UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 54667 / October 30, 2006

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2502 / October 30, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12465

In the Matter of **LAURA MARION,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934**

I.

The Securities and Exchange Commission (the "Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act"), against Laura Marion ("Marion" or the "Respondent").

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 her and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 ("Order"), as set forth below.[1]

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[1] In a separate civil action filed simultaneously with this proceeding, Marion has separately consented to the entry of a judgment by the U.S. District Court for the Eastern District of Michigan pursuant to Section 21(d) of the Exchange Act ordering her to pay a civil penalty of $40,000. *SEC v. Delphi Corporation, et al.*, Civil Action No. 2:06-cv-14891 (AC) (E.D. Mich. Oct. 30, 2006).

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:[2]

A. **Respondent and Delphi Corporation**

1. **Respondent**

Marion, 34, is a resident of Rochester Hills, Michigan. Marion is an accountant and, at all relevant times, was Director of Financial Accounting and Reporting of Delphi Corporation ("Delphi").

2. **Delphi**

Delphi is an auto parts supplier headquartered in Troy, Michigan. At all relevant times, Delphi's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and was listed on the New York Stock Exchange ("NYSE") under the symbol "DPH." On October 8, 2005, Delphi filed for bankruptcy in the Southern District of New York. On November 11, 2005, Delphi was delisted from the NYSE. Delphi's common stock is now registered with the Commission pursuant to Section 12(g) of the Exchange Act and trades in the over the counter market and is quoted in the pink sheets under the symbol "DPHIQ."

B. **Facts**

1. **Introduction**

This case involves Marion's involvement in Delphi's reporting and books-and-records violations related to two inventory transactions in the fourth quarter of 2000. The transactions involved Delphi's purported sales of inventory to a financial institution (the "Financial Institution") and a Michigan consulting company (the "Consulting Company"), and Delphi's simultaneous agreement to repurchase the inventory in the first quarter of 2001, at the original purchase prices plus fees. Delphi improperly accounted for the transactions as sales, rather than as financing transactions.

2. **Delphi's inventory transactions**

In the fourth quarter of 2000, Delphi personnel conceived of a scheme to temporarily move precious metals, automotive batteries and generator cores off of Delphi's balance sheet in order to generate income and operating cash flow. On or about December 5, 2000, these Delphi employees wrote a handwritten note, addressed to Marion, stating that they had been instructed by a member of senior management to "maximize the financial engineering relating to [precious metals], cores and batteries."

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2 The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

In December 2000, Delphi entered into an arrangement whereby Delphi sold precious metals inventories to the Financial Institution for approximately $199 million and simultaneously entered a forward agreement, by which Delphi agreed to repurchase the metals from the Financial Institution in January 2001, for approximately $202.5 million. Consistent with the agreement, Delphi did, in fact, repurchase the inventory from the Financial Institution in January 2001 for approximately $202.5 million. As Director of Financial Accounting and Reporting, Marion reviewed the transaction documents and transmitted a document to Delphi's auditors, prepared by another Delphi employee and edited by Marion, that purported to support the $202.5 million purchase price through an analysis of the future price of metals.

Also in December 2000, Delphi entered into an arrangement whereby it sold automotive battery and generator core inventory to the Consulting Company for $70 million. Marion understood that Delphi had described this transaction to Delphi's auditors as a sales transaction and had told the auditors that there was no agreement to repurchase the battery and core inventory from the Consulting Company. In fact, outside of Marion's presence, a Delphi executive had entered an oral agreement with the Consulting Company to repurchase the inventory for $70 million plus a $350,000 fee. Prior to Delphi filing its Form 10-K for the period ended December 31, 2000, Marion became aware that Delphi had repurchased the inventory in January 2001 for the original $70 million purchase price and had paid the Consulting Company a fee.

3. Marion receives a document characterizing the inventory transactions as structured finance transactions.

On February 5, 2001, prior to Delphi filing its Form 10-K for the period ended December 31, 2000, Marion was asked by Delphi's then controller and chief accounting officer to obtain a "spec[ific] breakout of costs" for the December inventory transactions, including detail of the structuring fees and financing costs. Within a day, Marion received a document with those details (the "February 2001 Document"). The February 2001 Document provided several pieces of information that indicated that the December 2000 transactions were not sales of inventory, but instead were financing transactions. First, the February 2001 Document was titled "4th Quarter 2000 Structured Finance Initiatives Cost Breakdown." In addition, the February 2001 Document showed that Delphi had paid the Financial Institution a $2 million structuring fee and approximately $1.5 million in interest and other costs. The total of these fees and costs was equal to the difference between the $199 million price at which the Financial Institution purchased the precious metals from Delphi and the $202.5 million price reflected in the forward contract. Finally, the February 2001 Document showed that Delphi had paid the Consulting Company a Structuring Fee of $350,000. Marion reviewed and annotated the document. Her annotations indicated that she understood that Delphi had repurchased the inventory for the original sales price, plus the structuring fees and associated interest and other costs. On February 6, 2001, Marion forwarded the document, with her annotations, to Delphi's controller and chief accounting officer.

4. **Marion assists in preparation of financial statements and disclosures that improperly report inventory transactions.**

On February 8, 2001, Delphi issued its 2000 Form 10-K. Marion had a substantial role in preparing and reviewing the filing. The Form 10-K reflected Delphi's improper accounting for the inventory transactions as sales rather than as financing transactions. As a result of Delphi's improper accounting, Delphi improperly recognized approximately $200 million in cash flow from operations and overstated its earnings per share by approximately 13 cents or 36% of the originally reported earnings for the quarter and 7% of the originally reported earnings for the full year. Also in the filing, Delphi reported year-end reductions in inventory and associated costs, and improperly attributed those reductions to Delphi's "aggressive inventory management." In fact, the majority of Delphi's purported inventory improvements were the result of the temporary "structured finance" transactions with the Financial Institution and Consulting Company. Moreover, these transactions resulted in approximately $4 million in cost *increases* to Delphi.

5. **Marion's role in Delphi's books and records and reporting violations**

As a senior accountant and Director of Financial Accounting and Reporting at Delphi, Marion was one of several Delphi officers and employees who was responsible for ensuring that Delphi's financial statements and related disclosures in its periodic reports, and well as its other books and records, accurately reflected the true substance of the inventory transactions. Based on the February 2001 Document, Marion knew or should have known that Delphi had not engaged in sales transactions with the Financial Institution and Consulting Company, but instead had engaged in financing transactions. Nevertheless, Marion took no steps to follow up on the information contained in the February 2001 Document, to consider how it might impact Delphi's accounting for the transactions or to share the information in the document with Delphi's auditors. Marion also did not correct language in Delphi's Form 10-K that falsely attributed Delphi's inventory reductions to "aggressive inventory management."

C. **Conclusion**

As a result of the conduct described above, Marion was a cause of Delphi's violations of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 promulgated thereunder, which require reporting companies to file accurate annual reports with the Commission.

Also as a result of the conduct described above, Marion was a cause of Delphi's violations of Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Marion's Offer.

Accordingly, it is hereby ORDERED that Respondent Marion cease and desist from causing any violations and any future violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20 and 13a-1 promulgated thereunder.

By the Commission.

Nancy M. Morris
Secretary