UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 63578 / December 20, 2010

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3220 / December 20, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-14166

In the Matter of **MILAN BELANS (CPA),** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO RULE 102(e) OF THE COMMISSION'S RULES OF PRACTICE, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Milan Belans ("Respondent" or "Belans") pursuant to Rule 102(e)(3)(i) of the Commission's Rules of Practice.[1]

[1] Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III. 3. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Milan Belans, 43, also known as Milan Eli Belans II, a resident of Farmington Hills, Michigan, served in various positions at Delphi Corporation ("Delphi") from 1998 until August 2005. From August 1998 to January 2000, he served in Delphi's controller's office as Director of Financial Accounting and Reporting, reporting to the Chief Accounting Officer. From January 2000 to August 2001, he served in Delphi's treasury department as Director of Capital Planning, Structured Finance and Pension Analysis, reporting to the Assistant Treasurer and/or the Treasurer. Belans was licensed as a CPA in Michigan in 1991.

2. Delphi was, at all relevant times, an auto parts supplier headquartered in Troy, Michigan. It was incorporated in Delaware in 1998. At all relevant times, Delphi's common stock was registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 ("Exchange Act") and was listed on the New York Stock Exchange ("NYSE") under the symbol "DPH."

3. On October 30, 2006, the Commission filed a complaint against Belans and others in <u>SEC v. Delphi Corporation and Milan Belans, et al.</u> (Civil Action No. 2:06-cv-14891-AC-SDP). On December 13, 2010, the court entered an order permanently enjoining Belans, by consent, from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1 thereunder, and aiding and abetting violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder. Belans was also ordered to pay disgorgement of $17,835, prejudgment interest of $13,865, and a $55,800 civil money penalty.

4. The Commission's complaint alleged, among other things, that Belans engaged in three fraudulent schemes which resulted in Delphi filing materially false and misleading financial statements in the company's quarterly report on Form 10-Q for the third quarter of 2000, and on the company's annual report on Form 10-K for the fiscal year ended December 31, 2000. Specifically, the Complaint alleged as follows:

Warranty Settlement

a. In the third quarter of and full year 2000, Delphi improperly accounted for and disclosed a payment that it made to its former parent company, pursuant to a settlement agreement. Delphi treated the payment as related primarily to certain pension and other post-employment benefit ("OPEB") matters, even though Delphi knew that the settlement in fact related exclusively to warranty claims made by its former parent company. As a result, Delphi materially overstated its originally reported earnings per share ("EPS") and net income for the third quarter of and full year 2000. The misstatements were reflected in Delphi's Form 10-Q for the period ended September 30, 2000, as filed with the Commission on or about October 11, 2000, and its Form 10-K for the period ended December 31, 2000, as filed with the Commission on or about February 8, 2001.

b. The Commission alleged that Belans, at his supervisors' direction and approval, added a provision to a September 22, 2000 warranty settlement agreement that released the former parent company from a pension/OPEB claim that the former parent company had never asserted against Delphi, and had no basis to assert; specifically, a claim that, in calculating the pension/OPEB true-up payments, the companies should have used certain 1999 actuarial assumptions, rather than 1998 assumptions. The Commission alleged that to support Delphi's false and misleading accounting, Belans had Delphi's actuarial consultant provide a rough estimate of what Delphi's pension/OPEB true-up payments would be if the companies had used the 1999 assumptions. While Delphi's actuaries did not perform any type of formal analysis, they sent Delphi a one-page fax that suggested that Delphi's pension and OPEB payments to the former parent company could have been about $202 million higher.

c. The Commission alleged that Belans knew or was reckless in not knowing that engineers and financial analysts from Delphi and the former parent company had valued the 27 warranty items at $237 million and that the former parent company would not back down from its claim for $237 million. The Commission alleged that he also knew or was reckless in not knowing that at no time during any of the negotiations leading to the September 2000 warranty settlement did anyone at the former parent company make any claim relating to pension/OPEB actuarial assumptions. Rather the Commission alleged that he included, or allowed the inclusion of, the reference to increases in pension/OPEB costs in the warranty settlement solely to allow Delphi to falsely account for $202 million of the payment as a pension/OPEB payment to the former parent company.

d. Belans knew or was reckless in not knowing that Delphi's accounting for the $202 million of the $237 million payment to the former parent company, as reflected in its Form 10-K for the period ended December 31, 2000, was materially and intentionally false and misleading.

Inventory Transactions

e. In the fourth quarter of 2000, Delphi sold approximately $270 million of inventory to two third-parties while simultaneously agreeing to repurchase the inventory in the following quarter for the original sales price, plus interest charges and structuring fees. By improperly accounting for the transactions as true sales, rather than as financing transactions, Delphi improperly recognized a material amount in cash flow from operations and materially overstated its reported EPS and net income for the fourth quarter of 2000 and, combined with the warranty misstatements, further materially overstated its net income for the year 2000. The misstatements were reflected in Delphi's Form 10-K for the period ended December 31, 2000, as filed with the Commission on or about February 8, 2001.

Precious Metals Transaction with a Bank

f. In the last few days of 2000, Delphi entered into an agreement with a bank (the "Bank"), purporting to sell it approximately $200 million of precious metals. The metals, known collectively as either "Platinum Grade" or "Precious Group" metals, or simply as "PGMs," were used in the production of auto parts, including, primarily, catalytic converters. As agreed at the time of the sale, Delphi repurchased the identical metals from the Bank before the end of January 2001. Under the terms of its agreement, the Bank purported to own the metals for the one-month period, and Delphi agreed to pay the Bank approximately $3.5 million. The purpose of the transaction was to permit Delphi to accelerate recognition of inventory liquidation gains, feign greater liquidity, and otherwise appear to achieve analyst targets and other financial goals. As a result of the transaction, Delphi improperly recognized $54 million in net income. Delphi also improperly boosted its cash flow from operations by approximately $200 million.

g. Delphi's financial forecasts and guidance to investors and analysts for the fourth quarter of and year-end 2000 contemplated material reductions in inventory levels and increases in cash flow from operations and net income, consistent with a sale of approximately $200 million of PGMs to Delphi's former parent company. Delphi's Treasurer was unsure, however, whether Delphi's former parent company would agree to purchase the metals before year end 2000, therefore he directed Belans to conceive an alternative structured finance plan. This initiative was described as "Off-balance sheet financing of PGM inventory." Under the plan, Delphi would temporarily sell the metals to a third-party before year end and then buy them back in early 2001 in time to sell the metals to the former parent company.

h. The transaction with the Bank had two components: a purchase agreement, pursuant to which the Bank agreed to purchase the PGM inventory from Delphi in December 2000, and a forward agreement, pursuant to which Delphi agreed to repurchase the identical metals from the Bank in January 2001, at specified prices. Neither contract stated how the parties arrived at the specified prices.

i. Delphi and the Bank executed the agreements on December 28, 2000, and the Bank wired $199,256,785.65 to Delphi. Delphi treated approximately $193 million of this amount as a reduction in inventory and approximately $6 million as a credit to cost of sales, resulting in an equivalent increase to income. On January 29, 2001, Delphi wired $202,514,626.18 back to the Bank. Between December 28 and January 29, the metals remained under Delphi's control and, in fact, continued to be used by Delphi in its production process. The transaction enabled Delphi to report a $54 million last-in first-out inventory ("LIFO") gain at the end of 2000.

j. The price at which Delphi sold the metals to the Bank, and the higher price at which it repurchased the metals, were both well below market price for the metals. The Commission alleged that, in a misleading effort to demonstrate it was following its auditor's advice that the price at which Delphi sold the metals should be market prices, however, Belans created a memorandum that falsely justified the prices as being appropriately discounted from market price. While acknowledging that there was huge volatility in the price of PGMs, the memorandum also justified the forward price as an appropriate approximation of the one-month future price of the metals. However, the memorandum's analysis was contrived. The forward price was calculated by taking the purchase price and adding $3,257,840.52 in the Bank's fees and costs.

Batteries and Cores Transaction with The Consulting Company

k. In December 2000, Belans engaged in negotiations and Delphi entered into an agreement with B.N. Bahadur, the principal of a consulting company ("the Consulting Company"), to sell automotive batteries and generator cores to the Consulting Company. Delphi also had an oral repurchase arrangement with Bahadur, however, pursuant to which it agreed it would repurchase the identical inventory from the Consulting Company in the first quarter of 2001, at its original price, plus a transaction fee. Delphi's purpose in entering into the transaction was to accelerate recognition of $27 million in inventory LIFO liquidation gains and achieve net income targets.

l. As with the transaction with the Bank, Delphi's goal was to structure the transaction in a way that would assure that Delphi would obtain the auditor's approval for true sale accounting treatment. On the face of the agreement with the Consulting Company, such accounting treatment seemed appropriate. The Commission alleged that Belans, however, deliberately omitted material terms of the actual agreement from the written documents.

m. Bahadur's counsel, who drafted the contract, proposed to Belans and recommended to Bahadur that Delphi's repurchase obligation be put in writing. The Commission alleged that Belans refused to put the repurchase obligation in writing.

n. Belans and Bahadur negotiated the specific price for the repurchase: Delphi would sell the inventory to the Consulting Company for $70,000,000, the approximate book value of the inventory, and repurchase it from the Consulting Company for $70,000,000 plus a 0.5% fee. On December 27, 2000, Delphi and the Consulting Company entered into an "Inventory Purchase Agreement," pursuant to which the Consulting Company agreed to purchase cores and batteries from Delphi. The agreement made no mention of Delphi's repurchase obligation or its agreement to pay a fee to the Consulting Company.

o. In late December 2000, Delphi learned from Bahadur that the Consulting Company would be unable to obtain financing before year end and thus would be unable to immediately pay for the inventory. Belans and others discussed the fact that, without receiving payment from the Consulting Company in 2000, Delphi would be unable to use the scheme as part of its plan to meet operating cash flow targets. Nevertheless, because the transaction was also important to Delphi's inventory reduction scheme, Belans was directed to go forward with the transaction.

p. After January 1, 2001, while the Consulting Company was still working on securing financing, Belans came up with an alternative plan that essentially resulted in Delphi financing the transaction itself. At Belans' direction, Delphi first arranged with Bahadur for the Consulting Company to be enrolled in the supplier financer program. Then, again at Belans' direction, Delphi arranged with Bahadur to have the Consulting Company issue an invoice to Delphi for $70,840,214.28. This amount was calculated by Delphi so that, after the third-party supplier financer took its fee, the Consulting Company would receive the net proceeds of $70,350,000.

q. The Consulting Company received the $70,350,000 from the third-party supplier financer on or about January 12, 2001 and immediately paid $70 million to Delphi as payment for its purchase of the inventory. The Consulting Company retained $350,000 as its fee. A month later, Delphi paid $70,840,214.28 to the third-party supplier financer. When the transaction was complete, Delphi had paid the Consulting Company $350,000, and had paid the third-party supplier financer $538,385.63, to move inventory off of Delphi's books for approximately two weeks. At a cost of almost $900,000, Delphi manufactured an inventory LIFO gain of $27 million. No inventory ever left Delphi's premises.

r. The Commission alleged that Belans hid material facts concerning the transaction from Delphi's auditor. In 2001, when the auditor learned of the January repurchase, the auditor questioned whether there had been any pre-existing agreement with the Consulting Company to repurchase the inventory. Belans assured the auditor there was none.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Belans' Offer.

Accordingly, it is hereby ORDERED, effective immediately, that**:**

A. Belans is suspended from appearing or practicing before the Commission as an accountant.

B. After five (5) years from the date of this order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Respondent's or the firm's quality control system that would indicate that the Respondent will not receive appropriate supervision;

(c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order") on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
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