while providing desirable flexibility in connection with possible acquisitions, investments and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control.

Certain of the Investors will beneficially own a large percentage of our voting stock and could be able to significantly influence our business and affairs.

On the effective date of the Plan, following the cancellation of all existing shares of our common stock and all of our other existing equity securities outstanding prior to the effective date of the Plan and following the funding of the Investors' equity commitments, each of ADAH, Del-Auto, Merrill, UBS, Goldman and Pardus and their respective affiliates would beneficially own either (1) assuming the original rights holders exercise all of their rights in the rights offerings and each Investor purchases no shares of common stock pursuant to its backstop commitment in the discount rights offering, a total of 14,438,623, 5,031,776, 1,607,481, 1,612,167, 3,452,693 and 8,041,408 shares, respectively, or 10.7%, 3.7%, 1.2%, 1.2%, 2.6% and 6.0%, respectively, of the outstanding common stock of reorganized Delphi,

or (2) assuming rights holders (other than the Plan Investors and their affiliates) exercise no rights in the rights offerings and each Investor purchases the full amount of its backstop commitment in the discount rights offering, a total of 16,829,014, 10,150,735, 2,013,967, 2,018,653, 10,894,441 and 12,835,849 shares, respectively, or 12.5%, 7.5%, 1.5%, 1.5%, 8.1% and 9.5%, respectively, of the outstanding common stock of reorganized Delphi, in each case assuming (i) conversion of all of the Investors' shares of Senior Convertible Preferred Stock and taking into account shares of common stock of reorganized Delphi received by

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certain Investors and their affiliates in their capacity as stockholders and creditors of Delphi pursuant to the Plan (including any shares received pursuant to the exercise by the Investors of discount rights in the discount rights offering), (ii) no exercise of par rights, (iii) no exercise of Warrants, (iv) 17,237,418 shares of common stock of reorganized Delphi are issued to creditors in respect of their Trade and Other Unsecured Claims in an aggregate amount of approximately \$1.31 billion and (v) 16,508,176 shares of Series C Convertible Preferred Stock are issued to GM (and are converted into shares of common stock of reorganized Delphi, initially on a one-for-one basis). References to the number of shares and percentage ownership are further estimated based on our assumptions regarding, among other things, allowed accrued post-petition interest. Assumptions made with respect to the exercise of rights and warrants and the conversion of convertible securities for the purposes of this paragraph differ from the assumptions used elsewhere in this prospectus in stating the maximum number of shares of reorganized Delphi common stock outstanding on, or as promptly as practicable after, the effective date of the Plan and from those set forth under Unaudited Pro Forma Condensed Consolidated Financial Information. The Investors have the ability under the EPCA, prior to the date that the registration statement of which this prospectus forms a part is declared effective under the Securities Act, to arrange for a limited number of additional investors to whom the Investors may sell, in accordance with the EPCA and applicable securities laws, any shares of common stock of reorganized Delphi that they purchase pursuant to the Plan and the EPCA. Some of the Investors have informed us that they have arranged or intend to arrange for such sales to additional investors. The amount and percentage of shares to be owned by the Investors gives effect to the expected sale of shares of common stock of reorganized Delphi to such additional investors. For the number of shares that each Investor has informed us that it expects to sell to such additional investors, see Effects of the Rights Offering on the Investors and GM's Ownership. Such sales to additional investors may be made by the Investors directly to such additional investors, or may be made by Delphi directly to such additional investors, and may substantially decrease the Investors' ownership percentage in reorganized Delphi. The additional investors will have the rights of the Investors from whom they purchase common stock of reorganized Delphi under the registration rights agreement. See Certain Relationships and Related Transactions Registration Rights Agreement. There can be no assurance that any of the Investors would actively participate in any trading market for the common stock of reorganized Delphi that may develop. Consequently, it is possible that there would be limited liquidity for the shares of common stock of reorganized Delphi, even if such shares are listed on any securities exchange or traded on the Pink Sheets. See Use of Proceeds, Capitalization and Effects of the Rights Offerings on the Investors' Ownership.

In addition, holders of Series A-1 Senior Convertible Preferred Stock will have board representation rights and veto rights over some corporate actions that we may desire to take. See Holders of our Series A-1 Senior Convertible Preferred Stock have voting rights that may restrict our ability to take corporate actions, The new directors of reorganized Delphi after the effective date of the Plan may change our current long-range plan, Board of Directors and Description of Capital Stock Preferred Stock.

Because of the foregoing, certain of the Investors could have significant influence over our management and policies, including the composition of the Board of Directors of reorganized Delphi, any amendments to our amended and restated certificate of incorporation and mergers or sales of all or substantially all of our assets, and any other matters requiring a stockholder vote.

The new directors of reorganized Delphi after the effective date of the Plan may change our current long-range plan.

After the effective date of the Plan, reorganized Delphi will have a new Board of Directors. The initial Board of Directors of reorganized Delphi will consist of nine directors to be selected as follows:

three directors (who will be Class III directors) initially will be nominated by Appaloosa and elected at the effective date of the Plan by the holders of Series A Senior Convertible Preferred Stock, and thereafter will be

elected directly by the holders of Series A Senior Convertible Stock, subject to some limitations (see Board of Directors);

three directors (one of whom will be a Class I director and two of whom will be Class II directors) initially will be selected by the unsecured creditors committee, and thereafter by the nominating committee of our

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Board of Directors and will be elected by the holders of the common stock, the Series B Senior Convertible Preferred Stock and the Series A-2 Senior Convertible Preferred Stock;

one director (who will be a Class II Director) initially will be selected by the representative of one of the co-lead investors other than UBS, Goldman and Merrill, which co-lead investor will be chosen by Appaloosa, on the search committee, with the approval of either Delphi or the unsecured creditors committee, and thereafter by the nominating committee of our Board of Directors and elected by the holders of the common stock, the Series B Senior Convertible Preferred Stock and the Series A-2 Senior Convertible Preferred Stock;

one director (who will be a Class I director) will be the Executive Chairman, initially selected by a majority vote of the search committee which must include the approval of representatives of Appaloosa and the unsecured creditors committee, and thereafter nominated for election by the nominating committee, subject (but only for so long as the Series A-1 Senior Convertible Preferred Stock is outstanding) to the approval of the holders of the Series A-1 Senior Convertible Preferred Stock, and elected to our Board of Directors by the holders of the common stock and the Senior Convertible Preferred Stock, on an as-converted basis; and

the ninth director (who will be a Class I director) will be our Chief Executive Officer. Rodney O Neal, our current Chief Executive Officer, will continue as the initial Chief Executive Officer of reorganized Delphi as of the effective date of the Plan.

All such appointments will be made no later than the effective date of the Plan. After the effective date of the Plan, the new Board of Directors of reorganized Delphi may make changes, which could be material, to our business, operations and current long-range plan described in this prospectus. It is impossible to predict what these changes will be and the impact they will have on our future results of operations and market price of the common stock of reorganized Delphi. See Board of Directors.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the information incorporated by reference in this prospectus, as well as other statements made by us may contain forward-looking statements that reflect, when made, our current views with respect to current events and financial performance. Such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to our operations and business environment which may cause our actual results to be materially different from any future results, express or implied, by such forward-looking statements.

In some cases, you can identify these statements by forward-looking words such as may, might, will, should, expect, plans, anticipates, believes, estimates, predicts, potential or continue, the negative of these terms and other terminology. Factors, including the risks discussed under the Risk Factors sections beginning on page 35 of this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2007, which has been incorporated by reference into this prospectus, that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following:

our ability to continue as a going concern;

our ability to obtain sufficient exit financing and the terms of such financing;

the cyclical nature of automotive sales and products;

our ability to obtain and maintain normal terms with vendors and service providers;

our ability to maintain contracts that are critical to our operations;

our ability to operate pursuant to the terms of our debtor-in-possession financing facility and, if necessary, to obtain an extension of term beyond June 30, 2008 or other amendments as necessary to maintain access to such facility should we not emerge prior to June 30, 2008 and/or not be able to obtain sufficient exit financing;

our ability to consummate the transactions contemplated by and comply with the terms of the Plan and the EPCA;

our ability to obtain Bankruptcy Court approval with respect to motions in the chapter 11 cases prosecuted by us from time to time;

our ability to satisfy the terms and conditions of the EPCA;

the potential adverse impact of the chapter 11 cases on our liquidity or results of operations;

our ability to fund and execute our business plan and to do so in a timely manner;

dependence on GM as a customer;

our ability to attract and retain customers, as well as changes in market share and product mix offered by, and cost cutting initiatives adopted by, our customers;

competition, including asset impairments and restructuring charges as a result of changes in the competitive environment;

disruptions in supply of, and changes to the competitive environment for, raw materials;

changes in technology and technological risks and our response thereto, including development of our intellectual property into commercial viable products and losses and costs as a result of product liability and warranty claims and intellectual property infringement actions;

foreign currency risk and other risks associated with doing business in non-U.S. jurisdictions;

incurrence of significant legal costs in connection with our securities litigation;

environmental factors relating to transformation activities;

failure to achieve and maintain effective internal controls;

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our ability to attract, motivate and/or retain key executives and associates; and

our ability to avoid or continue to operate during a strike, or partial work stoppage or slow down by any of our unionized employees or those of our principal customers and our ability to attract and retain customers.

Although we believe the expectations reflected in the forward-looking statements at the time they are made are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this prospectus to conform our prior statements to actual results or revised expectations.

In connection with the Plan, we were required to submit projected f, Times, Serif">Available-for-sale securities: Fair Value Loss Fair Value Loss Fair Value Loss US Treasury securities \$6,342 \$4 \$1,482 \$42 \$7,824 \$46 Government Sponsored Enterprise 122 3 — — 122 3 Government Sponsored Enterprise mortgage-backed securities 81,744 1,607 42,131 1,868 123,875 3,475 Small Business Administration pools 22,305 376 14,767 434 37,072 810 State and local government 12,418 160 12,552 740 24,970 900 \$122,931 \$2,150 \$70,932 \$3,084 \$193,863 \$5,234 (Dollars in thousands) Less than 12 months 12 months or more Total June 30, 2018 Unrealized Unrealized Unrealized Held-to-maturity securities: Fair Value Loss Fair Value Loss Fair Value Loss State and local government \$10,605 \$101 \$0 \$0 \$10,605 \$101 (Dollars in thousands) Less than 12 months 12 months or more Total December 31, 2017 Unrealized Unrealized Unrealized Available-for-sale securities: Fair Value Loss Fair Value Loss Fair Value Loss US Treasury securities \$— \$— \$1,505 \$24 \$1,505 \$24 Government Sponsored Enterprise mortgage-backed securities 50,377 420 46,071 1,282 96,448 1,702 Small Business Administration pools 17,607 164 16,311 166 33,918 330 State and local government 3,639 15 12,990 401 16,629 416 Corporate and other securities — — 790 82 790 82 \$71,623 \$599 \$77,667 \$1,955 \$149,290 \$2,554

Note 3—Investment Securities – continued

(Dollars in thousands)	Less than 12 months		12 months or more		Total	
December 31, 2017	Unrealized		Unrealized		Unrealized	
Held-to-maturity securities:	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
State and local government	\$ 2,899	\$ 15	\$ —	\$ —	\$2,899	\$ 15

Government Sponsored Enterprise, Mortgage-Backed Securities: The Company owned mortgage-backed securities (“MBSs”), including collateralized mortgage obligations (“CMOs”), issued by government sponsored enterprises (“GSEs”) with an amortized cost of \$143.1 million and \$145.0 million and approximate fair value of \$139.7 million and \$143.6 million at June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018 and December 31, 2017, all of the MBSs issued by GSEs were classified as “Available for Sale.” Unrealized losses on certain of these investments are not considered to be “other than temporary,” and we have the intent and ability to hold these until they mature or recover the current book value. The contractual cash flows of the investments are guaranteed by the GSE. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company’s investment. Because the Company does not intend to sell these securities and it is more likely than not that the Company will not be required sell these securities before a recovery of its amortized cost, which may be maturity, the Company does not consider the investments to be other-than-temporarily impaired at June 30, 2018.

Non-agency Mortgage Backed Securities: The Company held private label mortgage-backed securities (“PLMBSs”), including CMOs, at June 30, 2018 with an amortized cost of \$171.2 thousand and approximate fair value of \$173.9 thousand. The Company held PLMBSs, including CMOs, at December 31, 2017 with an amortized cost of \$199.9 thousand and approximate fair value of \$204.1 thousand. Management monitors each of these securities on a quarterly basis to identify any deterioration in the credit quality, collateral values and credit support underlying the investments.

State and Local Governments and Other: Management monitors these securities on a quarterly basis to identify any deterioration in the credit quality. Included in the monitoring is a review of the credit rating, a financial analysis and certain demographic data on the underlying issuer. The Company does not consider these securities to be other-than-temporarily impaired at June 30, 2018.

The following sets forth the amortized cost and fair value of investment securities at June 30, 2018 by contractual maturity. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay the obligations with or without prepayment penalties. MBSs are based on average life at estimated prepayment speeds.

June 30, 2018	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(Dollars in thousands)				
Due in one year or less	\$13,014	\$13,014	\$—	\$—
Due after one year through five years	149,787	147,491	8,247	8,231
Due after five years through ten years	84,661	82,532	8,014	7,981
Due after ten years	12,509	12,476	—	—
	\$259,971	\$255,513	\$16,261	\$16,212

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Note 4—Loans

Loans summarized by category as of June 30, 2018, December 31, 2017 and June 30, 2017 are as follows:

(Dollars in thousands)	June 30, 2018	December 31, 2017	June 30, 2017
Commercial, financial and agricultural	\$47,853	\$ 51,040	\$41,893
Real estate:			
Construction	55,479	45,401	34,526
Mortgage-residential	50,190	46,901	45,012
Mortgage-commercial	486,107	460,276	394,454
Consumer:			
Home equity	32,319	32,451	30,091
Other	12,385	10,736	7,444
Total	\$684,333	\$ 646,805	\$553,420

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Note 4—Loans-continued

The detailed activity in the allowance for loan losses and the recorded investment in loans receivable as of and for the six months ended June 30, 2018 and June 30, 2017 and for the year ended December 31, 2017 is as follows:

(Dollars in thousands)

	Real estate	Real estate	Real estate	Real estate	Consumer	Consumer		
	Commercial	Construction	Residential	Commercial	Home equity	Other	Unallocated	Total
June 30, 2018								
Allowance for loan losses:								
Beginning balance December 31, 2017	\$ 221	\$ 101	\$ 461	\$ 3,077	\$ 308	\$ 35	\$ 1,594	\$ 5,797
Charge-offs	—	—	(1)	—	—	(85)	—	(86)
Recoveries	3	—	2	114	5	21	—	145
Provisions	48	11	210	(573)	716	142	(323)	231
Ending balance June 30, 2018	\$ 272	\$ 112	\$ 672	\$ 2,618	\$ 1,029	\$ 113	\$ 1,271	\$ 6,087
Ending balances:								
Individually evaluated for impairment	\$ —	\$ —	\$ 1	\$ 14	\$ —	\$ —	\$ —	\$ 15
Collectively evaluated for impairment	272	112	671	2,604	1,029	113	1,271	6,072
June 30, 2018 Loans receivable:								
Ending balance-total	\$ 47,853	\$ 55,479	\$ 50,190	\$ 486,107	\$ 32,319	\$ 12,385	\$ —	\$ 684,333
Ending balances:								
Individually evaluated for impairment	—	—	424	4,464	61	—	—	4,949
Collectively evaluated for impairment	\$ 47,853	\$ 55,479	\$ 49,766	\$ 481,643	\$ 32,258	\$ 12,385	\$ —	\$ 679,384

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Note 4—Loans-continued

(Dollars in thousands)	Real estate		Real estate		Consumer		Total	
June 30, 2017	Commercial	Real estate construction	Mortgage Residential	Mortgage Commercial	Home Equity	Consumer Other	Unallocated	Total
Allowance for loan losses:								
Beginning balance December 31, 2016	\$ 145	\$ 104	\$ 438	\$ 2,793	\$ 153	\$ 127	\$ 1,454	\$ 5,214
Charge-offs	—	—	—	(24)	—	(44)	—	(68)
Recoveries	3	—	2	113	24	8	—	150
Provisions	21	(28)	(87)	(37)	19	(67)	373	194
Ending balance June 30, 2017	\$ 169	\$ 76	\$ 353	\$ 2,845	\$ 196	\$ 24	\$ 1,827	\$ 5,490
Ending balances:								
Individually evaluated for impairment	\$ —	\$ —	\$ 2	\$ 23	\$ —	\$ —	\$ —	\$ 25
Collectively evaluated for impairment	169	76	351	2,822	196	24	1,827	5,465
June 30, 2017 Loans receivable:								
Ending balance-total	\$ 41,893	\$ 34,526	\$ 45,012	\$ 394,454	\$ 30,091	\$ 7,444	\$ —	\$ 553,420
Ending balances:								
Individually evaluated for impairment	—	—	434	4,275	56	—	—	4,763
Collectively evaluated for impairment	\$ 41,893	\$ 34,526	\$ 44,578	\$ 390,179	\$ 30,035	\$ 7,444	\$ —	\$ 548,655

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Note 4—Loans-continued

(Dollars in thousands)

	Real estate Mortgage	Real estate Mortgage	Real estate Mortgage	Real estate Mortgage	Consumer Home equity	Consumer Other	Unallocated	Total
December 31, 2017	Commercial	Construction	Residential	Commercial	Home equity	Other	Unallocated	Total
Allowance for loan losses:								
Beginning balance December 31, 2016	\$ 145	\$ 104	\$ 438	\$ 2,793	\$ 153	\$ 127	\$ 1,454	\$ 5,214
Charge-offs	(5)	—	—	(30)	(7)	(131)	—	(173)
Recoveries	5	—	5	172	24	20	—	226
Provisions	76	(3)	18	142	138	19	140	530
Ending balance December 31, 2017	\$ 221	\$ 101	\$ 461	\$ 3,077	\$ 308	\$ 35	\$ 1,594	\$ 5,797
Ending balances:								
Individually evaluated for impairment	\$ —	\$ —	\$ 2	\$ 25	\$ —	\$ —	\$ —	\$ 27
Collectively evaluated for impairment December 31, 2017	221	101	459	3,052	308	35	1,594	5,770
Loans receivable:								
Ending balance-total	\$ 51,040	\$ 45,401	\$ 46,901	\$ 460,276	\$ 32,451	\$ 10,736	\$ —	\$ 646,805
Ending balances:								
Individually evaluated for impairment	—	—	413	4,742	—	—	—	5,155
Collectively evaluated for impairment	\$ 51,040	\$ 45,401	\$ 46,488	\$ 455,534	\$ 32,451	\$ 10,736	\$ —	\$ 641,650

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Note 4—Loans-continued

The detailed activity in the allowance for loan losses as of and for the three months ended June 30, 2018 and the three months ended June 30, 2017 is as follows:

(Dollars in thousands)	Real estate		Real estate		Consumer		Unallocated	Total
	Commercial	Construction	Residential	Commercial	Home Equity	Consumer Other		
Allowance for loan losses:								
Beginning balance March 31, 2018	\$ 210	\$ 98	\$ 716	\$ 3,117	\$ 479	\$ 63	\$ 1,303	\$5,986
Charge-offs	—	—	—	—	—	(38)	—	(38)
Recoveries	3	—	2	87	5	13	—	110
Provisions	59	14	(46)	(586)	545	75	(32)	29
Ending balance June 30, 2018	\$ 272	\$ 112	\$ 672	\$ 2,618	\$ 1,029	\$ 113	\$ 1,271	\$6,087

(Dollars in thousands)	Real estate		Real estate		Consumer		Unallocated	Total
	Commercial	Construction	Residential	Commercial	Home Equity	Consumer Other		
Allowance for loan losses:								
Beginning balance March 31, 2017	\$ 140	\$ 71	\$ 398	\$ 2,858	\$ 163	\$ 159	\$ 1,579	\$5,368
Charge-offs	—	—	—	—	—	(17)	—	(17)
Recoveries	1	—	1	32	23	4	—	61
Provisions	28	5	(46)	(45)	10	(122)	248	78
Ending balance June 30, 2017	\$ 169	\$ 76	\$ 353	\$ 2,845	\$ 196	\$ 24	\$ 1,827	\$5,490

Related party loans and lines of credit are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and generally do not involve more than the normal risk of collectability. The following table presents related party loan transactions for the six months ended June 30, 2018 and 2017:

(Dollars in thousands)	2018	2017
Beginning Balance December 31,	\$5,549	\$6,103
New Loans	1,778	87
Less loan repayments	936	754
Ending Balance June 30,	\$6,391	\$5,436

Note 4—Loans-continued

The following table presents at June 30, 2018 and December 31, 2017 loans individually evaluated and considered impaired under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 310 “Accounting by Creditors for Impairment of a Loan.” Impairment includes performing troubled debt restructurings (“TDRs”).

(Dollars in thousands)	June 30, 2018	December 31, 2017
Total loans considered impaired	\$ 4,949	\$ 5,155
Loans considered impaired for which there is a related allowance for loan loss:		
Outstanding loan balance	\$ 1,819	\$ 1,669
Related allowance	\$ 15	\$ 27
Loans considered impaired and previously written down to fair value	\$ 3,130	\$ 3,485
Average impaired loans	\$ 5,029	\$ 5,513
Amount of interest earned during period of impairment	\$ 200	\$ 132

The following tables are by loan category and present at June 30, 2018, June 30, 2017 and December 31, 2017 loans individually evaluated and considered impaired under FASB ASC 310 “Accounting by Creditors for Impairment of a Loan.” Impairment includes performing TDRs.

(Dollars in thousands)	June 30, 2018		June 30, 2017		December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Six months ended Average Interest Recognized	Three months ended Average Interest Recognized
With no allowance recorded:						
Commercial, financial, agricultural	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real estate:						
Construction	—	—	—	—	—	—
Mortgage-residential	384	463	—	385	14	383
Mortgage-commercial	2,514	5,292	—	2,555	118	2,716
Consumer:						
Home equity	61	61	—	62	1	59
Other	—	—	—	—	—	—
With an allowance recorded:						
Commercial, financial, agricultural	—	—	—	—	—	—
Real estate:						
Construction	—	—	—	—	—	—
Mortgage-residential	40	40	1	41	1	40
Mortgage-commercial	1,950	1,950	14	1,987	66	1,950
Consumer:						

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Home equity	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total:							
Commercial, financial, agricultural	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real estate:							
Construction	—	—	—	—	—	—	—
Mortgage-residential	424	503	1	426	15	423	10
Mortgage-commercial	4,464	7,242	14	4,541	184	4,666	104
Consumer:							
Home equity	61	61	—	62	1	59	1
Other	—	—	—	—	—	—	—
	\$ 4,949	\$ 7,806	\$ 15	\$5,029	\$ 200	\$5,148	\$ 115

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Note 4—Loans-continued

(Dollars in thousands)

June 30, 2017	Recorded Investment	Unpaid Principal Balance	Related Allowance	Six months ended Average Recorded Investment	Interest income Recognized	Three months ended Average Recorded Investment	Interest Income Recognized
With no allowance recorded:							
Commercial, financial, agricultural	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real estate:							
Construction	—	—	—	—	—	—	—
Mortgage-residential	390	449	—	390	7	389	6
Mortgage-commercial	2,584	5,123	—	2,583	105	2,575	20
Consumer:							
Home equity	56	57	—	56	—	56	—
Other	—	—	—	—	—	—	—
With an allowance recorded:							
Commercial, financial, agricultural	—	—	—	—	—	—	—
Real estate:							
Construction	—	—	—	—	—	—	—
Mortgage-residential	44	44	2	44	1	44	1
Mortgage-commercial	1,691	2,124	23	1,673	88	1,683	22
Consumer:							
Home equity	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total:							
Commercial, financial, agricultural	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real estate:							
Construction	—	—	—	—	—	—	—
Mortgage-residential	434	493	2	434	8	433	7
Mortgage-commercial	4,275	7,247	23	4,256	193	4,258	42
Consumer:							
Home equity	56	57	—	56	—	56	—
Other	—	—	—	—	—	—	—
	\$ 4,765	\$ 7,797	\$ 25	\$ 4,746	\$ 201	\$ 4,747	\$ 49

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Note 4—Loans-continued

(Dollars in thousands)

December 31, 2017

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:					
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —
Real estate:					
Construction	—	—	—	—	—
Mortgage-residential	371	437	—	399	—
Mortgage-commercial	3,087	5,966	—	3,420	13
Consumer:					
Home Equity	—	—	—	—	—
Other	—	—	—	—	—
With an allowance recorded:					
Commercial	—	—	—	—	—
Real estate:					
Construction	—	—	—	—	—
Mortgage-residential	42	42	2	43	2
Mortgage-commercial	1,655	2,261	25	1,652	117
Consumer:					
Home Equity	—	—	—	—	—
Other	—	—	—	—	—
Total:					
Commercial	—	—	—	—	—
Real estate:					
Construction	—	—	—	—	—
Mortgage-residential	413	479	2	442	2
Mortgage-commercial	4,742	8,227	25	5,072	130
Consumer:					
Home Equity	—	—	—	—	—
Other	—	—	—	—	—
	\$ 5,155	\$ 8,706	\$ 27	\$ 5,513	\$ 132

Note 4—Loans-continued

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a monthly basis. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered as pass rated loans. As of June 30, 2018 and December 31, 2017, and based on the most recent analysis performed, the risk category of loans by class of loans is shown in the table below. As of June 30, 2018 and December 31, 2017, no loans were classified as doubtful.

(Dollars in thousands)

June 30, 2018	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, financial & agricultural	\$47,473	\$ 188	\$ 192	\$ —	\$47,853
Real estate:					
Construction	55,479	—	—	—	55,479
Mortgage – residential	48,437	882	871	—	50,190
Mortgage – commercial	477,022	4,608	4,477	—	486,107
Consumer:					
Home Equity	30,403	1,534	382	—	32,319
Other	12,385	—	—	—	12,385
Total	\$671,199	\$ 7,212	\$ 5,922	\$ —	\$684,333

(Dollars in thousands)

December 31, 2017

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, financial & agricultural	\$50,680	\$179	\$ 181	\$ —	\$51,040
Real estate:					
Construction	45,401	—	—	—	45,401
Mortgage – residential	45,343	720	838	—	46,901
Mortgage – commercial	446,531	7,698	6,047	—	460,276
Consumer:					
Home Equity	30,618	1,524	309	—	32,451
Other	10,731	—	5	—	10,736
Total	\$629,304	\$10,121	\$ 7,380	\$ —	\$646,805

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Note 4—Loans-continued

At June 30, 2018 and December 31, 2017, non-accrual loans totaled \$3.0 million and \$3.3 million, respectively.

TDRs that are still accruing and included in impaired loans at June 30, 2018 and at December 31, 2017 amounted to \$1.8 million and \$1.8 million, respectively. TDRs in non-accrual status at June 30, 2018 and December 31, 2017 amounted to \$1.1 million and \$1.2 million, respectively.

Loans greater than 90 days delinquent and still accruing interest were \$959.2 thousand at June 30, 2018 due primarily to two construction loans that were past their initial construction maturity and in the process of being extended. Loans greater than 90 days delinquent and still accruing interest were \$32.0 thousand at December 31, 2017.

Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in FASB ASC Topic 310-30, (*Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality*), and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Loans acquired in business combinations with evidence of credit deterioration are considered impaired. Loans acquired through business combinations that do not meet the specific criteria of FASB ASC Topic 310-30, but for which a discount is attributable, at least in part to credit quality, are also accounted for under this guidance. Certain acquired loans, including performing loans and revolving lines of credit (consumer and commercial), are accounted for in accordance with FASB ASC Topic 310-20, where the discount is accreted through earnings based on estimated cash flows over the estimated life of the loan.

A summary of changes in the accretable yield for PCI loans for the three and six months ended June 30, 2018 and June 30, 2017 follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Accretable yield, beginning of period	\$ 12	\$ 22
Accretion	(14)	(24)
Reclassification of nonaccretable difference due to improvement in expected cash flows	—	—
Accretable yield, end of period	\$ (2)	\$ (2)

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	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Accretable yield, beginning of period	\$ 56	\$ 34
Accretion	(6)	(28)
Reclassification of nonaccretable difference due to improvement in expected cash flows	—	44
Accretable yield, end of period	\$ 50	\$ 50

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Note 4—Loans-continued

At June, 2018 and December 31, 2017 the recorded investment in purchased impaired loans was \$604 thousand and \$733 thousand, respectively. The unpaid principal balance was \$877 thousand and \$1.0 million at June 30, 2018 and December 31, 2017, respectively. At June 30, 2018 and December 31, 2017, these loans were all secured by commercial real estate.

The following tables are by loan category and present loans past due and on non-accrual status as of June 30, 2018 and December 31, 2017:

(Dollars in thousands)							
June 30, 2018	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and Accruing	Nonaccrual	Total Past Due	Current	Total Loans
Commercial	\$ 76	\$ —	\$ —	\$ —	\$ 76	\$47,777	\$ 47,853
Real estate:							
Construction	24	—	959		983	54,496	55,479
Mortgage-residential	166	—	—	383	549	49,641	50,190
Mortgage-commercial	540		—	2,514	3,054	483,053	486,107
Consumer:							
Home equity	351	—	—	61	412	31,907	32,319
Other	116	3		—	119	12,266	12,385
	\$ 1,273	\$ 3	\$ 959	\$ 2,958	\$ 5,193	\$679,140	\$ 684,333

(Dollars in thousands)							
December 31, 2017	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and Accruing	Nonaccrual	Total Past Due	Current	Total Loans
Commercial	\$ 26	\$ —	\$ 32	\$ —	\$ 58	\$50,982	\$ 51,040
Real estate:							
Construction	—	—	—	—	—	45,401	45,401
Mortgage-residential	109	38	—	371	518	46,383	46,901
Mortgage-commercial	290	828	—	2,971	4,089	456,187	460,276
Consumer:							
Home equity	805	36	—	—	841	31,610	32,451
Other	1	5	—	—	6	10,730	10,736
	\$ 1,231	\$ 907	\$ 32	\$ 3,342	\$ 5,512	\$641,293	\$ 646,805

The Company identifies TDRs as impaired under the guidance in ASC 310-10-35. There were no loans determined to be TDRs that were restructured during the three month and six month periods ended June 30, 2018 and June 30, 2017.

During the three and six month periods ended June 30, 2018 and June 30, 2017, there were no loans determined to be TDRs in the previous twelve months that had payment defaults. Defaulted loans are those loans that are greater than 89 days past due.

In the determination of the allowance for loan losses, all TDRs are reviewed to ensure that one of the three proper valuation methods (fair market value of the collateral, present value of cash flows, or observable market price) is adhered to. All non-accrual loans are written down to their corresponding collateral value. All troubled TDR accruing loans that have a loan balance that exceeds the present value of cash flows will have a specific allocation. All nonaccrual loans are considered impaired. Under ASC 310-10, a loan is impaired when it is probable that the Company will be unable to collect all amounts due including both principal and interest according to the contractual terms of the loan agreement.

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Note 5 - Recently Issued Accounting Pronouncements

The following is a summary of recent authoritative pronouncements:

In May 2014, the FASB issued guidance (ASU 2014-09) to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance is effective for the Company as of January 1, 2018. The Company evaluated the overall impact on affected revenue streams and any related contracts, including asset management fees, gains and losses on the sale of real estate, deposit related fees and interchange fees. Based on this evaluation, the Company determined that ASU 2014-09 did not materially change the method in which revenue from impacted revenue streams was previously being recognized. The Company applied the guidance using a modified retrospective approach. This approach requires the application of the new guidance to uncompleted contracts at the date of adoption. Periods prior to the date of adoption were not retrospectively revised as the impact on uncompleted contracts at the date of adoption was not material.

In January 2016, the FASB amended the Financial Instruments topic of the Accounting Standards Codification (ASU 2016-01) to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments were effective for the Company on January 1, 2018. The guidance affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure of financial instruments. The amendments related to equity securities without readily determinable fair values were applied prospectively to equity investments that exist as of the date of adoption of the amendments. ASU 2016-01 requires the use of exit price rather than entrance price in determining the fair value of loans not measured at fair value on a non-recurring basis in the consolidated balance sheets. See Note 6 - Fair Value of Financial Instruments for information regarding the change in the valuation of these loans. The adoption of ASU 2016-01 did not have a material impact on the Company's Consolidated Financial Statements.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The amendments will be effective for the Company for reporting periods beginning after December 15, 2019. Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are effective for the Company for fiscal years beginning after December 15, 2017 including interim periods within those fiscal years. These amendments had no material effect on its financial statements.

In January 2017, the FASB issued guidance to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendment to the Business Combinations Topic is intended to address concerns that the existing definition of a business has been applied too broadly and has resulted in many transactions being recorded as business acquisitions that in substance are more akin to asset acquisitions. The guidance was effective for the Company for reporting periods beginning after December 15, 2017. These amendments had no material effect on its financial statements.

Note 5 - Recently Issued Accounting Pronouncements-continued

In January 2017, the FASB amended the Goodwill and Other Topic of the Accounting Standards Codification to simplify the accounting for goodwill impairment for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The amendment removes Step 2 of the goodwill impairment test. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The effective date and transition requirements for the technical corrections will be effective for the Company for reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect these amendments to have a material effect on its financial statements.

In March 2017, the FASB amended the requirements in the Receivables—Nonrefundable Fees and Other Costs Topic of the Accounting Standards Codification related to the amortization period for certain purchased callable debt securities held at a premium. The amendments shorten the amortization period for the premium to the earliest call date. The amendments will be effective for the Company for interim and annual periods beginning after December 15, 2018. The Company does not expect these amendments to have a material effect on its financial statements.

In September 2017, the FASB updated the Revenue from Contracts with Customers and the Leases Topics of the Accounting Standards Codification. The amendments incorporate into the Accounting Standards Codification recent SEC guidance about certain public business entities (PBEs) electing to use the non-PBE effective dates solely to adopt the FASB's new standards on revenue and leases. The amendments were effective upon issuance. The amendments were effective upon issuance and did not have a material effect on the financial statements.

In November 2017, the FASB updated the Income Statement and Revenue from Contracts with Customers Topics of the Accounting Standards Codification. The amendments incorporate into the Accounting Standards Codification recent SEC guidance related to revenue recognition. The amendments were effective upon issuance. The amendments were effective upon issuance and did not have a material effect on the financial statements.

In March 2018, the FASB updated the Debt Securities and the Regulated Operations Topics of the Accounting Standards Codification. The amendments incorporate into the Accounting Standards Codification recent SEC guidance which was issued in order to make the relevant interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The amendments were effective upon issuance and did not have a material effect on the financial statements.

In March 2018, the FASB updated the Income Taxes Topic of the Accounting Standards Codification. The amendments incorporate into the Accounting Standards Codification recent SEC guidance related to the income tax

accounting implications of the Tax Cuts and Jobs Act. The amendments were effective upon issuance and did not have a material effect on the financial statements.

In May 2018, the FASB amended the Financial Services—Depository and Lending Topic of the Accounting Standards Codification to remove outdated guidance related to Circular 202. The amendments were effective upon issuance and did not have a material effect on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 6– Fair Value of Financial Instruments

The Company adopted FASB ASC Fair Value Measurement Topic 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Quoted prices in active markets for identical assets or liabilities.

Level 1

Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market

Level 2 data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

FASB ASC 825-10-50 “Disclosure about Fair Value of Financial Instruments”, requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below.

Cash and Short Term Investments - The carrying amount of these financial instruments (cash and due from banks, interest-bearing bank balances, federal funds sold and securities purchased under agreements to resell) approximates fair value. All mature within 90 days and do not present unanticipated credit concerns and are classified as Level 1.

Investment Securities - Measurement is on a recurring basis based upon quoted market prices, if available. If quoted market prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for prepayment assumptions, projected credit losses, and liquidity. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, or by dealers or brokers in active over-the-counter markets. Level 2 securities include MBSs issued both by government sponsored enterprises and PLMBSs. Generally these fair values are priced from established pricing models. Level 3 securities include corporate debt obligations and asset-backed securities that are less liquid or for which there is an inactive market.

Loans Held for Sale - The Company originates fixed rate residential loans on a servicing released basis in the secondary market. Loans closed but not yet settled with an investor, are carried in the Company's loans held for sale portfolio. These loans are fixed rate residential loans that have been originated in the Company's name and have closed. Virtually all of these loans have commitments to be purchased by investors at a locked in price with the investors on the same day that the loan was locked in with the company's customers. Therefore, these loans present very little market risk for the Company and are classified as Level 2. The carrying amount of these loans approximates fair value.

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Note 6 – Fair Value of Financial Instruments - continued

Loans - The fair value of loans at June 30, 2018 were measured using an exit price methodology. Prior to adoption of ASU 2016-01, the Company measured fair value using an entry price notion. The entry price notion used a discounted cash flow method to calculate the present future value of expected future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The exit price uses this methodology but also incorporates other assumptions such as market factors, illiquidity risk and enhanced credit risk. These added assumptions are intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction. In estimating the fair value the Company's portfolio is segmented using the six categories in Note 4 – Loans. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair value of the underlying real estate collateral. Prior to adoption of ASU 2016-01 loans other than impaired loans were classified as a Level 2 measurement, as of June 30, 2018 all loans are classified as a Level 3 measurement.

Other Real Estate Owned (“OREO”) - OREO is carried at the lower of carrying value or fair value on a non-recurring basis. Fair value is based upon independent appraisals or management's estimation of the collateral and is considered a Level 3 measurement.

Accrued Interest Receivable - The fair value approximates the carrying value and is classified as Level 1.

Deposits - The fair value of demand deposits, savings accounts, and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposits is estimated by discounting the future cash flows using rates currently offered for deposits of similar remaining maturities. Deposits are classified as Level 2.

Federal Home Loan Bank Advances - Fair value is estimated based on discounted cash flows using current market rates for borrowings with similar terms and are classified as Level 2.

Short Term Borrowings - The carrying value of short term borrowings (securities sold under agreements to repurchase and demand notes to the Treasury) approximates fair value. These are classified as Level 2.

Junior Subordinated Debentures - The fair values of junior subordinated debentures is estimated by using discounted cash flow analyses based on incremental borrowing rates for similar types of instruments. These are classified as Level 2.

Accrued Interest Payable -The fair value approximates the carrying value and is classified as Level 1.

Commitments to Extend Credit - The fair value of these commitments is immaterial because their underlying interest rates approximate market.

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Note 6 – Fair Value of Financial Instruments - continued

The carrying amount and estimated fair value by classification level of the Company's financial instruments as of June 30, 2018 and December 31, 2017 are as follows:

(Dollars in thousands)	June 30, 2018				
	Carrying Amount	Total	Level 1	Level 2	Level 3
Financial Assets:					
Cash and short term investments	\$44,945	\$44,945	\$44,945	\$—	\$—
Held-to-maturity securities	16,261	16,212	—	16,212	—
Available-for-sale securities	255,513	255,513	9	255,504	—
Other investments, at cost	1,956	1,956	—	—	1,956
Loans held for sale	6,969	6,969	—	6,969	—
Net loans receivable	678,246	668,620	—	—	668,620
Accrued interest	3,374	3,374	3,374	—	—
Financial liabilities:					
Non-interest bearing demand deposits	\$239,744	\$239,744	\$—	\$239,744	\$—
Interest bearing demand deposits and money market accounts	394,449	394,449	—	394,449	—
Savings	106,333	106,333	—	106,333	—
Time deposits	192,842	193,267	—	193,267	—
Total deposits	933,368	933,793	—	933,793	—
Federal Home Loan Bank Advances	241	241	—	241	—
Short term borrowings	28,203	28,203	—	28,203	—
Junior subordinated debentures	14,964	12,157	—	12,157	—
Accrued interest payable	650	650	650	—	—
December 31, 2017					
(Dollars in thousands)	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Financial Assets:					
Cash and short term investments	\$30,591	\$30,591	\$30,591	\$—	\$—
Held-to-maturity securities	17,012	17,220	—	17,220	—
Available-for-sale securities	264,824	264,824	790	264,034	—
Other investments, at cost	2,559	2,559	—	—	2,559
Loans held for sale	5,093	5,093	—	5,093	—
Net loans receivable	641,008	639,489	—	634,361	5,128
Accrued interest	3,489	3,489	3,489	—	—
Financial liabilities:					
Non-interest bearing demand	\$226,546	\$226,546	\$—	\$226,546	\$—
NOW and money market accounts	364,358	364,358	—	364,358	—
Savings	104,756	104,756	—	104,756	—
Time deposits	192,663	192,186	—	192,186	—

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Total deposits	888,323	887,846	—	887,846	—
Federal Home Loan Bank Advances	14,250	14,248	—	14,248	—
Short term borrowings	19,270	19,270	—	19,270	—
Junior subordinated debentures	14,964	15,025	—	15,025	—
Accrued interest payable	562	562	562	—	—

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Note 6 – Fair Value of Financial Instruments - continued

The following tables summarize quantitative disclosures about the fair value for each category of assets carried at fair value as of June 30, 2018 and December 31, 2017 that are measured on a recurring basis. There were no liabilities carried at fair value as of June 30, 2018 or December 31, 2017 that are measured on a recurring basis.

(Dollars in thousands)

<u>Description</u>	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities				
US Treasury Securities	\$7,824	\$ —	\$ 7,824	\$ —
Government sponsored enterprises	1,093	—	1,093	—
Mortgage-backed securities	139,917	—	139,917	—
Small Business Administration pools	54,730	—	54,730	—
State and local government	51,880	—	51,880	—
Corporate and other securities	69	9	60	—
	255,513	9	255,504	—
Loans held for sale	6,969	—	6,969	—
Total	\$262,482	\$ 9	\$ 262,482	\$ —

(Dollars in thousands)

<u>Description</u>	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities				
US Treasury Securities	\$ 1,505	\$ —	\$ 1,505	\$ —
Government sponsored enterprises	1,109	—	1,109	—
Mortgage-backed securities	143,768	—	143,768	—
Small Business Administration securities	61,588	—	61,588	—
State and local government	56,004	—	56,004	—
Corporate and other securities	850	790	60	—
	264,824	790	264,034	—

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Loans held for sale	5,093	—	5,093	—
Total	\$ 269,917	\$ 790	\$ 269,127	\$ —

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Note 6 – Fair Value of Financial Instruments - continued

The following table reconciles the changes in Level 3 financial instruments for the six months ended June 30, 2017 measured on a recurring basis. There were no Level 3 financial instruments for the three months ended June 30, 2017 or the three and six months ended June 30, 2018 measured on a recurring basis.

(Dollars in thousands)	Corporate Preferred Stock
Beginning Balance December 31, 2016	\$ 1,000
Total gains or losses (realized/unrealized) Included in earnings	—
Included in other comprehensive income	—
Purchases, issuances, and settlements	—
Transfers in and/or out of Level 3	(1,000)
Ending Balance June 30, 2017	\$ —

The following tables summarize quantitative disclosures about the fair value for each category of assets carried at fair value as of June 30, 2018 and December 31, 2017 that are measured on a non-recurring basis.

(Dollars in thousands)

Description	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans:				
Commercial	\$ —	\$ —	\$ —	\$ —
Real estate:				
Mortgage-residential	423	—	—	423
Mortgage-commercial	4,450	—	—	4,450
Consumer:				
Home equity	61	—	—	61
Other	—	—	—	—
Total impaired	4,934	—	—	4,934
Other real estate owned:				
Construction	828	—	—	828
Mortgage-residential	—	—	—	—
Mortgage-commercial	996	—	—	996
Total other real estate owned	1,824	—	—	1,824
Total	\$ 6,758	\$ —	\$ —	\$ 6,758

Note 6 – Fair Value of Financial Instruments - continued

(Dollars in thousands)

Description	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans:				
Commercial & Industrial	\$ —	\$ —	\$ —	\$ —
Real estate:				
Mortgage-residential	411	—	—	411
Mortgage-commercial	4,717	—	—	4,717
Consumer:				
Home equity	—	—	—	—
Other	—	—	—	—
Total impaired	5,128	—	—	5,128
Other real estate owned:				
Construction	828	—	—	828
Mortgage-residential	47	—	—	47
Mortgage-commercial	1,059	—	—	1,059
Total other real estate owned	1,934	—	—	1,934
Total	\$ 7,062	\$ —	\$ —	\$ 7,062

The Company has a large percentage of loans with real estate serving as collateral. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair value of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Company considers to be Level 3 inputs. Third party appraisals are generally obtained when a loan is identified as being impaired or at the time it is transferred to OREO. This internal process consists of evaluating the underlying collateral to independently obtained comparable properties. With respect to less complex or smaller credits, an internal evaluation may be performed. Generally, the independent and internal evaluations are updated annually. Factors considered in determining the fair value include, among others, geographic sales trends, the value of comparable surrounding properties and the condition of the property. The aggregate amount of impaired loans was \$5.0 million and \$5.2 million as of June 30, 2018 and December 31, 2017, respectively.

Note 6 – Fair Value of Financial Instruments - continued

For Level 3 assets and liabilities measured at fair value on a non-recurring basis as of June 30, 2018 and December 31, 2017, the significant unobservable inputs used in the fair value measurements were as follows:

(Dollars in thousands)	Fair Value as of June 30, 2018	Valuation Technique	Significant Observable Inputs	Significant Unobservable Inputs
OREO	\$ 1,824	Appraisal Value/Comparison Sales/Other estimates	Appraisals and or sales of comparable properties	Appraisals discounted 6% to 16% for sales commissions and other holding cost
Impaired loans	\$ 4,934	Appraisal Value	Appraisals and or sales of comparable properties	Appraisals discounted 6% to 16% for sales commissions and other holding cost

(Dollars in thousands)	Fair Value as of December 31, 2017	Valuation Technique	Significant Observable Inputs	Significant Unobservable Inputs
OREO	\$ 1,934	Appraisal Value/Comparison Sales/Other estimates	Appraisals and or sales of comparable properties	Appraisals discounted 6% to 16% for sales commissions and other holding cost
Impaired loans	\$ 5,128	Appraisal Value	Appraisals and or sales of comparable properties	Appraisals discounted 6% to 16% for sales commissions and other holding cost

Note 7 — Deposits

The Company's total deposits are comprised of the following at the dates indicated:

Dollars in thousands	June 30, 2018	December 31, 2017
Non-interest bearing demand deposits	\$239,744	\$ 226,546
Interest bearing demand deposits and money market accounts	394,448	364,358
Savings	106,333	104,756
Time deposits	192,843	192,663
Total deposits	\$933,368	\$ 888,323

As of June 30, 2018 and December 31, 2017, the Company had time deposits greater than \$250,000 of \$37.5 million and \$38.4 million, respectively.

Note 8 – Reportable Segments

The Company's reportable segments represent the distinct product lines the Company offers and are viewed separately for strategic planning by management. The Company has four reportable segments:

Commercial and retail banking: The Company's primary business is to provide deposit and lending products and services to its commercial and retail customers.

Mortgage banking: This segment provides mortgage origination services for loans that will be sold to investors in the secondary market.

Investment advisory and non-deposit: This segment provides investment advisory services and non-deposit products.

Corporate: This segment includes the parent company financial information, including interest on parent company debt and dividend income received from First Community Bank (the "Bank").

Six months ended June 30, 2018 (Dollars in thousands)	Commercial and Retail Banking	Mortgage Banking	Investment advisory and non-deposit	Corporate	Eliminations	Consolidated
Dividend and Interest Income	\$ 18,731	\$ 408	\$ —	\$ 1,831	\$ (1,820)	\$ 19,150
Interest expense	1,337	—	—	340	—	1,677
Net interest income	\$ 17,394	\$ 408	\$ —	\$ 1,491	\$ (1,820)	\$ 17,473
Provision for loan losses	231	—	—	—	—	231
Noninterest income	2,791	1,967	784	—	—	5,542
Noninterest expense	13,310	1,577	723	209	—	15,819
Net income before taxes	\$ 6,644	\$ 798	\$ 61	\$ 1,282	\$ (1,820)	\$ 6,965
Income tax provision (benefit)	1,382	—	—	(127)	—	1,255
Net income (loss)	\$ 5,262	\$ 798	\$ 61	\$ 1,409	\$ (1,820)	\$ 5,710

Note 8 – Reportable Segments-continued

Three months ended June 30, 2018 (Dollars in thousands)	Commercial and Retail Banking	Mortgage Banking	Investment advisory and non-deposit	Corporate	Eliminations	Consolidated
Dividend and Interest Income	\$ 9,602	\$ 211	\$ —	\$ 922	\$ (916)	\$ 9,819
Interest expense	698	—	—	182	—	880
Net interest income	\$ 8,904	\$ 211	\$ —	\$ 740	\$ (916)	\$ 8,939
Provision for loan losses	29	—	—	—	—	29
Noninterest income	1,494	1,016	401	—	—	2,911
Noninterest expense	6,900	823	382	120	—	8,225
Net income before taxes	\$ 3,469	\$ 404	\$ 19	\$ 620	\$ (916)	\$ 3,596
Income tax provision (benefit)	657	—	—	(62)	—	595
Net income	\$ 2,812	\$ 404	\$ 19	\$ 682	\$ (916)	\$ 3,001

Six months ended June 30, 2017 (Dollars in thousands)	Commercial and Retail Banking	Mortgage Banking	Investment advisory and non-deposit	Corporate	Eliminations	Consolidated
Dividend and Interest Income	\$ 15,310	\$ 178	\$ —	\$ 1,445	\$ (1,436)	\$ 15,497
Interest expense	1,114	—	—	273	—	1,387
Net interest income	\$ 14,196	\$ 178	\$ —	\$ 1,172	\$ (1,436)	\$ 14,110
Provision for loan losses	194	—	—	—	—	194
Noninterest income	2,042	1,918	572	90	—	4,622
Noninterest expense	11,917	1,412	578	183	—	14,090
Net income before taxes	\$ 4,127	\$ 684	\$ (6)	\$ 1,079	\$ (1,436)	\$ 4,448
Income tax provision (benefit)	1,265	—	—	(237)	—	1,028
Net income (loss)	\$ 2,862	\$ 684	\$ (6)	\$ 1,316	\$ (1,436)	\$ 3,420

Note 8 – Reportable Segments-continued

Three months ended June 30, 2017 (Dollars in thousands)	Commercial and Retail Banking	Mortgage Banking	Investment advisory and non-deposit	Corporate	Eliminations	Consolidated
Dividend and Interest Income	\$ 7,590	\$ 119	\$ —	\$ 679	\$ (664)	7,724
Interest expense	557	—	—	118	—	675
Net interest income	\$ 7,033	\$ 119	\$ —	\$ 561	\$ (664)	\$ 7,049
Provision for loan losses	78	—	—	—	—	78
Noninterest income	1,099	1,248	297	—	—	2,644
Noninterest expense	6,174	803	260	133	—	7,370
Net income before taxes	\$ 1,880	\$ 564	\$ 37	\$ 428	\$ (664)	\$ 2,245
Income tax provision (benefit)	644	—	—	(63)	—	581
Net income	\$ 1,236	\$ 564	\$ 37	\$ 491	\$ (664)	\$ 1,664

(Dollars in thousands)	Commercial and Retail Banking	Mortgage Banking	Investment advisory and non-deposit	Corporate	Eliminations	Consolidated
Total Assets as of June 30, 2018	\$ 1,072,255	\$ 18,975	\$ 13	\$ 125,282	\$ (124,376)	\$ 1,092,149
Total Assets as of December 31, 2017	\$ 1,033,483	\$ 16,298	\$ 19	\$ 121,326	\$ (120,395)	\$ 1,050,731

Note 9 - Mergers and Acquisitions

On October 20, 2017, the Company acquired all of the outstanding common stock of Cornerstone Bancorp of Easley, South Carolina (“Cornerstone”) the bank holding company for Cornerstone National Bank (“CNB”), in a cash and stock transaction. The total purchase price was approximately \$27.1 million, consisting of \$7.8 million in cash and 877,364 shares of our common stock valued at \$19.3 million based on a provision in the merger agreement that 30% of the outstanding shares of Cornerstone common stock be exchanged for cash and 70% of the outstanding shares of Cornerstone common stock be exchanged for shares of the Company’s common stock. The value of the Company’s common stock issued was determined based on the closing price of the common stock on October 19, 2017 as reported by NASDAQ, which was \$22.05. Cornerstone common shareholders received 0.54 shares of the Company’s common stock in exchange for each share of Cornerstone common stock, or \$11.00 per share, subject to the limitations discussed above. The Company issued 877,364 shares of its common stock in connection with the merger.

The Cornerstone transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date based on a third party valuation of significant accounts. Fair values are subject to refinement for up to a year.

Note 9 - Mergers and Acquisitions-continued

The following table presents the assets acquired and liabilities assumed as of October 20, 2017 as recorded by the Company on the acquisition date and initial fair value adjustments.

(Dollars in thousands, except per share data)	As Recorded by Cornerstone	Fair Value Adjustments	As Recorded by the Company
Assets			
Cash and cash equivalents	\$ 30,060	\$ —	\$ 30,060
Investment securities	44,018	(358) (a)	43,660
Loans	60,835	(734) (b)	60,101
Premises and equipment	4,164	573 (c)	4,737
Intangible assets	—	1,810 (d)	1,810
Bank owned life insurance	2,384	—	2,384
Other assets	3,082	(473) (e)	2,609
Total assets	\$ 144,543	\$ 818	\$ 145,361
Liabilities			
Deposits:			
Noninterest-bearing	\$ 27,296	\$ —	\$ 27,296
Interest-bearing	99,152	150 (f)	99,302
Total deposits	126,448	150	126,598
Securities sold under agreements to repurchase	849	—	849
Other liabilities	320	—	319
Total liabilities	127,617	150	127,766
Net identifiable assets acquired over liabilities assumed	16,926	668	17,594
Goodwill	—	9,483	9,483
Net assets acquired over liabilities assumed	\$ 16,926	\$ 10,151	\$ 27,077
Consideration:			
First Community Corporation common shares issued	877,364		
Purchase price per share of the Company's common stock	\$ 22.05		
	\$ 19,346		
Cash exchanged for stock and fractional shares	7,731		
Fair value of total consideration transferred	\$ 27,077		

Explanation of fair value adjustments

(a)—Adjustment reflects marking the securities portfolio to fair value as of the acquisition date.

(b)—Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired loan portfolio and excludes the allowance for loan losses recorded by Cornerstone.

(c)—Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired premises and equipment.

(d)—Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts.

(e)—Adjustment reflects the deferred tax adjustment related to fair value adjustments at 34%.

(f)—Adjustment reflects the fair value adjustment on interest-bearing deposits.

The operating results of the Company for the three months and six months ended June 30, 2018 include the operating results of the acquired assets and assumed liabilities for the entire period.

Note 9 - Mergers and Acquisitions-continued

The following table presents certain pro forma information as if Cornerstone had been acquired on January 1, 2017. These results combine the historical results of Cornerstone in the Company's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on January 1, 2017

(Dollars in thousands)	Pro Forma Three Months Ended June 30, 2017	Pro Forma Six Months Ended June 30, 2017
Total revenues (<i>net interest income plus noninterest income</i>)	\$ 10,996	\$ 21,290
Net income	\$ 1,638	\$ 3,550

Note 10 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has reviewed events occurring through the date the financial statements were available to be issued and no subsequent events occurred requiring accrual or disclosure.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note Regarding Any Forward-Looking Statements

This report contains statements which constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may relate to, among other matters, the financial condition, results of operations, plans, objectives, future performance, and business of our Company. Forward-looking statements are based on many assumptions and estimates and are not guarantees of future performance. Our actual results may differ materially from those anticipated in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors which are beyond our control. The words “may,” “would,” “could,” “should,” “will,” “expect,” “anticipate,” “predict,” “project,” “potential,” “continue,” “assume,” “believe,” “intend,” “plan,” “forecast,” “goal,” and “estimate,” as well as similar expressions are meant to identify such forward-looking statements. Potential risks and uncertainties that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, without limitation, those described under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the SEC on March 14, 2018 and the following:

- credit losses as a result of, among other potential factors, declining real estate values, increasing interest rates, increasing unemployment, changes in customer payment behavior or other factors;
 - the amount of our loan portfolio collateralized by real estate and weaknesses in the real estate market;
- restrictions or conditions imposed by our regulators on our operations;
- the adequacy of the level of our allowance for loan losses and the amount of loan loss provisions required in future periods;
- examinations by our regulatory authorities, including the possibility that the regulatory authorities may, among other things, require us to increase our allowance for loan losses or write-down assets;
- reduced earnings due to higher other-than-temporary impairment charges resulting from additional decline in the value of our securities portfolio, specifically as a result of increasing default rates, and loss severities on the underlying real estate collateral;
- merger and merger integration risk, including potential customer loss, higher than expected costs, loss of key employees, and business disruption associated with completed combinations, and including the potential inability to identify and successfully negotiate, complete and integrate additional potential combinations with merger or acquisition partners or to realize the benefits and cost savings sought from, and acceptably limit unexpected liabilities associated with, any business combinations;
 - increases in competitive pressure in the banking and financial services industries;
- changes in the interest rate environment which could reduce anticipated or actual margins;
- changes in political conditions or the legislative or regulatory environment, including governmental initiatives affecting the financial services industry;
- general economic conditions resulting in, among other things, a deterioration in credit quality;
- changes occurring in business conditions and inflation;
- changes in access to funding or increased regulatory requirements with regard to funding;

- increased cybersecurity risk, including potential business disruptions or financial losses;
- changes in deposit flows;
- changes in technology;
- our current and future products, services, applications and functionality and plans to promote them;
- changes in monetary and tax policies;
- changes in accounting standards, policies, estimates, practices and procedures;
- our assumptions and estimates used in applying critical accounting policies, which may prove unreliable, inaccurate or not predictive of actual results;
- the rate of delinquencies and amounts of loans charged-off;
- the rate of loan growth in recent years and the lack of seasoning of a portion of our loan portfolio;
- our ability to maintain appropriate levels of capital, including levels of capital required under the capital rules implementing Basel III;
- our ability to attract and retain key personnel;
- our ability to retain our existing clients, including our deposit relationships;
- adverse changes in asset quality and resulting credit risk-related losses and expenses;
- loss of consumer confidence and economic disruptions resulting from terrorist activities;
- disruptions due to flooding, severe weather or other natural disasters; and
- other risks and uncertainties detailed from time to time in our filings with the SEC.

Because of these and other risks and uncertainties, our actual future results may be materially different from the results indicated by any forward-looking statements. For additional information with respect to factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see “Risk Factors” under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. In addition, our past results of operations do not necessarily indicate our future results. Therefore, we caution you not to place undue reliance on our forward-looking information and statements.

All forward-looking statements in this report are based on information available to us as of the date of this report. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee you that these expectations will be achieved. We undertake no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

The following discussion describes our results of operations for the six months and three months ended June 30, 2018 as compared to the six-month and three-month period ended June 30, 2017 and also analyzes our financial condition as of June 30, 2018 as compared to December 31, 2017. Like most community banks, we derive most of our income from interest we receive on our loans and investments. Our primary source of funds for making these loans and investments is our deposits, on which we pay interest. Consequently, one of the key measures of our success is our amount of net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities.

There are risks inherent in all loans, so we maintain an allowance for loan losses to absorb probable losses on existing loans that may become uncollectible. We establish and maintain this allowance by charging a provision for loan losses against our operating earnings. In the following section we have included a discussion of this process, as well as several tables describing our allowance for loan losses and the allocation of this allowance among our various categories of loans.

In addition to earning interest on our loans and investments, we earn income through fees and other expenses we charge to our customers. We describe the various components of this non-interest income, as well as our non-interest expense, in the following discussion.

Critical Accounting Policies

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States and with general practices within the banking industry in the preparation of our financial statements. Our significant accounting policies are described in the footnotes to our unaudited consolidated financial statements as of June 30, 2018 and our notes included in the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the SEC on March 14, 2018.

Certain accounting policies involve significant judgments and assumptions by us that have a material impact on the carrying value of certain assets and liabilities. We consider these accounting policies to be critical accounting policies. The judgment and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Because of the nature of the judgment and assumptions we make, actual results could differ from these judgments and estimates that could have a material impact on the carrying values of our assets and liabilities and our results of operations.

Allowance for Loan Losses

We believe the allowance for loan losses is the critical accounting policy that requires the most significant judgment and estimates used in preparation of our consolidated financial statements. Some of the more critical judgments supporting the amount of our allowance for loan losses include judgments about the credit worthiness of borrowers, the estimated value of the underlying collateral, the assumptions about cash flow, determination of loss factors for estimating credit losses, the impact of current events, and conditions, and other factors impacting the level of probable inherent losses. Under different conditions or using different assumptions, the actual amount of credit losses incurred by us may be different from management's estimates provided in our consolidated financial statements. Refer to the portion of this discussion that addresses our allowance for loan losses for a more complete discussion of our processes and methodology for determining our allowance for loan losses.

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Goodwill and Other Intangibles

Goodwill represents the excess of the purchase price over the sum of the estimated fair values of the tangible and identifiable intangible assets acquired less the estimated fair value of the liabilities assumed. Goodwill has an indefinite useful life and is evaluated for impairment annually or more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. Qualitative factors are assessed to first determine if it is more likely than not (more than 50%) that the carrying value of goodwill is less than fair value. These qualitative factors include but are not limited to overall deterioration in general economic conditions, industry and market conditions, and overall financial performance. If determined that it is more likely than not that there has been a deterioration in the fair value of the carrying value than the first of a two-step process would be performed. The first step, used to identify potential impairment, involves comparing each reporting unit's estimated fair value to its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment.

If required, the second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated impairment. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit, as determined in the first step, over the aggregate estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted. Management has determined that the Company has one reporting unit.

Core deposit intangibles consist of costs that resulted from the acquisition of deposits from Savannah River Financial Corporation ("Savannah River"), First South Bank, and Cornerstone. Core deposit intangibles represent the estimated value of long-term deposit relationships acquired in this transaction. These costs are amortized over the estimated useful lives of the deposit accounts acquired on a method that we believe reasonably approximates the anticipated benefit stream from the accounts. The estimated useful lives are periodically reviewed for reasonableness.

Income Taxes and Deferred Tax Assets and Liabilities

Income taxes are provided for the tax effects of the transactions reported in our consolidated financial statements and consist of taxes currently due plus deferred taxes related to differences between the tax basis and accounting basis of certain assets and liabilities, including available-for-sale securities, allowance for loan losses, write downs of OREO properties, accumulated depreciation, net operating loss carry forwards, accretion income, deferred compensation,

intangible assets, and pension plan and post-retirement benefits. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. A valuation allowance is recorded when it is “more likely than not” that a deferred tax asset will not be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. We file a consolidated federal income tax return for the Bank. At June 30, 2018 and December 31, 2017, we were in a net deferred tax asset position.

Other-Than-Temporary Impairment

We evaluate securities for other-than-temporary impairment at least on a quarterly basis. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the outlook for receiving the contractual cash flows of the investments, (4) the anticipated outlook for changes in the general level of interest rates, and (5) our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value (See Note 3 to the Consolidated Financial Statements).

Business Combinations, Method of Accounting for Loans Acquired

We account for acquisitions under FASB ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date because the fair value of the loans acquired incorporates assumptions regarding credit risk.

Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in FASB ASC Topic 310-30, *Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Loans acquired in business combinations with evidence of credit deterioration are considered impaired. Loans acquired through business combinations that do not meet the specific criteria of FASB ASC Topic 310-30, but for which a discount is attributable, at least in part to credit quality, are also accounted for under this guidance. Certain acquired loans, including performing loans and revolving lines of credit (consumer and commercial), are accounted for in accordance with FASB ASC Topic 310-20, where the discount is accreted through earnings based on estimated cash flows over the estimated life of the loan.

Comparison of Results of Operations for Six Months Ended June 30, 2018 to the Six Months Ended June 30, 2017

Net Income

Our net income for the six months ended June 30, 2018 was \$5.7 million or \$0.74 diluted earnings per common share, as compared to \$3.4 million or \$0.50 diluted earnings per common share for the six months ended June 30, 2017. On October 20, 2017, we completed the acquisition of Cornerstone Bancorp (“Cornerstone”) and its wholly-owned subsidiary, Cornerstone National Bank. The operating results of the acquired assets and assumed liabilities of Cornerstone are included in the operating results of the Company for the six months ended June 30, 2018. Net interest income increased \$3.4 million for the six months ended June 30, 2018 as compared to the same period in 2017. This increase is a result of an increase in average earning assets, which increased by \$131.8 million in the first half of 2018 as compared to the same period in 2017. The net interest margin on a tax equivalent basis increased to 3.69% during

the first half of 2018 as compared to 3.51% during the first six months of 2017. Non-interest income increased by \$920 thousand in the first six months of 2018 compared to the first six months of 2017. Non-interest expense in the six months ended June 30, 2018 increased \$1.7 million as compared to the same period in 2017. The increases in non-interest income and expense, as explained below, are significantly impacted by the Cornerstone acquisition. On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. The Tax Cuts and Jobs Act, among other things, reduced the corporate tax rate to 21% from 35%, effective for 2018. As a result of the change in tax rates, our effective tax rate decreased in the first quarter of 2018 (See “Income Tax Expense” below).

Net Interest Income

Please refer to the table at the end of this Item 2 for the yield and rate data for interest-bearing balance sheet components during the six-month periods ended June 30, 2018 and 2017, along with average balances and the related interest income and interest expense amounts.

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Net interest income was \$17.5 million for the six months ended June 30, 2018 as compared to \$14.1 million for the six months ended June 30, 2017. The \$3.4 million increase in net interest income was primarily attributable to an increase in average earning assets of \$131.8 million as well as an increase of 18 basis points in the taxable equivalent net interest margin between the two periods. Our net interest margin on a tax equivalent basis was 3.69% during the six months ended June 30, 2018 as compared to 3.51% for the same period in 2017. The yield on earning assets increased by 25 basis points in the first half of 2018 as compared to the same period in 2017. Average loans comprised 69.0% of average earning assets in the first six months of 2018 as compared to 66.6% in the same period of 2017. The yield on our loan portfolio increased 20 basis points in the six-month period ended June 30, 2018 to 4.74% as compared to 4.54% during the same period in 2017. The yield on our investment portfolio increased from 2.19% for the six months ended June 30, 2017 to 2.38% for the same period in 2018. The yield on earning assets increased by 25 basis points to 3.99% for the six months ended June 30, 2018 from 3.74% during the same period of 2017. Recent increases in the federal funds target rate have increased the yields on certain variable rate products in both our loan and investment portfolio. The cost of interest-bearing liabilities during the first six months of 2018 was 0.47% as compared to 0.44% in the same period in 2017. The continued focus and resulting shift in our deposit funding mix, as well as our current liquidity position, has assisted us in controlling our overall cost of funds during this period of increasing short term interest rates. Interest-bearing transaction accounts, money market accounts and savings deposits, which are typically our lower cost funds, represent 66.8% of our average interest bearing liabilities during the first six months of 2018 as compared to 63.4% in the same period in 2017.

Provision and Allowance for Loan Losses

At June 30, 2018 and December 31, 2017, the allowance for loan losses was \$6.1 million, or 0.89% of total loans (excluding loans held for sale), and \$5.8 million, or 0.90% of total loans (excluding loans held for sale), respectively. Loans that were acquired in the acquisition of Cornerstone in 2017 as well as in the acquisition of Savannah River in 2014 are accounted for under FASB ASC 310-30. These acquired loans were initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. The credit component on loans related to cash flows not expected to be collected is not subsequently accreted (non-accretable difference) into interest income. Any remaining portion representing the excess of a loan's or pool's cash flows expected to be collected over the fair value is accreted (accretable difference) into interest income. At June 30, 2018 and December 31, 2017, the remaining credit component on loans attributable to acquired loans in the Cornerstone and Savannah River transactions was \$1.2 million and \$1.5 million, respectively. Our provision for loan losses was \$231 thousand and \$194 thousand for the six months ended June 30, 2018 and 2017, respectively. The allowance for loan losses represents an amount which we believe will be adequate to absorb probable losses on existing loans that may become uncollectible. Our judgment as to the adequacy of the allowance for loan losses is based on a number of assumptions about future events, which we believe to be reasonable, but which may or may not prove to be accurate. Our determination of the allowance for loan losses is based on evaluations of the collectability of loans, including consideration of factors such as the balance of impaired loans, the quality, mix, and size of our overall loan portfolio, the experience ability and depth of lending personnel, economic conditions (local and national) that may affect the borrower's ability to repay, the amount and quality of collateral securing the loans, our historical loan loss experience, and a review of specific problem loans. We also consider subjective issues such as changes in the lending policies and procedures, changes in the local/national economy, changes in volume or type of credits, changes in volume/severity of problem loans, quality of loan review and board of director oversight, and concentrations of credit. Periodically, we adjust the amount of the allowance based on changing circumstances. We charge recognized losses to the allowance and add subsequent recoveries back to the allowance for loan losses.

We perform an analysis quarterly to assess the risk within the loan portfolio. The portfolio is segregated into similar risk components for which historical loss ratios are calculated and adjusted for identified changes in current portfolio characteristics. Historical loss ratios are calculated by product type and by regulatory credit risk classification (See Note 4 – Loans). The annualized weighted average loss ratios over the last 36 months for loans classified substandard, special mention and pass have been approximately 0.36%, 0.24% and 0.01%. The allocated portion is determined by types and ratings of loans within the portfolio. The unallocated portion of the allowance is established for losses that exist in the remainder of the portfolio and compensates for uncertainty in estimating the loan losses. The allocated portion of the allowance is based on historical loss experience as well as certain qualitative factors as explained above. The qualitative factors have been established based on certain assumptions made as a result of the current economic conditions and are adjusted as conditions change to be directionally consistent with these changes. The unallocated portion of the allowance is composed of factors based on management’s evaluation of various conditions that are not directly measured in the estimation of probable losses through the experience formula or specific allowances. The overall risk as measured in our three-year lookback, both quantitatively and qualitatively does not encompass a full economic cycle. The U.S. economy has been in an extended period of recovery and slow economic growth. The period at which we will reach full recovery or revert back to a slowing economy is not determinable. Net charge-offs in the 2009 to 2011 period averaged 63 basis points annualized in our loan portfolio. Over the most recent three-year period, net charge-offs have averaged approximately 5 basis points annualized. We believe the unallocated portion of our allowance represents potential risk associated throughout a full economic cycle. The percentage of the unallocated portion of the allowance to the total allowance has declined over the last several years. Management does not believe it would be judicious to reduce the overall level of the allowance at this time.

Our Company has a significant portion of its loan portfolio with real estate as the underlying collateral. At June 30, 2018 and December 31, 2017, approximately 91.2% and 90.4%, respectively, of the loan portfolio had real estate collateral. When loans, whether commercial or personal, are granted, they are based on the borrower's ability to generate repayment cash flows from income sources sufficient to service the debt. Real estate is generally taken to reinforce the likelihood of the ultimate repayment and as a secondary source of repayment. We work closely with all our borrowers that experience cash flow or other economic problems, and we believe that we have the appropriate processes in place to monitor and identify problem credits. There can be no assurance that charge-offs of loans in future periods will not exceed the allowance for loan losses as estimated at any point in time or that provisions for loan losses will not be significant to a particular accounting period. The allowance is also subject to examination and testing for adequacy by regulatory agencies, which may consider such factors as the methodology used to determine adequacy and the size of the allowance relative to that of peer institutions. Such regulatory agencies could require us to adjust our allowance based on information available to them at the time of their examination.

Non-performing assets were \$5.7 million (0.53% of total assets) at June 30, 2018 as compared to \$5.3 million (0.51% of total assets) at December 31, 2017. While we believe the non-performing assets to total assets ratios are favorable in comparison to current industry results (both nationally and locally), we continue to be concerned about the sustainability of the improved economic environment on our customer base of local businesses and professionals. There were 34 loans totaling \$3.9 million included in non-performing status (non-accrual loans and loans past due 90 days and still accruing) at June 30, 2018. The largest loan included in non-accrual status is in the amount of \$825 thousand and is secured by a first mortgage on developed lots to be sold for residential use. The average balance of the remaining 33 loans is approximately \$119 thousand, and the majority of these loans are secured by first mortgage liens. At the time the loans are placed in non-accrual status, we typically obtain an updated appraisal and, if the loan balance exceeds fair value, write the balance down to the fair value. At June 30, 2018 we had two loans totaling \$959 thousand delinquent 90 days and still accruing interest. Both of these loans are real estate construction loans that were past the initial construction period, were current as to interest but had not yet been modified to extend the construction period. We do not anticipate any credit losses on these two loans. At June 30, 2018, we had loans totaling \$1.3 million that were delinquent 30 days to 89 days representing 0.33% of total loans.

Our management continuously monitors non-performing, classified and past due loans to identify deterioration regarding the condition of these loans. At June 30, 2018, there have been no loans identified as potential problem loans.

The following table summarizes the activity related to our allowance for loan losses for the periods indicated:

Allowance for Loan Losses

(Dollars in thousands)	Six Months Ended	
	June 30,	
	2018	2017
Average loans (including loans held for sale) outstanding	\$667,929	\$557,972
Loans outstanding at period end	\$684,333	\$553,420
Non-performing assets:		
Nonaccrual loans	\$2,958	\$3,030
Loans 90 days past due still accruing	959	—
Repossessed-other	—	—
Foreclosed real estate and other assets	1,824	838
Total non-performing assets	\$5,741	\$3,868
Beginning balance of allowance	\$5,797	\$5,214
Loans charged-off:		
1-4 family residential mortgage	1	—
Non-residential real estate	—	24
Home equity	—	—
Commercial	—	—
Installment & credit card	85	44
Total loans charged-off	86	68
Recoveries:		
1-4 family residential mortgage	2	2
Non-residential real estate	114	113
Home equity	5	24
Commercial	3	3
Installment & credit card	21	8
Total recoveries	145	150
Net loan recoveries (charge offs)	59	82
Provision for loan losses	231	194
Balance at period end	\$6,087	\$5,490
Net (recoveries) charge-offs to average loans	(0.01 %)	(0.02 %)
Allowance as percent of total loans	0.89 %	0.99 %
Non-performing assets as % of total assets	0.53 %	0.42 %
Allowance as % of non-performing loans	155.40 %	181.19 %

The following allocation of the allowance to specific components is not necessarily indicative of future losses or future allocations. The entire allowance is available to absorb losses in the portfolio.

Composition of the Allowance for Loan Losses

(Dollars in thousands)	June 30, 2018			December 31, 2017		
	Amount	% of loans in Category	%	Amount	% of loans in Category	%
Commercial, Financial and Agricultural	\$272	7.0	%	\$221	7.9	%
Real Estate – Construction	112	8.1	%	101	7.0	%
Real Estate Mortgage:						
Residential	672	7.4	%	461	7.2	%
Commercial	2,618	71.0	%	3,077	71.2	%
Consumer:						
Home Equity	1,029	4.7	%	308	5.0	%
Other	113	1.8	%	35	1.7	%
Unallocated	1,271	N/A		1,594	N/A	
Total	\$6,087	100.0	%	\$5,797	100.0	%

Accrual of interest is discontinued on loans when management believes, after considering economic and business conditions and collection efforts that a borrower's financial condition is such that the collection of interest is doubtful. A delinquent loan is generally placed in nonaccrual status when it becomes 90 days or more past due. At the time a loan is placed in nonaccrual status, all interest, which has been accrued on the loan but remains unpaid is reversed and deducted from earnings as a reduction of reported interest income. No additional interest is accrued on the loan balance until the collection of both principal and interest becomes reasonably certain.

Non-interest Income and Non-interest Expense

Non-interest income during the first six months of 2018 was \$5.5 million as compared to \$4.6 million during the same period in 2017. Deposit service charges increased \$218 thousand during the first half of 2018 as compared to the same period in 2017. This is primarily a result of the Cornerstone acquisition in October 2017 as well as organic increases in transaction deposit account balances. Mortgage banking income and investment advisory fees accounted for \$49 thousand and \$212 thousand, respectively, of the increase in the first half of 2018 as compared to the same period in 2017. The increase in mortgage banking income is a result of a continued focus on this source of revenue. Prior to the first six months of 2018, we did not have mortgage originators located in our Augusta or Greenville markets. We have recently added an originator in each of these markets. An increase in assets under management has contributed to the increase in investment advisory fee income. At June 30, 2018, we had \$281.9 million in assets under management as compared to \$241.6 million at June 30, 2017. Management continues to focus on increasing both the mortgage

banking income as well as the investment advisory fees and commissions. During the first half of 2017, we sold investment securities for a net gain of \$226 thousand as compared to a gain on the net loss on sale of investment securities of \$10 thousand in the same period in 2017. The gains in 2017 were offset by prepayment penalties in the amount of \$281 thousand resulting from the early payoff of \$9.8 million of FHLB advances in the first half of 2017. There were no prepayment penalties in the first six months of 2018. Non-interest income, other increased \$447 thousand in the first half of 2018 as compared to the same period in 2017. This increase results primarily from additional debit card and other account activity fees and income on bank owned life insurance (“BOLI”) as a result of the Cornerstone transaction. In addition, during the first six months of 2018 we realized a gain on the sale of excess bank property in the amount of \$80 thousand.

The following table sets forth for the periods indicated the primary components of other noninterest income:

	Six months ended	
	2018	2017
ATM debit card income	\$911	\$807
Income on bank owned life insurance	372	292
Rental income	141	107
Loan late charges	48	46
Safe deposit fees	28	23
Wire transfer fees	41	31
Other	337	125
Total	\$1,878	\$1,431

Total non-interest expense increased \$1.7 million in the first half of 2018 to \$15.8 million as compared to \$14.1 million in the first half of 2017. Salary and benefit expense increased \$1.1 million from \$8.3 million in the first six months of 2017 to \$9.4 million in the first six months of 2018. This increase is primarily a result of the normal salary adjustments, as well as the addition of the employees as a result of the Cornerstone acquisition. At June 30, 2018 and 2017, we had 235 and 200 full time equivalent employees, respectively. The increase in occupancy expense of \$131 thousand in first half of 2018 as compared to same period in 2017 is primarily a result of the addition of the three offices acquired in the Cornerstone transaction as well as the opening of our new downtown office in Augusta, Georgia. Marketing and public relations expense decreased from \$519 thousand in the first half of 2017 to \$283 thousand in the first half of 2018. The timing of a media campaign impacts the recognition of marketing expense, and it is expected that the overall 2018 annual media cost will not vary substantially from the annual cost incurred in 2017. Amortization of intangibles increased to \$285 thousand in the first half of 2018 from \$149 thousand in the same period in 2017. This increase is a result of the amortization of core deposit intangible acquired in the Cornerstone transaction—total core deposit intangible in this transaction amounted to approximately \$1.8 million. The amortization is being recognized on a 150% declining balance method over ten years. As noted in prior periods, in June of 2017, the Company moved its core data processing system from an in-house environment to an outsourcing environment with a different vendor. As a result, much of the costs associated with data processing prior to the conversion were captured in the furniture fixtures and equipment category, postage as well as other categories. The data processing and related cost are now all primarily included in this one category which accounts for substantially all of the increase.

The following is a summary of the components of other non-interest expense for the periods indicated:

(Dollars in thousands)	Six months ended	
	June 30,	
	2018	2017
Data processing	\$ 1,146	\$ 420
Supplies	80	73
Telephone	222	179
Courier	75	51
Correspondent services	130	105
Insurance	128	221
Postage	29	85
Legal and professional fees	506	632
Loss on limited partnership interest	23	65
Director fees	197	199
Shareholder expense	105	65
Dues	72	64
Subscriptions	100	92
Loan closing costs/fees	119	82
Other	672	414
	\$ 3,604	\$ 2,747

Income Tax Expense

Our effective tax rate was 18.0% and 23.1% in the first half of 2018 and 2017, respectively. The effective rate in 2018 is impacted by the passing of the Tax Cut and Jobs Act on December 22, 2017. The federal tax rate prior to this change was 34%, and beginning January 1, 2018, the rate was lowered to 21%. The decrease in the effective tax rate in 2018 and 2017 also results from a purchased South Carolina rehabilitation tax credit in the first half of 2018. The purchase of this credit reduced our state income tax expense by the \$205 thousand. The cost of this credit was \$164 thousand and this expense is included in Non-interest expense "Other". In 2017, the accounting for share-based compensation changed the recognition of the tax effects of deductions for tax purposes of compensation cost not recognized in the income statement. Previously, the income tax effects of these deductions were recorded directly to equity. Beginning in 2017, all of the tax effects of share-based compensation are recognized in the income statement. The tax benefit is recognized at the time of settlement of the share-based payments. During the first half of 2017, the recognition of settled share-based payments reduced tax expense by approximately \$115 thousand. In 2018, the impact of these share-based payments was approximately \$14 thousand. This change may increase the volatility of income tax expense in future periods when share-based compensation is settled or vests. As a result, of our current level of tax exempt securities in our investment portfolio and our BOLI holdings, the effective tax rate is expected to be 20.0% to 20.5% throughout the remainder of 2018. There are no share based payments scheduled to vest or settle during the remainder of 2018.

Comparison of Results of Operations for Three Months Ended June 30, 2018 to the Three Months Ended June 30, 2017

Net Income

Our net income for the three months ended June 30, 2018 was \$3.0 million, or \$0.39 diluted earnings per common share, as compared to \$1.7 million, or \$0.24 diluted earnings per common share, for the three months ended June 30, 2017. As noted above, we completed the acquisition of Cornerstone on October 20, 2017, the operating results of the acquired assets and assumed liabilities of Cornerstone are included in the operating results of the Company for the three months ended June 30, 2018. Net interest income increased \$1.9 million for the three months ended June 30, 2018 as compared to the same period in 2017. Average earning assets increased by \$143.6 million in the second quarter of 2018 as compared to the same period in 2017. The net interest margin on a tax equivalent basis increased to 3.71% during the second quarter of 2018 as compared to 3.49% during the second quarter of 2017. The increase in net interest income was partially offset by an \$855 thousand increase in non-interest expense much of which results from the Cornerstone acquisition.

Net Interest Income

Please refer to the table at the end of this Item 2 for the yield and rate data for interest-bearing balance sheet components during the three-month periods ended June 30, 2018 and 2017, along with average balances and the related interest income and interest expense amounts.

Net interest income was \$8.9 million and \$7.0 million for the three months ended June 30, 2018 and 2017, respectively. Our tax equivalent net interest margin increased by 22 basis points from 3.49% for the three months ended June 30, 2017 to 3.71% for the three months ended June 30, 2018. The continued focus on changing the mix of earning assets from investment securities to loans also benefitted the net interest margin. During the three months ended June 30, 2017, loans represented 66.9% of average earning assets as compared to 69.3% in the same period of 2018. The yield on loans increased 30 basis points in the second quarter of 2018 (4.78%) as compared to the same period in 2017 (4.48%). The yield on earning assets for the three months ended June 30, 2018 and 2017 was 4.03% and 3.71%, respectively. The yield on our securities portfolio increased from 2.23% for the three months ended June 30, 2017 to 2.37% for the same period in 2018. As noted previously, recent increases in the federal funds target rate have increased the yields on certain variable rate products in both our loan and investment portfolio. The cost of interest-bearing liabilities during the three months ended June 30, 2018 was 0.49% as compared to 0.43% in the same period of 2017. During the second quarter of 2018, deposit account funding, excluding time deposits, represented 79.0% of total average deposits. For the second quarter of 2017, funding from these lower cost deposit sources represented 77.7% of total average deposits.

Non-interest Income and Non-interest Expense

Non-interest income during the second quarter of 2018 was \$2.9 million as compared to \$2.6 million during the same period in 2017. Mortgage banking income decreased \$238 thousand for the three months ended June 30, 2018 as compared to the same period in 2017. Mortgage loan production in the second quarter of 2018 was \$34.4 million as compared to \$33.7 million in the second quarter of 2017. The slight increase in production during the second quarter of 2018 did not offset the average margin decline realized on the production during this period in 2018 as compared to 2017. During the second quarter of 2018, we sold securities in the approximate amount of \$15.0 million and realized a gain of \$94 thousand. During the second quarter of 2017, we sold securities in the amount of \$8.2 million and recognized a net gain of \$172 thousand. The gains were offset by the pre-payment of \$7.3 million in a FHLB advance in which we incurred a pre-payment penalty of \$223 thousand during the second quarter of 2017. No FHLB pre-payment penalties were incurred in the second quarter of 2018. Non-interest income, other increased \$238 thousand in the second quarter of 2018 as compared to the same period in 2017. This increase results primarily from additional miscellaneous fees and increased income on bank owned life insurance (“BOLI”) as a result of the Cornerstone transaction.

Total non-interest expense increased \$855 thousand in second quarter of 2018 to \$8.2 million as compared to \$7.4 million in the second quarter of 2017. Salary and benefit expense increased \$620 thousand from \$4.3 million in the second quarter of 2017 to \$4.9 million in the second quarter of 2018. This increase is primarily a result of normal salary adjustments, as well as higher incentive accruals and mortgage commissions paid on increased production. As

previously noted, we had 200 full time equivalent employees at June 30, 2017 as compared to 235 at June 30, 2018. Equipment expense decreased \$108 thousand in the second quarter of 2018 as compared to the same period in 2017. As noted in the discussion of the six month results, this decrease is a result of certain costs that were previously captured in this category are now included in our data processing cost as a result of outsourcing our core processing system in June of 2017. Marketing and public relations expense decreased from \$298 thousand in the second quarter of 2017 to \$194 thousand in the second quarter of 2018. The timing of a media campaign impacts the recognition of marketing expense, and it is expected that the overall 2017 annual media cost will not vary substantially from the annual cost incurred in 2017. Non-interest expense “Other” increased by \$424 thousand in the second quarter of 2018 as compared to the same period in 2017. Data processing cost increased \$319 thousand primarily as a result of the core processing conversion. As noted above, certain cost previously included in equipment expense are now included in this category. Further, the Cornerstone acquisition resulted in an increase in overall data processing costs in the second quarter of 2018. As compared to the second quarter of 2017 Legal and professional fees decreased \$127 thousand. The majority of this decrease was a result of outside consultants incurred related to the core processing conversion and a mortgage process improvement engagement during the second quarter of 2017. “Other Miscellaneous” expense increased \$328 thousand in the second quarter of 2018 as compared to the same period in 2017. As noted above, the cost of a South Carolina rehabilitation tax credit of \$164 thousand acquired in the second quarter of 2018 accounts for a substantial portion of this increase.

The following is a summary of the components of other non-interest expense for the periods indicated:

(Dollars in thousands)	Three months ended	
	June 30,	
	2018	2017
Data processing	\$ 572	\$ 253
Supplies	44	43
Telephone	105	90
Courier	37	26
Correspondent services	60	52
Insurance	67	110
Postage	11	38
Legal and Professional fees	252	379
Director Fees	104	128
Shareholder expense	46	27
Dues	37	33
Subscriptions	50	43
Loan closing cost	68	29
Other Miscellaneous	564	236
	\$ 1,912	\$ 1,487

Financial Position

Assets totaled \$1.1 billion at June 30, 2018 and \$1.1 billion at December 31, 2017. Loans increased by approximately \$37.5 million during the six months ended June 30, 2018. Loans (excluding loans held for sale) at June 30, 2018 were \$684.3 million as compared to \$646.8 million at December 31, 2017. Total loan production was \$70.9 million during the first half of 2018. At June 30, 2018 and December 31, 2017, loans (excluding loans held for sale) accounted for 68.9% and 67.9% of earning assets, respectively. The loan-to-deposit ratio at June 30, 2018 and December 31, 2017 was 74.1% and 73.4%, respectively. Investment securities decreased to \$273.7 million at June 30, 2018 from \$284.4 million at December 31, 2017. Deposits increased \$45.1 million to \$933.4 million at June 30, 2018 as compared to \$888.3 million at December 31, 2017. This \$45.1 million increase was primarily used to fund the \$37.5 million in loan growth and pay down approximately \$14.0 million in short-term FHLB advances. Pure deposits (deposits less time deposits) represented 82.8% of total deposits as of June 30, 2018 as compared to 82.1% at December 31, 2017. We continue to focus on growing our pure deposits as a percentage of total deposits in order to better manage our overall cost of funds. One of our goals as a community bank has been, and continues to be, to grow our assets through quality loan growth by providing credit to small and mid-size businesses and individuals within the markets we serve. We remain committed to meeting the credit needs of our local markets. A slow-down in the national or local economic conditions as well as deterioration of asset quality within our Company could significantly impact our ability to continue to grow our loan portfolio.

The following table shows the composition of the loan portfolio by category at the dates indicated:

(In thousands)	June 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
Commercial, financial & agricultural	\$47,853	7.0 %	\$51,040	7.9 %
Real estate:				
Construction	55,479	8.1 %	45,401	7.0 %
Mortgage – residential	50,190	7.4 %	46,901	7.2 %
Mortgage – commercial	486,107	71.0 %	460,276	71.2 %
Consumer:				
Home Equity	32,319	4.7 %	32,451	5.0 %
Other	12,385	1.8 %	10,736	1.7 %
Total gross loans	684,333	100.0 %	646,805	100.0 %
Allowance for loan losses	(6,087)		(5,797)	
Total net loans	\$678,246		\$641,008	

In the context of this discussion, a real estate mortgage loan is defined as any loan, other than loans for construction purposes and advances on home equity lines of credit, secured by real estate, regardless of the purpose of the loan. Advances on home equity lines of credit are included in consumer loans. We follow the common practice of financial institutions in our market areas of obtaining a security interest in real estate whenever possible, in addition to any other available collateral. This collateral is taken to reinforce the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the real estate loan components. Generally we limit the loan-to-value ratio to 80%.

Market Risk Management

The effective management of market risk is essential to achieving our strategic financial objectives. Our most significant market risk is interest rate risk. We have established an Asset/Liability Management Committee (“ALCO”) to monitor and manage interest rate risk. The ALCO monitors and manages the pricing and maturity of assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on net interest income. The ALCO has established policy guidelines and strategies with respect to interest rate risk exposure and liquidity.

A monitoring technique employed by the ALCO is the measurement of interest sensitivity “gap,” which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. Simulation modeling is performed to assess the impact varying interest rates and balance sheet mix assumptions will have on net interest income. We model the impact on net interest income for several different changes, to include a flattening, steepening and parallel shift in the yield curve. For each of these scenarios, we model the impact on net interest income in an increasing and decreasing rate environment of 100 and 200 basis points. Policies have been established in an effort to maintain the maximum anticipated negative impact of these modeled changes in net interest income at no more than 10% and 15% in a 100 and 200 basis point change in interest rates, respectively, over a twelve month period. Interest rate sensitivity can be managed by repricing assets or liabilities,

selling securities available-for-sale, replacing an asset or liability at maturity or by adjusting the interest rate during the life of an asset or liability. Managing the amount of assets and liabilities repricing in the same time interval helps to hedge the risk and minimize the impact on net interest income of rising or falling interest rates.

We are currently asset sensitive within one year. However, neither the “gap” analysis nor asset/liability simulation modeling is a precise indicator of our interest sensitivity position due to the many factors that affect net interest income, including changes in the volume and mix of earning assets and interest-bearing liabilities.

Based on the many factors and assumptions used in simulating the effect of changes in interest rates, the following table estimates the percentage change in net interest income at June 30, 2018 and December 31, 2017 over twelve months.

Net Interest Income Sensitivity

Change in short-term interest rates	Hypothetical percentage change in net interest income			
	June 30, 2018		December 31, 2017	
+200bp	-1.76	%	-2.26	%
+100bp	-0.68	%	-0.85	%
Flat	—		—	
-100bp	-0.81	%	-2.54	%
-200bp	-5.17	%	-7.71	%

The decrease in net interest income in a down 200 basis point environment primarily results from the current level of interest rates being paid on our interest bearing transaction accounts as well as money market accounts. The interest rates on these accounts are at a level where they may not be repriced in proportion to the change in interest rates. At the current low interest rate levels, we believe that a downward shift of 200 basis points across the entire yield curve is unlikely. The modest decrease in a rising rate environment primarily relates to the historical beta assumptions in the modeling. We are currently not deposit repricing at these levels. We have been able to control deposit pricing in the current rising rate environment primarily as a result of our current liquidity levels as well as continued core deposit growth. The two year impact of rising rates of 100 and 200 basis points, at our historical beta levels, reflects net interest income increasing by 2.5% and 4.4%, respectively.

We also perform a valuation analysis projecting future cash flows from assets and liabilities to determine the Present Value of Equity (“PVE”) over a range of changes in market interest rates. The sensitivity of PVE to changes in interest rates is a measure of the sensitivity of earnings over a longer time horizon. At June 30, 2018, the PVE exposure in a plus 200 basis point increase in market interest rates was estimated to be (0.58)% as compared to (0.09)% at December 31, 2017.

Liquidity and Capital Resources

We believe our liquidity remains adequate to meet operating and loan funding requirements. Interest-bearing bank balances, federal funds sold, and investment securities available-for-sale represent 26.2% of total assets at June 30, 2018. We believe that our existing stable base of core deposits along with continued growth in this deposit base will enable us to meet our long-term and short-term liquidity needs successfully. These needs include the ability to respond to short-term demand for funds caused by the withdrawal of deposits, maturity of repurchase agreements, extensions of credit and the payment of operating expenses. Other sources of liquidity, in addition to deposit gathering activities, include maturing loans and investments, purchase of federal funds from other financial institutions and selling securities under agreements to repurchase. We monitor closely the level of large certificates of deposits in amounts of \$100 thousand or more as they tend to be more sensitive to interest rate changes and, thus, less reliable sources of funding for liquidity purposes. At June 30, 2018, the amount of time deposits of \$100 thousand or more represented 9.0% of total deposits and the amount of time deposits of \$250 thousand or more represented 3.7% of deposits. The majority of these deposits are issued to local customers many of whom have other product relationships with the Bank.

Through the operations of our Bank, we have made contractual commitments to extend credit in the ordinary course of our business activities. These commitments are legally binding agreements to lend money to our customers at predetermined interest rates for a specified period of time. At June 30, 2018, we had issued commitments to extend credit of \$128.5 million, including \$38.6 million in unused home equity lines of credit, through various types of lending arrangements. We evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on our credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, commercial and residential real estate. We manage the credit risk on these commitments by subjecting them to normal underwriting and risk management processes.

Other than as described elsewhere in this report, we are not aware of any trends, events or uncertainties that we expect to result in a significant adverse effect on our liquidity position. However, no assurances can be given in this regard, as rapid growth, deterioration in loan quality, and poor earnings, or a combination of these factors, could change the liquidity position in a relatively short period of time.

The Company has generally maintained a high level of liquidity and adequate capital, which along with continued retained earnings, we believe will be sufficient to fund the operations of the Bank for at least the next 12 months. Shareholders' equity was 9.8% of total assets at June 30, 2018 and 10.1% at December 31, 2017. The Bank maintains federal funds purchased lines in the total amount of \$20.0 million with two financial institutions, although these were not utilized in the first quarter of 2018. The FHLB of Atlanta has approved a line of credit of up to 25% of the Bank's assets, which when utilized is collateralized by a pledge against specific investment securities and/or eligible loans. We regularly review the liquidity position of the Company and have implemented internal policies establishing guidelines for sources of asset based liquidity and evaluate and monitor the total amount of purchased funds used to support the balance sheet and funding from noncore sources. We believe that our existing stable base of core deposits along with continued growth in this deposit base will enable us to meet our long term liquidity needs successfully.

Regulatory capital rules released by the federal bank regulatory agencies in July 2013 to implement capital standards, referred to as Basel III and developed by an international body known as the Basel Committee on Banking Supervision, imposed higher minimum capital requirements for bank holding companies and banks. The regulatory capital rules became effective for the Company and the Bank on January 1, 2015 (subject to a phase-in period for certain provisions), and all of the requirements in the rules will be fully phased in by January 1, 2019.

The final rule included certain new and higher risk-based capital and leverage requirements than those previously in place. Specifically, the following minimum capital requirements apply to us:

- a Common Equity Tier 1 risk-based capital ratio of 4.5%;
- a Tier 1 risk-based capital ratio of 6% (increased from the former 4% requirement);
- a total risk-based capital ratio of 8% (unchanged from former requirements); and
- a leverage ratio of 4% (also unchanged from the former requirement).

Under the rules, Tier 1 capital was redefined to include two components: Common Equity Tier 1 capital and additional Tier 1 capital. Common Equity Tier 1 capital consists solely of common stock (plus related surplus), retained earnings, accumulated other comprehensive income, and limited amounts of minority interests that are in the form of common stock. Additional Tier 1 capital includes other perpetual instruments historically included in Tier 1 capital, such as noncumulative perpetual preferred stock. The rules permit bank holding companies with less than \$15 billion in total consolidated assets to continue to include trust preferred securities and cumulative perpetual preferred stock issued before May 19, 2010 in Tier 1 capital, but not in Common Equity Tier 1 capital, subject to certain restrictions. Tier 2 capital consists of instruments that previously qualified in Tier 2 capital plus instruments that the rules have disqualified from Tier 1 capital treatment. Cumulative perpetual preferred stock, formerly includable in Tier 1 capital, is included only in Tier 2 capital. Accumulated other comprehensive income ("AOCI") is presumptively

included in Common Equity Tier 1 capital and often would operate to reduce this category of capital. The rules provided a one-time opportunity at the end of the first quarter of 2015 for covered banking organizations to opt out of much of this treatment of AOCI. We elected to opt out from the inclusion of AOCI in Common Equity Tier 1 capital.

In addition, in order to avoid restrictions on capital distributions or discretionary bonus payments to executives, a covered banking organization must maintain a “capital conservation buffer” on top of its minimum risk-based capital requirements. This buffer must consist solely of Tier 1 Common Equity, but the buffer applies to all three measurements (Common Equity Tier 1, Tier 1 capital and total capital). The capital conservation buffer was phased in incrementally over time, will become fully effective on January 1, 2019, and will consist of an additional amount of common equity equal to 2.5% of risk-weighted assets. As of January 1, 2018, we are required to hold a capital conservation buffer of 1.875%, increasing to 2.5% effective January 1, 2019.

In general, the rules have had the effect of increasing capital requirements by increasing the risk weights on certain assets, including high volatility commercial real estate, certain loans past due 90 days or more or in nonaccrual status, mortgage servicing rights not includable in Common Equity Tier 1 capital, equity exposures, and claims on securities firms, that are used in the denominator of the three risk-based capital ratios.

As of June 30, 2018, the Company and the Bank meet all capital adequacy requirements under the rules on a fully phased-in basis if such requirements had been effective at that time. The Bank's risk-based capital ratios of leverage ratio, Tier 1, and total capital were 9.8%, 13.2% and 13.9%, respectively, at June 30, 2018 as compared to 9.7%, 13.4%, and 14.2%, respectively, at December 31, 2017. The Bank's Common Equity Tier 1 ratio at June 30, 2018 was 13.2% and 13.4% at December 31, 2017. The Company's risk-based capital ratios of leverage ratio, Tier 1, and total capital were 10.2%, 13.8% and 14.5%, respectively, at June 30, 2018 as compared to 10.1%, 14.0% and 14.8%, respectively, at December 31, 2017. The Company's Common Equity Tier 1 ratio at June 30, 2018 and December 31, 2017 was 11.9% and 12.1%, respectively. Our management anticipates that the Bank and the Company will remain a well-capitalized institution for at least the next 12 months.

Since the Company is a bank holding company, its ability to declare and pay dividends is dependent on certain federal and state regulatory considerations, including the guidelines of the Federal Reserve Board. The Federal Reserve Board has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the Federal Reserve Board's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The Federal Reserve Board's policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. In addition, under the prompt corrective action regulations, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory policies could affect the ability of the Company to pay dividends or otherwise engage in capital distributions.

In addition, since the Company is a legal entity separate and distinct from the Bank and does not conduct stand-alone operations, its ability to pay dividends depends on the ability of the Bank to pay dividends to it, which is also subject to regulatory restrictions. As a South Carolina chartered bank, the Bank is subject to limitations on the amount of dividends that it is permitted to pay. Unless otherwise instructed by the South Carolina Board of Financial Institutions, the Bank is generally permitted under South Carolina State banking regulations to pay cash dividends of up to 100% of net income in any calendar year without obtaining the prior approval of the South Carolina Board of Financial Institutions. The FDIC also has the authority under federal law to enjoin a bank from engaging in what in its opinion constitutes an unsafe or unsound practice in conducting its business, including the payment of a dividend under certain circumstances.

FIRST COMMUNITY CORPORATION
Yields on Average Earning Assets and Rates
on Average Interest-Bearing Liabilities

	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Average Balance	Interest Earned/Paid	Yield/ Rate	Average Balance	Interest Earned/Paid	Yield/ Rate
Assets						
Earning assets						
Loans	\$ 667,929	\$ 15,697	4.74 %	\$ 557,972	\$ 12,567	4.54 %
Securities:	277,182	3,272	2.38 %	265,448	2,877	2.19 %
Federal funds sold and securities purchased under agreements to resell	22,921	181	1.59 %	12,788	53	0.84 %
Total earning assets	968,032	19,150	3.99 %	836,208	15,497	3.74 %
Cash and due from banks	13,503			11,773		
Premises and equipment	35,173			30,428		
Intangibles	17,011			6,105		
Other assets	36,192			31,251		
Allowance for loan losses	(5,957)			(5,347)		
Total assets	\$ 1,063,954			\$ 910,418		
Liabilities						
Interest-bearing liabilities						
Interest-bearing transaction accounts	\$ 190,302	\$ 139	0.15 %	\$ 158,651	\$ 85	0.11 %
Money market accounts	181,830	338	0.37 %	168,037	211	0.25 %
Savings deposits	106,532	73	0.14 %	73,478	42	0.12 %
Time deposits	193,429	634	0.66 %	175,163	544	0.63 %
Other borrowings	44,267	493	2.25 %	55,640	505	1.83 %
Total interest-bearing liabilities	716,360	1,677	0.47 %	630,969	1,387	0.44 %
Demand deposits	234,225			189,211		
Other liabilities	7,556			6,809		
Shareholders' equity	105,813			83,429		
Total liabilities and shareholders' equity	\$ 1,063,954			\$ 910,418		
Cost of funds, including demand deposits						
Net interest spread			3.52 %			3.30 %
Net interest income/margin		\$ 17,473	3.64 %		\$ 14,110	3.40 %
Net interest income/margin FTE basis	\$ 231	\$ 17,704	3.69 %	\$ 442	\$ 14,552	3.51 %

FIRST COMMUNITY CORPORATION

Yields on Average Earning Assets and Rates
on Average Interest-Bearing Liabilities

	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Average Balance	Interest Earned/Paid	Yield/ Rate	Average Balance	Interest Earned/Paid	Yield/ Rate
Assets						
Earning assets						
Loans	\$ 677,524	\$ 8,080	4.78 %	\$ 558,429	\$ 6,241	4.48 %
Securities:	275,714	1,629	2.37 %	262,806	1,459	2.23 %
Federal funds sold and securities purchased	24,803	110	1.78 %	13,212	24	0.73 %
Total earning assets	978,041	9,819	4.03 %	834,447	7,724	3.71 %
Cash and due from banks	13,336			12,572		
Premises and equipment	34,784			30,684		
Intangibles	16,941			6,068		
Other assets	36,241			30,331		
Allowance for loan losses	(6,044)			(5,423)		
Total assets	\$ 1,073,299			\$ 908,679		
Liabilities						
Interest-bearing liabilities						
Interest-bearing transaction accounts	\$ 194,514	\$ 72	0.15 %	\$ 161,110	\$ 43	0.11 %
Money market accounts	185,922	194	0.42 %	168,050	106	0.25 %
Savings deposits	106,523	34	0.13 %	74,800	21	0.11 %
Time deposits	193,635	338	0.70 %	172,115	270	0.63 %
Other borrowings	38,510	242	2.52 %	45,732	235	2.05 %
Total interest-bearing liabilities	719,104	880	0.49 %	621,807	675	0.43 %
Demand deposits	240,594			195,561		
Other liabilities	7,569			6,546		
Shareholders' equity	106,032			84,765		
Total liabilities and shareholders' equity	\$ 1,073,299			\$ 908,679		
Cost of funds, including demand deposits						
			0.37 %			0.33 %
Net interest spread						
			3.54 %			3.28 %
Net interest income/margin		\$ 8,939	3.67 %		\$ 7,049	3.39 %
Net interest income/margin FTE basis	\$ 113	\$ 9,052	3.71 %	\$ 216	\$ 7,266	3.49 %

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our quantitative and qualitative disclosures about market risk as of June 30, 2018 from that presented in our Annual Report on Form 10-K for the year ended December 31, 2017. See the “Market Risk and Interest Rate Sensitivity” subsection in Item 7 of Form 10-K, Management’s Discussion and Analysis of Financial Condition and Results of Operations, for quantitative and qualitative disclosures about market risk, which information is incorporated herein by reference.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including our Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the three months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II -

OTHER INFORMATION

Item 1. Legal Proceedings.

We are a party to claims and lawsuits arising in the course of normal business activities. Management is not aware of any material pending legal proceedings against the Company which, if determined adversely, the Company believes would have a material adverse impact on the Company's financial position, results of operations or cash flows.

Item 1A. Risk Factors.

Investing in shares of our common stock involves certain risks, including those identified and described in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as well as cautionary statements contained in this Quarterly Report on Form 10-Q, including those under the caption "Cautionary Note Regarding Any Forward-Looking Statements" set forth in Part I, Item 2 of this Quarterly Report on Form 10-Q, risks and matters described elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not Applicable.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits.

Exhibit Description

31.1 Rule 13a-14(a) Certification of the Principal Executive Officer

31.2 Rule 13a-14(a) Certification of the Principal Financial Officer

32 Section 1350 Certifications

The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in eXtensible Business Reporting Language (XBRL); (i) Consolidated Balance Sheets at June 30, 2018 and December 31, 2017, (ii) Consolidated Statements of Income for the three and six months ended June 30, 2018 and 2017, (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2018 and 2017 (iv) Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2018 and 2017, (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017, and (vi) Notes to Consolidated Financial Statements.

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INDEX TO EXHIBITS

Exhibit
Number Description

31.1 Rule 13a-14(a) Certification of the Principal Executive Officer.

31.2 Rule 13a-14(a) Certification of the Principal Financial Officer.

32 Section 1350 Certifications.

The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in eXtensible Business Reporting Language (XBRL); (i) Consolidated Balance Sheets at June 30, 2018 and December 31, 2017, (ii) Consolidated Statements of Income for the three and six months ended June 30, 2018 and 2017, (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2018 and 2017 (iv) Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2018 and 2017, (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017, and (vi) Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST COMMUNITY CORPORATION
(REGISTRANT)

Date: August 8, 2018 By: /s/ Michael C. Crapps
Michael C. Crapps
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2018 By: /s/ Joseph G. Sawyer
Joseph G. Sawyer
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

