

Hearing Date and Time: May 9, 2006 at 10:00 a.m.  
Objection Deadline: April 21, 2006 at 4:00 p.m.

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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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	:	
In re	:	Chapter 11
	:	
DELPHI CORPORATION, <u>et al.</u> ,	:	Case No. 05-44481 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	:	
-----	x	

DECLARATION OF MARK R. WEBER  
IN SUPPORT OF DELPHI'S MOTION FOR AUTHORITY TO REJECT  
COLLECTIVE BARGAINING AGREEMENTS UNDER 11 U.S.C. § 1113(c) AND  
MODIFY RETIREE WELFARE BENEFITS UNDER 11 U.S.C. § 1114(g)



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I, Mark R. Weber, declare and state as follows:

1. I am the Executive Vice President, Operations, Human Resource Management, and Corporate Affairs of Delphi Corporation ("Delphi"). I have held this position since January 1, 2000. I am also a member of the Delphi Strategy Board, the company's top policy-making group. I have worked in the automotive industry for almost 40 years, and I have worked for Delphi for approximately 10 years. From January 1995 through November 1998, I was Delphi's Executive Director, Human Resource Management. From November 1998 until I assumed my current position, I was Delphi's Vice President, Human Resource Management.

2. In my current position with Delphi, I have, among other responsibilities, responsibility for overseeing Delphi's human resource management and corporate affairs.

3. I submit this Declaration in support of Delphi's Motion For Authority to Reject Collective Bargaining Agreements Under 11 U.S.C. § 1113(c) And Modify Hourly Retiree Benefits Under 11 U.S.C. § 1114(g) (the "Motion"). Any capitalized terms not expressly defined herein are intended to have the meanings ascribed to them in the Motion or accompanying memorandum of law, and references to Delphi herein include the Debtors, as appropriate. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, my opinion, my experience with and knowledge of Delphi's organizational structure, or are based upon knowledge obtained from employees of Delphi reporting to me in the course of their duties. If I were called upon to testify, I could and would testify to the facts set forth herein.

I. GM's Spin-Off Of Delphi In 1999

A. The Reasons For GM's Spin-Off Of Delphi

4. For most of its history, GM manufactured a large proportion of the parts used in its vehicles. In 1991, GM combined its parts manufacturing facilities into a single entity, originally known as the Automotive Components Group and eventually renamed Delphi Automotive Systems. On January 1, 1999, GM transferred the assets, liabilities, manufacturing sites, and most of the employees assigned to Delphi Automotive Systems to the newly-created Delphi Automotive Systems Corporation, a wholly-owned subsidiary of General Motors. GM and Delphi also entered into a Master Separation Agreement, which governed the separation of the two entities, and a Component Supply Agreement, which, subject to certain exceptions, obligated GM to honor the then-existing supply contracts between GM and Delphi and to provide Delphi with a right of last refusal on replacement business for a three-year period, so long as Delphi could meet GM's cost, quality, and technology requirements.

5. In February 1999, shortly after Delphi's incorporation, while GM held a majority of seats on Delphi's Board of Directors, an initial public offering (IPO) was conducted under which 17.7 percent of Delphi's stock was offered for sale to a combination of new investors and GM shareholders, and Delphi became a publicly-traded corporation. On May 28, 1999, GM distributed Delphi's remaining stock to GM's shareholders, making Delphi completely independent of GM.

6. Delphi identified several reasons supporting the Spin-Off decision, as stated in its February 2, 1999 Form S-1/A Registration Statement filed with the United States Securities and Exchange Commission ("1999 S-1") in connection with the IPO. First, GM believed that the internal competition by its OEM and component businesses for GM's capital resources was not

sustainable. Accordingly, it determined that its capital was best devoted to investing in the automobile manufacturing business, and not the component business in which Delphi was engaged. Supporting excerpts of Delphi's 1999 S-1 are attached hereto as Exhibit A and a full copy is available to the public at <http://investor.delphi.com>.

7. Second, as stated on page 13 of the 1999 S-1, "One of the principal benefits that [Delphi] expect[ed] to achieve from [its] separation from General Motors [was] increased competitiveness over time as a result of improving [Delphi's] labor relations and establishing more flexible local work rules and practices, which [was] very important to [Delphi's] business because [its] workforce [was] highly unionized."

8. Finally, as explained on page 27 of Delphi's 1999 S-1, GM believed that the Spin-Off would maximize the value of Delphi to GM's shareholders because Delphi would be in a better position to win business from other OEMs if it was independent from GM. While Delphi began pursuing such business in the mid-1990s as a division of GM, it was basically a captive supplier to GM's assembly plants world-wide. GM and Delphi believed that many potential customers were reluctant to do business with another OEM. One of the assumptions in the Spin-Off was that Delphi could eventually more than double its non-GM business if it were independent from GM.

B. The Assumptions And Risks In The Spin-Off

9. At the time of the initial public offering in February 1999, GM and Delphi identified in the 1999 S-1, a prospectus provided to potential investors, a number of business objectives, assumptions, and risks underlying the Spin-Off. These objectives, assumptions, and risks are summarized below and are discussed in greater detail in Delphi's 1999 S-1.

10. One of Delphi's most important business objectives was to become a global supplier to OEMs world-wide. To achieve this transition, Delphi needed to maintain its existing GM business in the U.S., expand its revenue from other OEMs within the U.S., and expand its international presence, supplying both GM's foreign operations and other OEMs world-wide.

11. First, GM and Delphi expected that Delphi would expand its total sales and earnings by (a) retaining its existing GM revenue and (b) substantially increasing its revenue from other automobile manufacturers that had been reluctant to do business with a GM subsidiary.

12. Second, GM and Delphi anticipated that Delphi could improve its operational performance to become competitive with other independent parts suppliers. In establishing this goal, Delphi recognized two imperatives, achievable only over time, to improve its performance: (a) the ability to negotiate its own national and local labor agreements independent of GM to eventually establish and implement more flexible work rules aimed at achieving significant productivity improvements, absent which Delphi would eventually have to address its noncompetitive wages and benefits focusing upon new-hires, and (b) the ability to "fix, sell, or close" unprofitable product lines.

13. Third, GM and Delphi recognized that Delphi might be unable to meet its future capital requirements because of its liability for hourly post-employment health care and life insurance benefits ("OPEB") and underfunded hourly pension plan obligations. At the time, Delphi's estimated liability for hourly retiree health care was \$3.4 billion, and was \$0.3 billion for retiree life insurance. The unfunded liability under its hourly pension plans was \$1.7 billion.

14. Finally, GM and Delphi further recognized that Delphi's margins could be adversely affected by unanticipated price reductions demanded by its customers and/or

unanticipated increases in material costs that could not be passed on to its customers. At the time of the Spin-Off, according to Delphi's S-1, Delphi estimated that its total "price-downs" over the foreseeable future would average only 1.6 percent of sales.

C. The Mirror Agreement With The UAW

15. At the time of the Spin-Off, Delphi was required to assume the labor agreements in effect between GM and each of its unions, including the UAW, IUE-CWA, and USW. GM and Delphi recognized at the time that the GM labor agreements were too costly for an independent parts supplier and limited the flexibility that Delphi needed to improve its operational performance. The UAW agreements were subject to expiration beginning in September 1999, and the IUE-CWA agreements expired in November 1999. The USW agreements in effect at the time of the Spin-Off did not expire until September 2002. As stated on page 28 of Exhibit A, Delphi's 1999 S-1, one of the assumptions of the Spin-Off articulated by GM and Delphi was that following the separation, Delphi would be able to negotiate independently of GM and, "over time, be able to negotiate local work rules and practices and other terms more consistent with those generally prevailing in the automotive parts industry."

16. Prior to the Spin-Off, there was no distinction between UAW-represented GM and Delphi employees – Delphi employees were GM employees. The UAW publicly opposed the Spin-Off, and after the Spin-Off was announced, pledged to "aggressively work to protect the rights and interest of its members." According to its public statements, the reasons for the opposition included the UAW's concern that the Spin-Off would put the retirement of Delphi employees at risk, result in lower wages or benefits for the new Delphi employees than their counterparts at GM, or result in the closure of unprofitable Delphi facilities.

17. Prior to the distribution of Delphi's stock to GM shareholders in May 1999, while Delphi was still majority owned and controlled by GM, Delphi and GM representatives informed the UAW that, in an effort to help resolve the UAW's concerns over the Spin-Off, Delphi would honor the "pattern" agreements negotiated between GM and the Big Three in September 1999. In the course of finalizing the 1999-2003 agreement, however, the UAW sought Delphi's further commitment that Delphi would also "mirror" the next agreement between GM and the UAW, scheduled to be negotiated in 2003, asserting that without such commitment there was a risk that the 1999-2003 agreement would not be ratified. Delphi and the UAW acknowledged that the terms of the 2003 Agreement might be untenable for Delphi and the UAW committed to consider mutually agreeable exceptions to the 2003 GM-UAW agreement "to assure the continued success of Delphi as an on-going business." Based on these mutual commitments, Delphi agreed to "mirror," or duplicate, the terms of the 2003 GM-UAW labor agreement (the "Mirror Agreement"). A true and correct copy of the Mirror Agreement is attached hereto as Exhibit B.

D. The GM Benefit Guarantee

18. To further resolve the UAW's opposition to the Spin-Off, GM executed with the UAW (and subsequently with the IUE-CWA and USW) a benefit guarantee agreement designed to ensure that the former GM employees who became employees of Delphi would not suffer a reduction in their layoff and retirement benefits (collectively, the "GM Benefit Guarantee"). Based upon information and belief, true and correct copies of the GM-UAW, the GM-IUE, and the GM-USW Benefit Guarantees are attached hereto as Exhibit C.

## II. Delphi's Salaried And Management Workforce

19. In my current position, one of my responsibilities has been to consider what modifications Delphi needs to make to the wages and benefits of its employees in order to implement a successful restructuring. In considering this question, Delphi has operated under the basic philosophy that the compensation of its entire workforce, including its hourly and salaried employees, should be at "market" levels – neither higher nor lower.

20. Thus, in determining whether the modifications sought in the Delphi labor agreements are "fair and equitable" relative to salaried and management employees, it is necessary to examine the base-line under which hourly employees on the one hand, and salaried and management employees on the other hand, entered into the chapter 11 cases. In this Declaration, I will address the compensation of Delphi's salaried and management workforce and the job losses that are likely to occur among that group. The Declaration of Steven Gebbia filed in support of the Motion addresses the benefits applicable to Delphi's salaried and management workforce, and the potential changes to those benefits.

### A. The Compensation Of Delphi's Salaried And Management Employees

21. Well prior to the Spin-Off, GM began to reduce on a relative basis the total compensation of its salaried and management employees compared to its hourly employees. Among the most significant of these was the elimination in 1984 of cost of living adjustments for salaried and management employees.

22. Following the Spin-Off in 1999, several steps were taken to move Delphi's salaried compensation more in line with compensation at other U.S. companies scaled closer to Delphi than GM.



23. For example, base salaries were targeted at levels more closely approximating employees in companies whose revenue, on average, more closely tracked Delphi's. Comparator companies were thus changed from those the size of GM to those closer to Delphi, including other automotive component companies. The design and modifications to the compensation approach resulted from studies and recommendations of independent expert compensation consulting companies.

24. The chart below highlights the current differences in compensation and job security provisions between Delphi's hourly employees and its salaried and management employees:

	<u>Hourly Employees</u>	<u>Salaried &amp; Management Employees</u>
Wages	<ul style="list-style-type: none"> <li>Wages based upon Big Three-UAW wage rates</li> </ul>	<ul style="list-style-type: none"> <li>Pay structure developed to reflect market for companies with similar revenue</li> </ul>
COLA	<ul style="list-style-type: none"> <li>Yes</li> </ul>	<ul style="list-style-type: none"> <li>Eliminated in 1984</li> </ul>
Overtime	<ul style="list-style-type: none"> <li>Time and a half for any hours worked over eight per day, 40 per week</li> <li>Double time for Sundays, Holidays</li> </ul>	<ul style="list-style-type: none"> <li>Overtime eliminated in 2003 for all exempt employees except first line supervisors</li> </ul>
Shift Premiums	<ul style="list-style-type: none"> <li>Five percent for afternoon shift; ten percent for night shift</li> </ul>	<ul style="list-style-type: none"> <li>No shift premiums</li> </ul>
Flow-Back to GM	<ul style="list-style-type: none"> <li>Most hourly employees entitled to return to open positions at GM</li> </ul>	<ul style="list-style-type: none"> <li>No right to return to GM</li> </ul>
Job Security	<ul style="list-style-type: none"> <li>No permanent layoffs permitted</li> </ul>	<ul style="list-style-type: none"> <li>Delphi can terminate unneeded employees as needed</li> </ul>
Staffing Requirements	<ul style="list-style-type: none"> <li>Delphi generally must perform work in house even if cheaper to outsource</li> </ul>	<ul style="list-style-type: none"> <li>Delphi may outsource functions at will</li> </ul>

B. Jobs Reductions For Salaried And Management Employees

25. Delphi's salaried and management employees will suffer a significant number of job reductions as part of Delphi's restructuring. First, approximately 3,650 of Delphi's approximately 14,300 salaried and management employees in the United States will be separated from Delphi as a result of the planned sales or wind-downs of certain of Delphi's U.S. manufacturing sites. These reductions will affect both salaried and management employees at the manufacturing sites, and engineering and corporate and divisional management that support the manufacturing operations.

26. Another 1,600 salaried and management positions in the U.S. will be eliminated as part of a project designed to reduce Delphi's Sales, General & Administrative expenses. This project was developed by Delphi with an outside management consultant, Booz Allen Hamilton ("Booz Allen"), and will be implemented beginning in 2006. This program is intended to reduce costs attributable to salaried and management employees, and the information systems that support those employees, by approximately \$450 million per year.

27. The largest SG&A cost reduction anticipated would arise from implementation of a shared service structure, in which Delphi's headquarters and divisions will redistribute and share a number of services such as information technology support, human resources transactions, accounts receivable, and routine sales reporting, and will outsource several services. In addition, the SG&A Project targets organization redesign, corporate streamlining, and streamlining at the divisional levels.

28. As part of the process, every area of Delphi's corporate and divisional operations is reviewing its own services and processes to eliminate or reduce discretionary services and

unaffordable policies, streamline administrative work, and resource work where savings can be achieved.

29. In comparing the treatment of hourly employees to salaried and management employees, it is also critical to understand the differences between the two employee groups. First, Delphi's salaried employees are not protected in their positions by a union agreement that pays above-market wages and benefits, nor are they deterred from switching employers by the prospect of starting at the bottom of a wage scale or a seniority system at a new company. The salaried employees could more easily leave Delphi tomorrow, and obtain "market" wages and benefits with another employer. In the last six months, more than 470 salaried employees have left Delphi for other career options. Accordingly, unless Delphi is able to provide market wages and benefits to salaried and management, many are and will likely continue to depart.

30. Second, some 7,250 employees – more than half of Delphi's salaried and management workforce – are engineers who are engaged in research, product development, and execution. Much of Delphi's market position depends on its technological expertise. For example, Delphi has been rated the number one automotive company in technological strength by ipIQ, an organization specializing in technology analysis, for three years in a row, and generated the third largest number of patents in the U.S. in 2003. Delphi's engineers have extremely valuable institutional knowledge of Delphi's products and processes that cannot easily be replaced by new-hires. Furthermore, there is a well-documented shortage of qualified engineers in the U.S. Nine OEMs from Germany, Japan, and Korea have invested in engineering facilities in Michigan, and Asian automakers have hired approximately 3,000 engineers in Michigan in the past year alone. The loss of engineering employees to Delphi's competitors would greatly undercut Delphi's ability to remain a profitable enterprise going forward.

I declare under penalty of perjury, and pursuant to 28 U.S.C. § 1746, that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 31st day of March, 2006

/s/ Mark R. Weber  
MARK. R. WEBER

## **Exhibit A**

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 2, 1999

REGISTRATION NO. 333-67333

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 5

TO

FORM S-1  
REGISTRATION STATEMENT  
UNDER THE  
THE SECURITIES ACT OF 1933

DELPHI AUTOMOTIVE SYSTEMS CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

3714

(Primary Standard Industrial  
Classification Code Number)

38-3430473

(IRS Employer  
Identification Number)

5725 Delphi Drive  
Troy, Michigan 48098

(248) 813-2000

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

Alan S. Dawes  
Chief Financial Officer  
and Vice President

5725 Delphi Drive  
Troy, Michigan 48098

(248) 813-2000

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

Copies to:

Jill Sugar Factor  
Robert S. Osborne, P.C.

Warren G. Andersen  
General Motors

Logan G. Robinson  
Delphi Automotive

Frank Morison  
Sarah Beshar

their existing contracts from GM to us or to enter into new contracts to replace these existing contracts. See "Business of Delphi--Customers--Other VMs."

WE MAY BE UNABLE TO INCREASE OUR COMPETITIVENESS IF WE FAIL TO IMPROVE OUR LABOR RELATIONS AND ESTABLISH MORE FLEXIBLE LOCAL WORK RULES AND PRACTICES FOLLOWING OUR SEPARATION FROM GENERAL MOTORS

One of the principal benefits that we expect to achieve from our separation from General Motors is increased competitiveness over time as a result of improving our labor relations and establishing more flexible local work rules and practices, which are very important to our business because our workforce is highly unionized. However, we cannot assure you as to when or the extent to which we will be able to achieve these benefits. In this regard, our largest union, the UAW, which represents about 29% of our unionized employees, has stated that it is on record as opposing the separation of Delphi from GM and that, should GM decide to proceed with the transaction, the UAW can and will aggressively work to protect the rights and interests of its members who would be impacted by GM's distribution of Delphi common stock to the holders of its \$1 2/3 common stock. Since that time, GM and the UAW have agreed that any of our employees who are members of the UAW and who retire on or before October 1, 1999 will be treated as GM retirees. GM and Delphi have been working with the UAW and the other unions representing our employees to address the best interests of their members regarding these matters. However, we cannot assure you as to the outcome of these efforts to work with the unions. See "Business of Delphi--Strategy--Improve Operating Performance--Labor Relations."

WE MAY INCUR MATERIAL COSTS IN CONNECTION WITH OUR SEPARATION FROM GENERAL MOTORS

We may incur costs and expenses, potentially including additional taxes and employee costs, greater than those we have planned for in connection with our separation from GM. We cannot assure you that these costs will not be material to our business. See "--Risk Factors Relating to Our Business--Making Payments of Pensions and Other Postretirement Employee Benefits Could Adversely Affect Our Liquidity" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

WE WILL BE CONTROLLED BY GENERAL MOTORS AS LONG AS IT OWNS A MAJORITY OF OUR COMMON STOCK AND OUR OTHER STOCKHOLDERS WILL BE UNABLE TO AFFECT THE OUTCOME OF STOCKHOLDER VOTING DURING SUCH TIME

After the completion of this offering, GM will own about 82.3% of our outstanding shares of common stock, or about 80.2% if the U.S. underwriters exercise their over-allotment option in full. As long as GM owns a majority of our outstanding common stock, GM will continue to be able to elect our entire board of directors and to remove any director, with or without cause, and generally to determine the outcome of all corporate actions requiring stockholder approval. As a result, GM will be in a position to continue to control all matters affecting our company, including:

- the composition of our board of directors and, through it, any determination with respect to the direction and policies of our company, including the appointment and removal of officers;

- any determinations with respect to mergers or other business combinations involving our company;
- the acquisition or disposition of assets by our company;
- future issuances of common stock or other securities of our company;
- the incurrence of debt by our company;
- amendments, waivers and modifications to our supply agreement with GM and other agreements providing for our separation from GM;
- the payment of dividends on our common stock; and



Motors--Our Business May Be Adversely Affected if General Motors Does Not Complete Its Divestiture of Our Company."

GM has also advised us that it would not complete the Distribution if its Board of Directors determines that the Distribution is no longer in the best interests of General Motors and its stockholders. GM has further advised us that it currently expects that the principal factors that it would consider in making this determination, as well as the principal factors that it would consider in making the determination as to the timing, structure and terms of the Distribution, would be:

- the market price of the Delphi common stock;
- the market price of GM's \$1 2/3 common stock;
- satisfaction that the Distribution will be tax-free to GM and its stockholders and as to the other tax consequences of the transactions;
- the absence of any court orders or regulations prohibiting or restricting the completion of the Distribution; and
- other conditions affecting the businesses of Delphi or GM that make it no longer in the best interests of such businesses to be fully separated.

On January 13, 1999, GM received a private letter ruling from the IRS to the effect that the Distribution would be tax-free to GM and its stockholders for U.S. federal income tax purposes.

**BACKGROUND OF THE SEPARATION.** Historically, many large automotive vehicle manufacturers, which we sometimes refer to as "VMs," have relied on in-house components divisions to fill their supply needs. Over the past few decades, however, the automotive industry has moved away from such vertical integration. Instead, VMs have moved towards sourcing a substantial portion of a vehicle's parts from independent suppliers and purchasing more fully-engineered, integrated systems and modules rather than individual components. As a result, VMs are now requiring their suppliers to perform many of the design, engineering and assembly functions traditionally executed by VMs. The degree to which VMs source from independent, outside suppliers varies by VM.

General Motors began reducing its vertical integration several years ago by adopting a global sourcing program. We believe that this initiative was designed to leverage GM's purchasing power and reduce its purchasing costs by enhancing competition for its business among its suppliers on the basis of quality, service, technology and price. As a result of the completion of the Distribution, GM would substantially reduce its vertical integration.

**BENEFITS OF THE SEPARATION.** We believe that we will realize certain benefits from our complete separation from General Motors. As an independent company, we expect to be better able to expand our revenue base through sales to major VM customers other than GM. We also believe that, as a fully independent company after the completion of the Distribution, we will be better able, over time, to establish more flexible local work rules and practices through improved labor relations, thereby increasing our competitiveness. These and other benefits of the separation are discussed further below.

- Increased Non-GM Sales. We believe that one of the most significant limitations on our ability to expand our sales to major VMs other than GM is a general reluctance by such VMs to source from a supplier owned by

GM. Other major VMs have shown varying degrees of reluctance to source extensively from a supplier owned by GM since GM, one of their major competitors, may be strengthened by the related profits. In addition, we believe that many major VMs remain reluctant to source from us because they fear that GM might obtain access through us to confidential information regarding their vehicle designs and manufacturing processes. This is particularly important as suppliers are increasingly performing more of the vehicle design and assembly functions traditionally executed by VMs and are thus involved earlier in the design and development stages of vehicles.

Notwithstanding our strict confidentiality pledge and procedures to preserve customer confidentiality, which to our knowledge have never been breached, we believe that we will remain at a competitive disadvantage in pursuing sales opportunities with major VMs other than GM while we are owned by GM. We believe that if we are established as a fully independent company, we will, over time, be able to substantially grow our sales to VMs other than GM. See "Risk Factors--Risk Factors Relating to Separating Our Company from General Motors--Our Close Relationship with General Motors Could Limit Our Potential to Do Business with Its Competitors" and "--Risk Factors Relating to Our Business--We May Be Unable to Increase Our Sales to Vehicle Manufacturers Other Than GM-North America."

- Improved Labor Relations. We believe that our complete separation from General Motors will provide us with the opportunity to improve our labor relations and, over time, establish more flexible local work rules and practices. While we have been a part of GM, the national labor agreements negotiated by GM with the unions have applied to our workforce in the United States and Canada. As a fully independent company with control of our own labor relations after the Distribution, we believe that we would have the right to negotiate regarding our own national and local labor agreements directly with the unions representing our employees. Our intent is to base such negotiations on a management-union relationship focused on sharing information, growing non-GM revenues and satisfying the automotive parts supply requirements of multiple VMs around the world. We further anticipate that by having control of our labor relations we will, over time, be able to negotiate local work rules and practices and other terms more consistent with those generally prevailing in the automotive parts industry. We believe that this would enhance our overall operational competitiveness. However, we cannot assure you as to when or the extent to which we will realize these benefits.

GM has informed us that it has satisfactorily completed discussions with the International Union of Electronic, Electrical, Salaried, Machine & Furniture Workers AFL-CIO (the "IUE"), one of the principal unions representing our employees, regarding the effects of the separation on its members. As a result of these discussions, the IUE has recognized that, upon Delphi's separation from GM, Delphi will be an independent company with its own national and local agreements with the IUE. GM has informed us that initial discussions with the United Steel Workers of America (the "USW") regarding the effects of the separation on its members were held on December 8, 1998 and that further discussions will be held with the USW. Similar discussions are expected to occur with the other unions representing our employees, but we cannot assure you as to when they will occur or as to the outcome. In this regard, our largest union, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the "UAW"), which represents about 29% of our unionized employees, has stated that it is on record as opposing the separation of Delphi from GM and that, should GM decide to proceed with the transactions, the UAW can and will aggressively work to protect the rights and interests of its members who would be impacted by the Distribution. Since that time, GM and the UAW have agreed that any of our employees who are members of the UAW and who retire on or before October 1, 1999 will be treated as GM retirees. GM and Delphi have been working with the UAW to address its concerns and will continue to do so. We intend to cooperate with GM in working together with the UAW, the IUE, the USW

and the other unions representing our employees to address the best interests of their members regarding these matters. See "Risk Factors--Risk Factors Relating to Separating Our Company from General Motors--We May Be Unable to Increase Our Competitiveness if We Fail to Improve Our Labor Relations and Establish More Flexible Work Rules and Practices Following Our Separation from General Motors."

- Capital Financing Flexibility. A separation of our company from General Motors would also benefit our company by enhancing our capital planning flexibility. For example, we would be able to use our own stock to facilitate growth through acquisitions. Also, we would no longer have to compete with other sectors of GM for funding from GM. However, we have entered into certain agreements in connection with our separation from GM that contain covenants which restrict our ability to issue stock and incur indebtedness, including in connection with acquisitions. For a description of these covenants, see "Arrangements Between Delphi and General Motors--IPO and Distribution Agreement."

## **Exhibit B**

September 29, 1999

Mr. Richard Shoemaker  
Vice President and Director  
General Motors Department  
International Union, UAW  
8000 East Jefferson Avenue  
Detroit, Michigan 48214

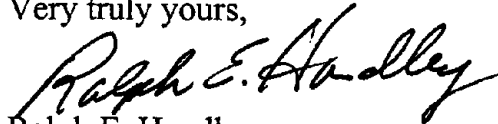
Dear Mr. Shoemaker:

Re: Post-2003 Delphi Agreement

This will confirm our understanding that the Agreement next succeeding the 1999-03 UAW-Delphi Automotive Systems National Agreement will mirror the UAW-GM National Agreement next succeeding the 1999-03 UAW-GM National Agreement, unless the parties agree to mutually acceptable modifications.

The agreement set forth in this letter shall not terminate or expire with the expiration of the 1999-03 UAW-Delphi Agreement. Instead, this letter agreement will continue in full force and effect for the duration of the UAW-GM National Agreement immediately following the 1999-03 UAW-GM National Agreement, absent agreement to the contrary.

Very truly yours,



Ralph E. Handley  
Executive Director, Industrial Relations  
Delphi Automotive Systems

NEW

**EXCERPTS FROM THE MINUTES**

During the discussions that led to the 1999 Delphi-UAW National Agreement, the Corporation advised the Union of its willingness to mirror the appropriate terms of the next GM-UAW National Agreement. The UAW, in turn, advised the Corporation of its willingness to consider mutually agreeable exceptions, as they have in the 1999 Delphi-UAW National Agreement, to assure the continued success of Delphi as an on-going business.

**EXPLANATORY COMMENTS**

Self-explanatory

## **Exhibit C**



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549-1004**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) October 8, 2005

**GENERAL MOTORS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**STATE OF DELAWARE**

**1-143**

**38-0572515**

(State or other jurisdiction of  
Incorporation or Organization)

(Commission File  
Number)

(I.R.S. Employer  
Identification No.)

**300 Renaissance Center, Detroit, Michigan**

**48265-3000**

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code **(313) 556-5000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17-CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 8.01

Other Events

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Exhibit 99.2	Benefit Guarantee – UAW (Also Exhibit A to Exhibit 99.1)
Exhibit 99.3	Model Assumption Agreement (Also Exhibit B to Exhibit 99.1)
Exhibit 99.4	Benefit Guarantee – USWA
Exhibit 99.5	Benefit Guarantee – IUE
<u>Agreement between General Motors Corporation and Delphi Automotive Systems Corporation</u>	
<u>Benefit Guarantee - UAW (Also Exhibit A to Exhibit 99.1)</u>	
<u>Model Assumption Agreement (Also Exhibit B to Exhibit 99.1)</u>	
<u>Benefit Guarantee - USWA</u>	
<u>Benefit Guarantee - IUE</u>	

**Benefit Guarantee**

During these negotiations, the Union concerns about the security of pensions, retiree medical, and certain other benefits described below for UAW-represented former GM employees who are employed by Delphi Automotive Systems Corporation ("Delphi"). In order to address these concerns, GM guarantees the provision of the benefits listed below, to the extent described herein, to those UAW-represented Delphi employees who had unbroken seniority and were employed by GM under the terms of the 1996 GM-UAW National Agreement as of the spin-off of Delphi from GM on May 28, 1999 (the "Covered Employees").

- a. In the event that Delphi or its successor company(ies) has ceased doing business on or before June 1, 2004:
  1. Covered Employees at Delphi who are laid-off will be entitled to layoff benefits available to laid-off GM employees under the GM-UAW National Agreement and Supplemental Agreements. Further, any such benefits provided by GM shall be secondary to benefits provided by Delphi, any of its subsidiaries or affiliates, or any of their successor company(ies).
- b. In the event that Delphi or its successor company(ies) has ceased doing business, terminated its pension plan covering the Covered Employees, or ceases to provide on-going credited service for the covered Employees under such pension plan due to Financial Distress, on or before the eighth anniversary of the Effective Date of the 1999-2003 GM-UAW National Agreement:
  1. GM will provide up to 7 years of credited service at the level and scope in effect at Delphi at such time to Covered Employees working at Delphi. Further, any such benefits provided by GM shall be secondary to benefits provided by Delphi, any of its subsidiaries or affiliates or any of their successor company(ies), or the PBGC. However, in no event shall GM provide pension benefits on such credited service at a level and scope that exceeds that being provided to hourly retirees of GM.
- c. In the event that Delphi or its successor company(ies) on or before the eighth anniversary of the Effective Date of the 1999-2003 GM-UAW National Agreement (x) due to Financial Distress fails or refuses to provide post-retirement medical benefits to eligible Covered Employees retired from Delphi, or (y) due to Financial Distress reduces the level of post-retirement medical benefits for eligible Covered Employees retired from Delphi below the level of benefits which, at that time, GM is providing to its UAW-represented retirees:

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1. GM shall guarantee such retired Covered Employees post-retirement medical benefits at the level and scope in effect for UAW-represented GM retirees at the time of the event described in c.(x) or c.(y). Further, any such coverage provided by GM shall be secondary to coverages, if any, provided by Delphi, any of its subsidiaries or affiliates, or any of their successor company(ies).
  2. For purposes of this agreement, the term "post-retirement medical benefits" shall include hospital, surgical and medical benefits, Medicare Part B benefits, prescription drug benefits, dental, vision and hearing benefits, and any other similar benefit for retirees which is now provided, by GM to its UAW-represented retirees.
- d. In the event that Delphi or its successor company(ies) on or before the eighth anniversary of the Effective Date of the 1999-2003 GM-UAW National Agreement (x) due to Financial Distress fails or refuses to provide post-retirement life insurance benefits to eligible Covered Employees retired from Delphi, or (y) due to Financial Distress reduces that level of post-retirement life insurance benefits for eligible Covered Employees retired from Delphi below the level of benefits which, at that time, GM is providing to its UAW-represented retirees:
1. GM shall guarantee such retired Covered Employees the level of post-retirement life insurance coverage equal to the amount in effect for UAW-represented GM retirees at the time of the event described in clause d.(x) or d.(y). Further, such life insurance shall be subject to reduction in accordance with provisions of the plan covering UAW-represented GM retirees in effect at such time. In addition, any such coverage provided by GM shall be secondary to coverage provided by Delphi, any of its subsidiaries or affiliates, or any of their successor companies.
- e. In the event that Covered Employees on or before the eighth anniversary of the Effective Date of the 1999-2003 GM-UAW National Agreement receive pension benefits at a level below that called for in any applicable Delphi/UAW agreement or pension plan due to Financial Distress:
1. GM shall provide supplemental payments to such retired Covered Employees which, when combined with any pension benefits received (x) from a pension plan sponsored by Delphi, any of its subsidiaries or affiliates or any of their successor company(ies), (y) from the PBGC, and/or (z) from a pension plan sponsored by GM, result in the retired Covered Employees receiving pension benefits equal to those called for in the UAW-Delphi agreement applicable at such time.

**General Provisions**

GM's obligations as described in this letter will continue in effect with respect to each of the benefits described above, regardless of the expiration of any collective bargaining agreement, for as long as GM is providing the corresponding benefit to its UAW-represented employees or retirees. This agreement may be modified only by mutual agreement of the parties.

GM's obligations to provide a particular benefit under this letter shall not apply to the extent that Delphi provides a lower scope or level of such benefits to Covered Employees than that provided to UAW-represented hourly active or retired non-Covered Employees. In addition, in no event shall GM be required to provide benefits to Covered Employees at a level and scope that exceeds that being provided to UAW-represented hourly retirees of GM.

As used herein, the term "Financial Distress" means a risk affecting Delphi's continuing financial viability. The UAW cited companies with which they have a bargaining relationship as examples of the type of situation they are concerned about when referencing Financial Distress. The parties also discussed a significant drop in credit rating, reorganization in bankruptcy, and a qualified opinion by Delphi's auditors regarding Delphi's prospects as a going concern and agreed that these types of circumstances are non-exclusive examples of conditions associated with Financial Distress.

In the event that the Financial Distress is eliminated, and Delphi restores the benefits at issue to the level and scope in effect immediately before the reduction that triggered the guarantee, GM shall be relieved of its obligation for so long as Delphi continues to provide the restored level and scope of benefits.

GM's obligations as described in this letter will not be triggered by a short-term failure (i.e., less than 60 days) by Delphi to maintain the benefits and/or coverages described above, provided that Delphi is taking reasonable steps to cure such failure during such time.

**Benefit Guarantee**

During these negotiations, the Union raised concerns about the security of pensions, retiree medical, and certain other benefits described below for United Steelworkers of America (USWA) represented former GM employees who are now employed by Delphi Automotive Systems Corporation ("Delphi").

In order to address these concerns, GM guarantees the provision of the benefits listed below, to the extent described herein, to those USWA-represented Delphi employees who had unbroken seniority and were employed by GM under the terms of the 1996 GM-USWA National Agreement as of the spin-off of Delphi from GM on May 28, 1999 (the "Covered Employees"). (However, such guarantees do not apply to those Delphi USWA employees employed under competitive hire agreements unless such employees are at parity for wages and benefits as of May 28, 1999.)

a. In the event that Delphi or its successor company(ies) has ceased doing business on or before June 1, 2004:

1. Covered Employees at Delphi who are laid-off will be entitled to layoff benefits available to laid-off GM hourly employees under the GM hourly National Agreement and Supplemental Agreements. Further, any such benefits provided by GM shall be secondary to benefits provided by Delphi, any of its subsidiaries or affiliates, or any of their successor company(ies).

b. In the event that Delphi or its successor company(ies) has ceased doing business, terminated its pension plan covering the Covered Employees and all other union-represented hourly-rate employees in the United States, or ceases to provide on-going credited service for the Covered Employees and all other union-represented hourly-rate employees in the United States under such pension plan due to Financial Distress, on or before October 18, 2007:

1. GM will provide up to 7 years of credited service at the level and scope in effect at Delphi at such time to Covered Employees working at Delphi. Further, any such benefits provided by GM shall be secondary to benefits provided by Delphi, any of its subsidiaries or affiliates or any of their successor company(ies), or the PBGC. However, In no event shall GM provide pension benefits on such credited service at a level and scope that exceeds that being provided to hourly retirees of GM.

c. In the event that Delphi or its successor company(ies) on or before October 18, 2007 (x) due to Financial Distress fails or refuses to provide post-retirement medical benefits to eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi, or (y) due to Financial Distress reduces the level of post-retirement medical benefits for eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi below the level of benefits which, at that time, GM is providing to its hourly retirees:

1. GM shall guarantee such retired Covered Employees post-retirement medical benefits at the level and scope in effect for hourly GM retirees at the time of the event described in c.(x) or c.(y). Further, any such coverage provided by GM shall be secondary to coverages, if any, provided by Delphi, any of its subsidiaries or affiliates, or any of their successor company(ies).
2. For purposes of this agreement, the term "post-retirement medical benefits" shall include hospital, surgical and medical benefits, Medicare Part B benefits, prescription drug benefits, dental, vision, and hearing benefits, and any other similar benefit for retirees which is now provided, by GM to its hourly retirees.

d. In the event that Delphi or its successor company(ies) on or before October 18, 2007 (x) due to Financial Distress fails or refuses to provide post-retirement life insurance benefits to eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi, or (y) due to Financial Distress reduces the level of post-retirement life insurance benefits for eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi below the level of benefits which, at that time, GM is providing to its hourly retirees:

1. GM shall guarantee such retired Covered Employees the level of post-retirement life insurance coverage equal to the amount in effect for hourly GM retirees at the time of the event described in clause d.(X) or d.(y). Further, such life insurance shall be subject to reduction in accordance with provisions of the plan covering hourly GM retirees in effect at such time. In addition, any such coverage provided by GM shall be secondary to coverage provided by Delphi, any of its subsidiaries or affiliates, or any of their successor companies.

e. In the event that Covered Employees and all other union-represented hourly-rate employees in the United States on or before October 18, 2007 receive pension benefits at a level below that called for in any applicable Delphi/USWA agreement or pension plan due to Financial Distress:

1. GM shall provide supplemental payments to such retired Covered Employees which, when combined with any pension benefits received (x) from a pension plan sponsored by Delphi, any of its subsidiaries or affiliates or any of their successor company(ies), (y) from the PBGC, and/or (z) from a pension plan sponsored by GM, result in the retired Covered Employees receiving pension benefits equal to those called for in the Delphi/USWA agreement applicable at such time.



**General Provisions**

GM's obligations as described in this letter will continue in effect with respect to each of the benefits described above, regardless of the expiration of any collective bargaining agreement for as long as GM is providing the corresponding benefit to its hourly employees or retirees. This agreement may be modified only by mutual agreement of the parties.

GM's obligations to provide a particular benefit under this letter shall not apply to the extent that Delphi provides a lower scope or level of such benefits to Covered Employees than that provided to hourly active or retired non-Covered Employees. In addition, in no event shall GM be required to provide benefits to Covered Employees at a level and scope that exceeds that being provided to hourly retirees of GM.

As used herein, the term "Financial Distress" means a risk affecting Delphi's continuing financial viability. The USWA cited companies it is aware of that another union representing GM employees has a bargaining relationship with, as examples of the type of situation they are concerned about when referencing Financial Distress. The parties also discussed a significant drop in the credit rating, reorganization in bankruptcy, and a qualified opinion by Delphi's auditors regarding Delphi's prospects as an on-going concern and agreed that these types of circumstances are nonexclusive examples of conditions associated with Financial Distress.

In the event that the Financial Distress is eliminated, and Delphi restores the benefits at issue to the level and scope in effect immediately before the reduction that triggered the guarantee, GM shall be relieved of its obligation for so long as Delphi continues to provide the restored level and scope of benefits.

GM's obligations as described in this letter will not be triggered by a short-term failure(i.s., less than 60 days) by Delphi to maintain the benefits and/or coverages described above, provided that Delphi is taking reasonable steps to cure such failure during such time.

**Benefit Guarantee**

During these negotiations, the Union raised concerns about the security of pensions, retiree medical, and certain other benefits described below for International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, AFL-CIO (IUE) represented former GM employees who are now employed by Delphi Automotive Systems Corporation ("Delphi"). In order to address these concerns, GM guarantees the provision of the benefits listed below, to the extent described herein, to those IUE-represented Delphi employees who had unbroken seniority and were employed by GM under the terms of the 1996 GM-IUE National Agreement as of the spin-off of Delphi from GM on May 28, 1999 (the "Covered Employees"). (However, such guarantees do not apply to those Delphi IUE employees employed under a competitive wage agreement as of May 28, 1999, i.e., Tier II or Tier III employees.)

- a. In the event that Delphi or its successor company(ies) has ceased doing business on or before June 1, 2004:
    1. Covered Employees at Delphi who are laid-off will be entitled to layoff benefits available to laid-off GM hourly employees under the GM hourly National Agreement and Supplemental Agreements. Further, any such benefits provided by GM shall be secondary to benefits provided by Delphi, any of its subsidiaries or affiliates, or any of their successor company(ies).
  - b. In the event that Delphi or its successor company(ies) has ceased doing business, terminated its pension plan covering the Covered Employees and all other union-represented hourly-rate employees in the United States, or ceases to provide on-going credited service for the Covered Employees and all other union-represented hourly-rate employees in the United States under such pension plan due to Financial Distress, on or before October 18, 2007:
    1. GM will provide up to 7 years of credited service at the level and scope in effect at Delphi at such time to Covered Employees working at Delphi. Further, any such benefits provided by GM shall be secondary to benefits provided by Delphi, any of its subsidiaries or affiliates or any of their successor company(ies), or the PBGC. However, in no event shall GM provide pension benefits on such credited service at a level and scope that exceeds that being provided to hourly retirees of GM.
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- c. In the event that Delphi or its successor company(ies) on or before October 18, 2007 (x) due to Financial Distress fails or refuses to provide post-retirement medical benefits to eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi, or (y) due to Financial Distress reduces the level of post-retirement medical benefits for eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi below the level of benefits which, at that time, GM is providing to its hourly retirees:
    1. GM shall guarantee such retired Covered Employees post-retirement medical benefits at the level and scope in effect for hourly GM retirees at the time of the event described in c.(x) or c.(y). Further, any such coverage provided by GM shall be secondary to coverages, if any, provided by Delphi, any of its subsidiaries or affiliates, or any of their successor company(ies).
    2. For purposes of this agreement, the term "post-retirement medical benefits" shall include hospital, surgical and medical benefits, Medicare Part B benefits, prescription drug benefits, dental, vision, and hearing benefits, and any other similar benefit for retirees which is now provided, by GM to its hourly retirees.
  - d. In the event that Delphi or its successor company(ies) on or before October 18, 2007 (x) due to Financial Distress fails or refuses to provide post-retirement life insurance benefits to eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi, or (y) due to Financial Distress reduces the level of post-retirement life insurance benefits for eligible Covered Employees and all other union-represented hourly-rate employees in the United States retired from Delphi below the level of benefits which, at that time, GM is providing to its hourly retirees:
    1. GM shall guarantee such retired Covered Employees the level of post-retirement life insurance coverage equal to the amount in effect for hourly GM retirees at the time of the event described in clause d.(x) or d.(y). Further, such life insurance shall be subject to reduction in accordance with provisions of the plan covering hourly GM retirees in effect at such time. In addition, any such coverage provided by GM shall be secondary to coverage provided by Delphi, any of its subsidiaries or affiliates, or any of their successor companies.

- e. In the event that Covered Employees and all other union-represented hourly-rate employees in the United States on or before October 18, 2007 receive pension benefits at a level below that called for in any applicable Delphi/TUE agreement or pension plan due to Financial Distress:
  - 1. GM shall provide supplemental payments to such retired Covered Employees which, when combined with any pension benefits received (x) from a pension plan sponsored by Delphi, any of its subsidiaries or affiliates or any of their successor company(ies), (y) from the PBGC, and/or (z) from a pension plan sponsored by GM, result in the retired Covered Employees receiving pension, benefits equal to those called for in the Delphi/TUE agreement applicable at such time.



**General Provision**

GM's obligations as described in this letter will continue in effect with respect to each of the benefits described above, regardless of the expiration of any collective bargaining agreement, for as long as GM is providing the corresponding benefit to its hourly employees or retirees. This agreement may be modified only by mutual agreement of the parties.

GM's obligation to provide a particular benefit under this letter shall not apply to the extent that Delphi provides a lower scope or level of such benefits to Covered Employees than that provided to hourly active or retired non-Covered Employees. In addition, in no event shall GM be required to provide benefits to Covered Employees at a level and scope that exceeds that being provided to hourly retirees of GM.

As used herein, the term "Financial Distress" means a risk affecting Delphi's continuing financial viability. The IUE cited companies it is aware of that another union representing GM employees has a bargaining relationship with, as examples of the type of situation they are concerned about when referencing Financial Distress. The parties also discussed a significant drop in the credit rating, reorganization in bankruptcy, and a qualified opinion by Delphi's auditors regarding Delphi's prospects as an on-going concern and agreed that these types of circumstances are nonexclusive examples of conditions associated with Financial Distress.

In the event that the Financial Distress is eliminated, and Delphi restores the benefits at issue to the level and scope in effect immediately before the reduction that triggered the guarantee, GM shall be relieved of its obligation for so long as Delphi continues to provide the restored level and scope of benefits.

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