DELPHI FINANCIAL GROUP INC/DE
Form 424B3
May 13, 2003

Filed pursuant to Rule 424B
Registration No. 333-86666

The information in this preliminary prospectus supplement and accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated May 12, 2003

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus Dated May 6, 2002)

$100,000,000

% Senior Notes due 2033

Delphi Financial Group, Inc. is offering $100,000,000 of % senior notes due 2033. We will pay interest on the notes quarterly on , , and of each year, beginning , 2003. The notes mature on , 2033. We may not redeem the notes prior to , 2008. On or after , 2008, we may redeem the notes, in whole or in part, at 100% of their principal amount, plus accrued interest to the date of redemption. We will issue the notes only in denominations of $25 and multiples of $25. The notes will be our senior unsecured obligations and will rank equally with all of our existing and future other unsecured and unsubordinated indebtedness.

We will apply to list the notes on the New York Stock Exchange. We expect trading of the notes to begin within a 30-day period after the initial delivery of the notes. The notes are expected to trade flat. This means that purchasers will not pay and sellers will not receive any accrued and unpaid interest on the notes that is not included in the trading price.

The underwriters will have the option, within 30 days, to purchase an additional $ aggregate principal amount of notes.

See Risk Factors beginning on page S-9 of this prospectus supplement and page 4 of the accompanying prospectus for certain information relevant to an investment in the notes.

	Per Note	Total
Public Offering Price	%	$
Underwriting Discount	%	$
Proceeds, Before Expenses, to Delphi	%	$

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

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company on or about , 2003.

Joint Book-Running Managers

LEHMAN BROTHERS

WACHOVIA SECURITIES

STIFEL, NICOLAUS & COMPANY INCORPORATED

U.S. BANCORP PIPER JAFFRAY

, 2003

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PROSPECTUS SUPPLEMENT

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of the date on the front of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

Cautionary Note Regarding Forward-Looking Statements

In connection with, and because we desire to take advantage of, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward-looking statements in this prospectus supplement or the accompanying prospectus and in any other statement made by us, or on our behalf, whether in future filings with the SEC or elsewhere. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, prospects, outlooks or other developments. Some forward-looking statements may be identified by the use of terms such as expects, believes, anticipates, intends, judgment or other sin expressions. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic, competitive and other uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. Examples of such uncertainties and contingencies include, among other important factors, those affecting the insurance industry generally, such as the economic and interest rate environment, federal and state legislative and regulatory developments, including but not limited to changes in financial services and tax laws and regulations, market pricing and competitive trends relating to insurance products and services, acts of terrorism or war, and the availability and cost of reinsurance, and those relating specifically to our business, such as the level of our insurance premiums and fee income, the claims experience, persistency and other factors affecting the profitability of our insurance products, the performance of our investment portfolio and changes in our investment strategy, acquisitions of companies or blocks of business, and ratings by major rating organizations of our insurance subsidiaries. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary contains basic information about this offering. This summary may not contain all of the information that is important to you. You should carefully read this entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. In this prospectus supplement and in the accompanying prospectus, unless the context requires otherwise, we, us, our and the Company refer to Delphi Financial Group, Inc. and its subsidiaries, and Delphi refers to Delphi Financial Group, Inc. only and not any of its subsidiaries.

Delphi Financial Group, Inc.

Delphi is a holding company, organized as a Delaware corporation in 1987, whose subsidiaries provide integrated employee benefit services. We manage all aspects of employee absence to enhance the productivity of our clients and provide the related insurance coverages: long-term and short-term disability, excess and primary workers compensation, group life and travel accident. Our asset accumulation business emphasizes fixed annuity products. We offer our products and services in all fifty states and the District of Columbia.

As of March 31, 2003, we had assets of $3.9 billion and shareholders equity of $691.8 million. For the year ended December 31, 2002, we had total premium and fee income of $627.9 million and operating income, excluding realized investment losses of $28.5 million and loss on extinguishment of debt of $0.3 million, of $127.5 million. Operating income, calculated in accordance with Generally Accepted Accounting Principles (GAAP), includes realized investment losses and loss on extinguishment of debt and was $98.7 million for the year ended December 31, 2002. Delphi has senior debt ratings of BBB from Standard & Poor s, a division of The McGraw-Hill Companies, Inc. (Standard & Poor s) and Fitch, Inc. (Fitch) and Ba1 from Moody s Investor Service, Inc. (Moody s). Our insurance subsidiaries have financial strength ratings of A from Standard & Poor s and Fitch, A (in the case of Safety National Casualty Corporation (Safety National)) and A- (in the case o Reliance Standard Life Insurance Company (Reliance Standard Life)) from A.M. Best Company (A.M. Best) and Reliance Standard Life has a Baa1 rating from Moody s.

Strategy

Our operating strategy is to offer financial products and services which have the potential for significant growth, which require specialized expertise to meet the individual needs of our customers and which provide us the opportunity to achieve superior operating earnings growth and returns on our shareholders capital.

We have concentrated our efforts within certain niche insurance markets. Our primary focus is on group employee benefits for small to mid-sized employers. This target market segment consists of companies with 10 to 500 employees. This segment of the market, which we believe is underserved, has witnessed a significant amount of the employment growth in the American economy over the last few years. In addition to valuing our relationship approach to the business, we believe the smaller-sized employer market also tends to be less price-competitive.

We also market our group employee benefit products and services to large employers with more than 1,000 employees, where we emphasize a unique program that combines both employee benefit insurance coverages and absence management (back-to-work) services. We believe this program, which we call the Integrated Employee Benefit Program, affords us a competitive advantage in the marketplace.

Operating Segments

Our two reportable operating segments are group employee benefit products and asset accumulation products.

Group Employee Benefit Products

We emphasize the origination of specialty insurance products directed to the employee benefits market, primarily group life, disability, excess workers compensation and travel accident insurance. We also offer voluntary accidental death and dismemberment and group dental insurance. For the year ended 2002, these products (which we refer to as our core products) accounted for $559.2 million of our total group employee benefit premiums of $608.5 million. Our new product premiums (sales) totaled $241.1 million on an annualized basis in 2002, with 83% of that amount attributable to the core products. Premiums earned on core group employee benefit products grew at a compounded annual rate of 18% from 2000 to 2002 and 26% from the first quarter of 2002 to the first quarter of 2003.

Group life insurance products provide for the payment of a stated amount upon the death of a member of the insured group. This segment accounted for 35% of our 2002 total group insurance premiums.

The group disability products we offer, principally long-term disability insurance, generally provide a specified level of periodic benefits to persons who, because of sickness or injury, are unable to work for a specified period of time. Our disability coverages are spread across many industries. This segment accounted for 32% of our 2002 total group insurance premiums.

We believe we are a market share leader in excess workers compensation. These products provide coverage to employers and groups who self-insure their workers compensation risks. Our claim payments do not begin until after the self-insured s loss payments exceed its self-insured retention (which we refer to as an SIR or deductible), which occurs, on average, 15 years after the date of the claim. Sales are targeted to groups that tend to be less accident prone and as to which the insurance market is less price-competitive (such as small municipalities, hospitals and schools). This product line accounted for 17% of our 2002 total group insurance premiums. We were able to achieve additional 15% price increases for this product during the 2003 renewal season on top of the 25% price increases achieved in 2002. Annualized premiums for new business increased 70% in 2002 to $30.8 million. This increase resulted primarily from increased demand for this product due to higher primary workers compensation rates which led to growth in self-insurance programs.

Travel accident insurance products pay a stated amount in the event of a travel-related accidental death of a member of the insured group. This segment combined with voluntary accidental death and dismemberment and group dental accounted for 8% of our 2002 total group insurance premiums.

We market our group products to employer-employee groups and associations in a variety of industries. We insure groups ranging from 2 to more than 5,000 individuals, although the typical size of insured groups currently ranges from 10 to 500 individuals. We market unbundled employee benefit products and absence management services as well as our Integrated Employee Benefit Program that, as discussed above, combines both employee benefit insurance coverages and absence management services. This Integrated Employee Benefit Program has enabled us to market our group employee benefit products on a differentiated basis to large employers. In underwriting our group employee benefit products, we attempt to avoid concentrations of business in any industry segment or geographic area. Operating income for the group employee benefit products segment totaled $122.7 million in 2002.

Our group employee benefit products are sold to employer groups primarily through independent brokers and agents. Our three administrative offices and 25 sales offices located throughout the country provide nationwide sales support and service existing business. We believe our national sales network minimizes expenses traditionally associated with large insurance company captive marketing systems.

Asset Accumulation Products

Our asset accumulation products consist of fixed annuities, primarily single premium deferred annuities (which we refer to as SPDAs) and flexible premium annuities (which we refer to as FPAs). An SPDA provides for a single payment by an annuity holder to us, and the crediting of interest by us on the annuity contract at the applicable crediting rate. An FPA provides for periodic payments by an annuity holder to us, the timing and amount of which are at the discretion of the annuity holder, and the crediting of interest by us on the annuity contract at the applicable crediting rate. Interest credited on SPDAs and FPAs is not paid currently to the annuity holder but instead accumulates and is added to the annuity contract s account value. This accumulation is tax deferred. We may increase or decrease the crediting rate subject to specified guaranteed minimum crediting rates, which currently range from 3.0% to 5.5%. For most of our annuity products, we may reset the crediting rate annually, typically on the policy anniversary. A small portion of our annuity products also include multi-year interest guarantee products, in which the crediting rate is fixed at a stated rate for a specified period of years, such periods ranging from three to eight years. Withdrawals may be made by the annuity holder at any time, but some withdrawals may result in the assessment of surrender charges, taxes, and/or tax penalties on the withdrawn amount. In addition, the accumulated value of the annuity may be increased or decreased under a market value adjustment provision if it is surrendered during the surrender charge period. We do not market variable annuity products.

Asset accumulation products are sold predominantly to individuals through networks of independent agents. Annual asset growth has averaged 11% for the last three years. As of December 31, 2002, this segment had $878.8 million in funds under management, which included $803.0 million of SPDA liabilities and $75.8 million of FPA liabilities. Product deposits (sales) in 2002 were $135.0 million, of which $119.3 million was attributable to SPDA products and $13.0 million to FPA products. Segment premium and fee income totaled $2.6 million in 2002 and operating income was $10.1 million.

Other Products and Services

Our comprehensive disability and absence management services are designed to assist clients in identifying and minimizing lost productivity and benefit payment costs resulting from employee absence due to illness, injury or personal leave. Services that we offer include event reporting, leave of absence management, claims and case management and return to work management. The goal of these services is to enhance employee productivity and provide more efficient benefit delivery and enhanced cost containment. We provide these services on an unbundled basis or through our Integrated Employee Benefit Program. We believe that these integrated disability and absence management services complement our core group employee benefit products, enhancing our ability to market these core products and providing us with a competitive advantage in the market for these products.

These other products and service segments accounted for $16.7 million in premium and fee income and generated, together with certain corporate activities, a net operating loss of $5.4 million in 2002.

We are incorporated in the State of Delaware. Our principal executive offices are located at 1105 North Market Street, Suite 1230, Wilmington, Delaware 19899. Our telephone number is (302) 478-5142. Our website is www.delphifin.com. The information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

Recent Developments

In April 2003 we announced that operating earnings in the first quarter of 2003 were $21.7 million, or $1.02 per share, an increase of 11% from first quarter of 2002 operating earnings of $19.5 million, or $0.93 per share. Net income for the first quarter of 2003 was $22.5 million, or $1.06 per share, which included realized investment gains of $0.8 million, or $0.04 per share. Operating earnings, which is a non-GAAP financial measure, consist of income from operations excluding after-tax realized investment gains and losses, as applicable. We believe that because realized investment gains and losses entail management discretion and do not represent an element of its ongoing earnings capacity, a measure excluding their impact is useful in analyzing our operating trends. All per share amounts are on a diluted basis.

Core group employee benefit premiums in the first quarter of 2003 grew 26% from the first quarter of 2002, reaching $162.2 million. This growth was driven by a 50% increase in premiums from Safety National s leading product, excess workers compensation insurance for self-insured employers. Safety National continued to capitalize on the favorable market for excess workers compensation, achieving average price increases of 15% on first quarter renewals along with significant improvements in contract terms. Our premium growth also benefited from 25% growth in group life premiums and 21% growth in disability premiums at Reliance Standard Life, reflecting robust new production from its larger, more productive sales force.

Our net investment income in the first quarter of 2003 increased 11% to $45.7 million from $41.1 million in the prior year. Invested assets at March 31, 2003 were $2.9 billion, up 14% from $2.5 billion at March 31, 2002. The pre-tax equivalent yield on our investment portfolio in the first quarter of 2003 was 6.7%, compared with 6.9% in the first quarter of 2002. Book value per share increased to $33.49 at March 31, 2003 from $32.75 at the end of 2002.

The Offering

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes.

Issuer	Delphi Financial Group, Inc.
Securities Offered	$100,000,000 aggregate principal amount ($ if the underwriters exercise their option to purchase additional notes in full) of % Senior Notes due 2033.
Maturity Date	,2033.
Interest Payment Dates	% per annum payable quarterly on , , and of each year, beginning on , 2003. Interest will accrue from the issue date of the notes.
Ranking	The notes will be senior unsecured obligations of Delphi and will rank equally with all of our existing and future unsecured and unsubordinated indebtedness and senior to our subordinated indebtedness. As of March 31, 2003, we had $47.0 million of secured indebtedness and $66.5 million of senior indebtedness outstanding. Under the terms of our revolving credit facility, upon our issuing at least $75 million in aggregate principal amount of unsecured senior or subordinated debt obligations, the collateral for such facility, consisting of a security interest in the common stock of our subsidiaries, will be released by the lenders. Accordingly, upon issuance of the notes, such collateral will be released. The maximum amount of available borrowings under the revolving credit facility will also be reduced at that time from $150 million to $100 million.
Optional Redemption	Delphi may not redeem the notes prior to , 2008. On or after , 2008, Delphi may from time to time redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption.
Ratings	It is anticipated that the notes will be rated BBB by Standard & Poor s BBB by Fitch and Ba1 by Moody s.
Form and Denomination	The notes will be issued in fully registered book-entry form, in denominations of $25 and integral multiples thereof. The notes will be represented by one or more global certificates registered in the name of The Depository Trust Company or its nominee. This means that holders will not receive a certificate for their notes and the notes will not be registered in their names. Beneficial ownership of the notes will be shown on, and transfers will be effected only through, records maintained by participants in The Depository Trust Company.
Use of Proceeds	To repay up to approximately $96.5 million, in the aggregate, of the obligations outstanding under our revolving credit facility and Delphi s 8% Senior Notes due 2003.

Summary Financial Information

The following is a summary of certain financial information taken or derived from our audited financial statements included in the documents incorporated by reference into this prospectus supplement. You should read this information carefully in conjunction with the financial statements and other information included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference.

	Year Ended December 31,				
	2002	**2001**	**2000**	**1999**	**1998**
	(dollars in thousands, except per share data)				
Income Statement Data:					
Insurance premiums and fee income:					
Core group employee benefit products	$559,174	$452,158	$ 400,405	$357,541	$326,770
Non-core group employee benefit products(1)	49,325	35,836	47,285	110,381	89,641
Asset accumulation products	2,645	3,088	2,551	2,126	2,583
Other(2)	16,713	16,122	16,116	15,220	7,880
	627,857	507,204	466,357	485,268	426,874
Net investment income(3)	162,036	157,509	184,576	180,945	168,692
Net realized investment gains (losses)(4)	(28,469)	(70,289)	(138,047)	(25,720)	8,060
(Loss) gain on extinguishment of debt(3)	(332)	11,456			
Total revenue	761,092	605,880	512,886	640,493	603,626
Operating income(5)(6)	98,664	22,819	19,324	119,275	133,020
Income (loss) from continuing operations(5)(7)	60,652	6,505	(3,293)	64,132	73,802
Net income (loss)(5)(7)(8)	60,652	6,505	(3,293)	50,285	87,035
Basic Results Per Share(5)(7)(8)(9):					
Income (loss) from continuing operations	$ 2.92	$ 0.32	$ (0.16)	$ 3.06	$ 3.50
Net income (loss)	2.92	0.32	(0.16)	2.40	4.13
Weighted average shares outstanding	20,759	20,565	20,388	20,979	21,095
Diluted Results Per Share(5)(7)(8)(9):					
Income (loss) from continuing operations	$ 2.85	$ 0.31	$ (0.16)	$ 2.96	$ 3.37
Net income (loss)	2.85	0.31	(0.16)	2.32	3.97
Weighted average shares outstanding	21,258	21,086	20,388	21,674	21,920
Cash Dividends Paid Per Share(10):	$ 0.29	$ 0.28	$	$	$
Other Data(11):					
Operating income excluding realized investment (losses) gains and (loss) gain on extinguishment of debt(6)	$127,465	$ 81,652	$ 157,371	$144,995	$124,960
Operating earnings(7)	79,373	44,747	86,438	80,850	68,564
Diluted book value per share(12)	$ 32.75	$ 28.50	$ 26.87	$ 24.52	$ 26.59

	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(dollars in thousands)				
Balance Sheet Data:					
Total investments	$2,816,051	$2,427,214	$2,475,945	$2,527,763	$2,511,387
Total assets	3,734,942	3,336,146	3,440,010	3,395,688	3,287,057
Long-term debt(3)	118,139	125,675	267,770	283,938	265,165
Capital Securities(3)	36,050	36,050	100,000	100,000	100,000
Shareholders equity	681,655	581,994	538,193	501,417	566,440
Debt to total capitalization ratio(13)	14.1%	16.9%	29.6%	32.1%	28.5%

(1) The Company in 1999 terminated its participations in the reinsurance facilities in which it had historically participated, resulting in lower premiums from non-core group employee benefit products in 2000, 2001 and 2002. Premiums from non-core group employee benefit products also include premiums from loss portfolio transfers, which are episodic in nature, of $27.3 million, $44.0 million, $13.9 million, $4.3 million and $26.8 million, in 1998,1999, 2000, 2001 and 2002, respectively. See Business Group Employee Benefit Products and Business Reinsurance in the Company s Annual Report on Form 10-K for the year ended December 31, 2002 incorporated by reference in this prospectus supplement (the 2002 Form 10-K).

(2) Reflects the acquisition of Matrix Absence Management, Inc. in 1998. See Business Other Transactions and Note B to the Consolidated Financial Statements in the 2002 Form 10-K (the 2002 Consolidated Financial Statements).

(3) Net investment income declined in 2001 and 2002 primarily due to the Company s liquidation during the fourth quarter of 2000 of a substantial majority of the investments of its investment subsidiaries. In 2001, the Company used the proceeds from these sales to repay $150.0 million of outstanding borrowings under its revolving credit facilities, to repurchase $64.0 million liquidation amount of the Capital Securities and to repurchase $8.0 million principal amount of the Senior Notes. The Company recognized a gain on extinguishment of debt of $11.5 million in connection with these repurchases. In the second quarter of 2002, the Company repurchased $10.5 million aggregate principal amount of the Senior Notes and recognized a loss on extinguishment of debt of $0.3 million in connection with this repurchase.

(4) In 2002 and 2001, the Company recognized losses of $54.1 million and $79.3 million, respectively, due to the other than temporary declines in the market values of certain securities, which are reported as net realized investment losses. In 2000, the Company realized losses of $72.5 million related to the liquidation of a substantial majority of the investments of its investment subsidiaries and $58.5 million on closed U.S. Treasury futures and option contracts.

(5) Results for 2001 include a charge of $1.40 per share or $28.8 million, net of taxes of $15.5 million and reinsurance coverages of $21.8 million, for reserve strengthening primarily related to an unusually high number of large losses in the Company s excess workers compensation business. Included in this charge, on a pre-tax basis, is an addition to excess workers compensation case reserves of $9.0 million and reserves for losses incurred but not reported (which we call IBNR reserves) of $24.0 million. This charge also includes reported workers compensation losses of $6.3 million and a $5.0 million addition to long-term disability IBNR reserves attributable to the terrorist attacks on the World Trade Center. The Company experienced one large loss in its excess workers compensation business in 2002.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 145, Rescission of FASB Statements No. 4, 44, and 62, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145 rescinds SFAS No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. Accordingly, gains or losses from extinguishment of debt are classified as income or loss from continuing operations in the income statement unless the extinguishment qualifies as an extraordinary item under the provisions of Accounting Principles Board Opinion (APB) No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. Events or transactions that are both unusual in nature or infrequent in occurrence are classified as extraordinary items under APB No. 30. Upon adoption, any gain or loss on extinguishment of debt previously classified as an extraordinary item in prior periods presented that does not meet the criteria of APB No. 30 for such classification was reclassified as required by SFAS No. 145. For the years ended December 31, 2002 and 2001, the Company had an extraordinary (loss) gain, net of the related income tax effect, of $(0.2) million, or $(0.01) per diluted share, and $7.4 million, or $0.35 per diluted share, respectively, that was reclassified to ongoing operations upon the adoption of SFAS No. 145. In addition, in computing the diluted earnings per share amounts for 2001, equivalent shares attributable to in-the-money stock options, which totaled $0.5 million, were considered in the calculation of these per share amounts since the reclassification of the gain on extinguishment of debt resulted in income from continuing operations.

Income (loss) from continuing operations and net income (loss) include realized investment (losses) gains, net of federal income tax (benefit) expense and the (loss) gain on extinguishment of debt, net of federal income tax (benefit) expense, as follows:

	Year Ended December 31,				
	2002	**2001**	**2000**	**1999**	**1998**
	(dollars in thousands, except per share data)				
Realized investment (losses) gains, net of income tax (benefit) expense	$(18,505)	$(45,688)	$(89,731)	$(16,718)	$5,238
Basic per share amount	(0.89)	(2.22)	(4.40)	(0.79)	0.25
Diluted per share amount	(0.87)	(2.16)	(4.40)	(0.77)	0.24
(Loss) gain on extinguishment of debt, net of income tax (benefit) expense	(216)	7,446			
Basic per share amount	(0.01)	0.36			
Diluted per share amount	(0.01)	0.35			

(6) Operating income is reconciled to the non-GAAP financial measure Operating income excluding realized investment (losses) gains and (loss) gain on extinguishment of debt as follows:

	2002	**2001**	**2000**	**1999**	**1998**
	(dollars in thousands)				
Operating income	$ 98,664	$ 22,819	$ 19,324	$119,275	$133,020
Add back (deduct):					
Realized investment losses (gains)	28,469	70,289	138,047	25,720	(8,060)
Loss (gain) on extinguishment of debt)	332	(11,456)			
Operating income excluding realized investment (losses) gains and (loss) gain on extinguishment of debt	$127,465	$ 81,652	$157,371	$144,995	$124,960

See Note 11 for a discussion of why management believes the presentation of this non-GAAP financial measure provides useful information for investors.

(7) Income (loss) from continuing operations is reconciled to the non-GAAP financial measure Operating earnings as follows:

	2002	2001	2000	1999	1998
			(dollars in thousands)		
Income (loss) from continuing operations	$60,652	$ 6,505	$ (3,293)	$64,132	$73,802
Add back (deduct):					
Realized investment losses (gains)	28,469	70,289	138,047	25,720	(8,060)
Income tax (benefit) expense	(9,964)	(24,601)	(48,316)	(9,002)	2,822
Realized investment losses (gains), net of the related income tax effect	18,505	45,688	89,731	16,718	(5,238)
Loss (gain) on extinguishment of debt	332	(11,456)			
Income tax (benefit) expense	(116)	4,010			
Loss (gain) on extinguishment of debt, net of the related income tax effect	216	(7,446)			
Operating earnings	$79,373	$ 44,747	$ 86,438	$80,850	$68,564

See Note 11 for a discussion of why management believes the presentation of this non-GAAP financial measure provides useful information for investors.

(8) In 1999, the Company disposed of Unicover Managers, Inc. and recognized an after-tax loss of $13.8 million on the disposition. After-tax income from this discontinued operation totaled $13.2 million in 1998. See Business Other Transactions in the 2002 Form 10-K.

(9) In computing the earnings per share amounts for 2000, equivalent shares attributable to in-the-money stock options, which totaled 0.7 million, were not considered in the calculation of these per share amounts since the inclusion of these equivalent shares would have diluted the loss from continuing operations.

(10) In 2001, the Company s Board of Directors approved the initiation of a quarterly cash dividend of $0.07 per share, payable on the Company s outstanding Class A and Class B Common Stock. In the fourth quarter of 2002, the Company s Board of Directors increased the cash dividend to $0.08 per share. During 2002 and 2001, the Company paid cash dividends on its capital stock in the amount of $6.0 million and $5.7 million, respectively. See Note L in the 2002 Consolidated Financial Statements.

(11) Management believes that non-GAAP financial measures which exclude discretionary income or loss items such as realized investment gains and losses and gains and losses on extinguishment of debt are informative when analyzing the Company s operating trends and in comparing the Company s results to those of other companies in its industry. Investment gains and losses may be realized based on management s decision to dispose of an investment or management s judgment that a decline in the market value of an investment is other than temporary. Gains and losses on extinguishment of debt may be realized based on management s decision to repay or repurchase its debt instruments before maturity. Therefore, realized investment gains and losses and gains and losses on extinguishment of debt do not represent elements of the Company s ongoing earnings capacity. However, these non-GAAP financial measures of the Company s performance should not be considered a substitute for net income as an indication of the Company s overall performance and may not be calculated in the same manner as similarly titled captions in other companies financial statements.

(12) Diluted book value per share is calculated by dividing shareholders equity (as determined in accordance with GAAP), as increased by the proceeds and tax benefit from the assumed exercise of outstanding in-the-money stock options, by total shares outstanding, also increased by shares issued upon the assumed exercise of the options and deferred shares.

(13) The debt to total capitalization ratio is calculated by dividing long-term debt by the sum of the Company s long-term debt, Capital Securities and shareholders equity.

RISK FACTORS

An investment in the notes involves a degree of risk. Prospective investors should carefully evaluate the following considerations in addition to the other information in this prospectus supplement and the accompanying prospectus, including the information in the documents incorporated by reference, before purchasing the notes.

Risks Related to Us and Our Business

Reserves established for future policy benefits and claims may prove inadequate.

We establish reserves for future policy benefits and unpaid claims and claim expenses relating to our insurance products. These reserves are calculated using various generally recognized actuarial methodologies and base them upon assumptions that management believes are appropriate and which vary by type of product. External actuarial experts also review our methodologies, assumptions and the resulting reserves. The estimation process is complex and involves information obtained from company-specific and industry-wide data, as well as general economic information. The most significant assumptions made in the estimation process for future policy benefits relate to mortality, morbidity, claim termination and discount rates. The reserves for unpaid claims and claim expenses are determined on an individual basis for reported claims and estimates of incurred but not reported losses are developed on the basis of past experience. The most significant assumptions made in the estimation process for unpaid claims and claim expenses are the trend in loss costs, the expected frequency and severity of claims, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. The assumptions vary based on the year the claim is incurred. Disability reserves for unpaid claims and claim expenses are discounted using interest rate assumptions based upon projected portfolio yield rates for the assets supporting the liabilities. The assets selected to support these liabilities produce cash flows that are intended to match the timing and amount of anticipated claim and claim expense payments. Excess workers compensation claim reserves are discounted using interest rate assumptions based on the risk-free rate of return for U.S. Government securities with a duration comparable to the expected duration and payment pattern of the claims at the time the claims are settled. The rates used to discount reserves are determined annually. The methods and assumptions used to establish reserves for future policy benefits and unpaid claims and claim expenses are continually reviewed and updated based on current circumstances, and any resulting adjustments are reflected in earnings currently.

Our reserves for future policy benefits and unpaid claims and claim expenses are estimates. These estimates are subject to variability, since the factors and events affecting the ultimate liability have not all taken place, and thus cannot be evaluated with certainty. Moreover, under the actuarial methodologies discussed above, these estimates are subject to reevaluation based on developing trends with respect to our loss experience. Such trends may emerge over longer periods of time, and changes in such trends cannot necessarily be identified or predicted at any given time by reference to current claims experience, whether favorable or unfavorable. If our actual loss experience is different from our assumptions or estimates, our reserves could be inadequate. In such event, our results of operations, liquidity or financial condition could be materially adversely affected.

The market values of our investments fluctuate.

The market values of our investments vary depending on economic and market conditions, including interest rates, and such values can decline as a result of changes in such conditions. Increasing interest rates or a widening in the spread between interest rates available on U.S. Treasury securities and corporate debt, for example, will typically have an adverse impact on the market values of the fixed maturity securities in our investment portfolio. If interest rates decline, we generally achieve a lower overall rate of return on investments of cash generated from our operations. In addition, in the event that investments are called or mature in a declining interest rate environment, we may be unable to reinvest the proceeds in securities with comparable interest rates. We may also in the future be required or determine to sell certain investments at a price and a time when the market value of such investments is less than the book value of such investments.

Declines in the fair value of investments that are considered in the judgment of management to be other than temporary are reported as realized investment losses. We evaluate, among other things, the financial position and prospects of the issuer, conditions in the issuer s industry and geographic area, liquidity of the investment, changes in the amount or timing of expected future cash flows from the investment, and recent downgrades of the issuer by a rating agency to determine if and when a decline in the fair value of an investment below amortized cost is other than temporary. The length of time and extent to which the fair value of the investment is lower than its amortized cost and our ability and intent to retain the investment to allow for any anticipated recovery in the investment s fair value are also considered. We have experienced and may in the future experience losses from other than temporary declines in security values. Such losses are recorded as realized investment losses in the income statement.

Our investment strategy exposes us to default and other risks.

The management of our investment portfolio is an important component of our profitability since a substantial portion of our operating income is generated from the difference between the yield achieved on invested assets and, in the case of asset accumulation products, the interest credited on policyholder funds and, in the case of all of our other products, the discount rate used to calculate the related reserves.

We are subject to the risk that the issuers of the fixed maturity securities we own will default on principal and interest payments. A major economic downturn or any of the various other factors that affect issuers ability to pay could result in issuer defaults. Because our investments consist primarily of fixed maturity securities and short-term investments, such defaults could materially adversely affect our results of operations, liquidity or financial condition. We continually monitor our investment portfolio and attempt to ensure that the risks associated with concentrations of investments in either a particular sector of the market or a single entity are limited.

At December 31, 2002, mortgage-backed securities comprised 22% of our total invested assets. Mortgage-backed securities subject us to a degree of interest rate risk, including prepayment and extension risk, which is generally a function of the sensitivity of each security s underlying collateral to prepayments under varying interest rate environments and the repayment priority of the securities in the particular securitization structure. We seek to limit the extent of this risk by emphasizing the more predictable payment classes and securities with stable collateral.

We, through our insurance subsidiaries, maintain a program in which investments are financed using advances from various Federal Home Loan Banks. At December 31, 2002, we had outstanding advances of $207.0 million. These advances, of which $195.0 million were obtained at a fixed rate and $12.0 million were obtained at a variable rate, have a weighted average term to maturity of 5.5 years. A total of $57.0 million of these advances will mature at various times during the remainder of 2003. In addition, we have utilized reverse repurchase agreements, futures and option contracts and interest rate swap contracts from time to time in connection with our investment strategy. These transactions require us to maintain securities or cash on deposit with the applicable counterparty as collateral. As the market value of the collateral or contracts changes, we may be required to deposit additional collateral or be entitled to have a portion of the collateral returned to us.

The types and amounts of investments made by our insurance subsidiaries are subject to the insurance laws and regulations of their respective states of domicile. Each of these states has comprehensive investment regulations. In addition, our revolving credit facility and 8.50% Senior Secured Notes due May 20, 2003 (the SIG Senior Notes) also contain limitations, with which we are currently in compliance in all material aspects, on the composition of our investment portfolio.

Our financial position exposes us to interest rate risks.

Because our primary assets and liabilities are financial in nature, our consolidated financial position and earnings are subject to risks resulting from changes in interest rates. We manage this risk by active portfolio management focusing on minimizing its exposure to fluctuations in interest rates by matching its invested assets and related liabilities and by periodically adjusting the crediting rates on its annuity products.

Our ability to reduce its exposure to risks depends on the availability and cost of reinsurance.

We transfer our exposure to some risks through reinsurance arrangements with other insurance and reinsurance companies. Under our reinsurance arrangements, another insurer assumes a specified portion of our losses and loss adjustment expenses in exchange for a specified portion of policy premiums. The availability, amount, cost and terms of reinsurance may vary significantly based on market conditions. Any decrease in the amount of our reinsurance will increase our risk of loss. Furthermore, we are subject to credit risk with respect to reinsurance. We obtain reinsurance primarily through indemnity reinsurance transactions in which we are still liable for the transferred risks if the reinsurers fail to meet their financial obligations. Such failures could materially affect our results of operations, liquidity or financial condition.

Some reinsurers experienced significant losses related to the terrorist events of September 11, 2001. As a result, higher prices and less favorable terms and conditions are presently being offered in the reinsurance market. Also, there has been significantly reduced availability of reinsurance covering risks such as terrorist and catastrophic events. Accordingly, substantially all of our coverages of this nature were discontinued in 2002, which may result in us retaining a higher portion of such losses should they occur. There can be no assurance that we will be able to obtain such coverages on acceptable terms, if at all, in the future. However, under the Terrorism Risk Insurance Act of 2002, the federal government will pay 90% of our covered losses relating to acts of international terrorism from property and casualty products directly written by Safety National above Safety National s annual deductible.

The insurance business is a heavily regulated industry.

Our insurance subsidiaries, like other insurance companies, are highly regulated by state insurance authorities in the states in which they are domiciled and the states in which they conduct business. Such regulations, among other things, limit the amount of dividends and other payments that can be made by such subsidiaries without prior regulatory approval and impose restrictions on the amount and type of investments such subsidiaries may have. These regulations also affect many other aspects of our insurance subsidiaries businesses, including, for example, risk-based capital requirements, various reserve requirements, the terms, conditions and manner of sale and marketing of insurance products and the form and content of required financial statements. These regulations are intended to protect policyholders rather than investors. The ability of our insurance subsidiaries to continue to conduct their businesses is dependent upon the maintenance of their licenses in these various states.

From time to time, increased scrutiny has been placed upon the insurance regulatory framework, and a number of state legislatures have considered or enacted legislative measures that alter, and in many cases increase, state authority to regulate insurance companies. In addition to legislative initiatives of this type, the National Association of Insurance Commissioners and insurance regulators are continuously involved in a process of reexamining existing laws and regulations and their application to insurance companies. Furthermore, while the federal government currently does not directly regulate the insurance business, federal legislation and administrative policies in a number of areas, such as employee benefits regulation, age, sex and disability-based discrimination, financial services regulation and federal taxation, can significantly affect the insurance business. It is not possible to predict the future impact of changing regulation on our operations and our insurance subsidiaries operations.

Our insurance subsidiaries can also be required, under solvency or guaranty laws of most states in which they do business, to pay assessments to fund policyholder losses or liabilities of insurance companies that become insolvent.

The financial services industry is highly competitive.

We compete with numerous other insurance and financial services companies. Many of these organizations have substantially greater assets, higher ratings from rating agencies, larger and more diversified portfolios of insurance products and larger agency sales operations than the Company. Competition in asset accumulation product markets is also encountered from the expanding number of banks, securities brokerage firms and other financial intermediaries marketing alternative savings products, such as mutual funds, traditional bank investments and retirement funding alternatives.

We may be adversely impacted by a decline in the ratings of our insurance subsidiaries.

Ratings with respect to claims-paying ability and financial strength have become an increasingly important factor impacting the competitive position of insurance companies. Each of the rating agencies reviews its ratings of companies periodically and there can be no assurance that current ratings will be maintained in the future. Claims-paying and financial strength ratings are based upon factors relevant to policyowners and are not directed toward protection of investors.

Our insurance subsidiaries have financial strength ratings of A from Standard & Poor s and Fitch, A (in the case of Safety National) and A- (in the case of Reliance Standard Life) from A.M. Best and Reliance Standard Life has a Baa1 rating from Moody s. Any lowering of these ratings could have a material adverse effect on our ability to market our products and could have an adverse effect on the market price of the notes.

These ratings are subject to periodic review by Standard & Poor s, Fitch, Moody s and A.M. Best, and the continued retention of those ratings cannot be assured.

Risks Related to the Offering

Because Delphi is a holding company, its ability to make payments in respect of the notes will depend on receipt of funds from subsidiaries and Delphi s other financial resources.

Current sources of liquidity at the holding company level include dividends paid from subsidiaries, primarily generated from operating cash flows and investments, and borrowings available under the revolving credit facility pursuant to a credit agreement dated as of December 16, 2002 among Delphi and its lenders and their agents. The life insurance subsidiaries ability to pay dividends is subject to regulatory restrictions and, in the absence of regulatory approval, are generally limited within any 12-month period, in the aggregate, to the greater of the life insurance subsidiaries statutory net income for the preceding calendar year, or 10% of life insurance subsidiaries statutory surplus as of the preceding December 31, determined in accordance with state insurance regulations. The life insurance subsidiaries will be permitted to make dividend payments of $25.3 million during 2003 without prior regulatory approval. The life insurance subsidiaries paid dividends totaling $1.8 million to Delphi during the first quarter of 2003. Safety National s ability to pay dividends is subject to regulatory restrictions and, in the absence of the requisite approvals, dividends are generally limited within any 12-month period, in the aggregate, to the lesser of 10% of Safety National s statutory surplus as of the preceding December 31, or Safety National s statutory net investment income for the preceding calendar year, determined in accordance with state insurance regulations. Safety National will be permitted to make dividend payments of $21.3 million during 2003 without prior regulatory approval. Additional dividends may also be paid by Reliance Standard Life and Safety National with the requisite approvals. At December 31, 2002, we had $113.0 million of borrowings available to us under our revolving credit facility.

The notes will rank junior to the claims of our secured creditors. Because Delphi is a holding company, the notes will also rank junior to the claims of unsecured creditors of our subsidiaries.

The notes will rank junior to all of the secured indebtedness of Delphi and its subsidiaries to the extent of the underlying collateral. In addition, because Delphi is a holding company and conducts its operations through its subsidiaries, Delphi s ability to meet its obligations under its indebtedness, including payment of principal and interest on the notes, will depend upon receipt of sufficient funds from its subsidiaries, as well as our financial resources at the holding company level. Any right of Delphi or the holders of the notes to participate in the assets of any such subsidiary upon any liquidation, dissolution or reorganization will be subject to the prior claims of that subsidiary s secured and unsecured creditors, including its policyholders, trade creditors and other creditors who have obtained guarantees from that subsidiary, unless Delphi is recognized as a creditor of that subsidiary on account of its own claims. Accordingly, the notes will rank junior to the claims of unsecured creditors of our subsidiaries. If we caused a subsidiary to pay a dividend to enable us to make payments in respect of the notes, and such transfer were deemed a fraudulent transfer or unlawful distribution, the holders of the notes could be required to return the payment to the creditors of our subsidiaries. This would adversely affect our ability to make payments to you as holder of the notes.

At March 31, 2003, Delphi had total unconsolidated liabilities of $283.1 million, $47.0 million of which was secured by a security interest in the common stock of our subsidiaries, and our subsidiaries had total liabilities of $3,332.6 million (other than indebtedness owed to Delphi). By the terms of the revolving credit facility, the security interest in the common stock of the subsidiaries will be released upon issuance of these notes. The maximum amount of available borrowings under the revolving credit facility will also be reduced at that time from $150 million to $100 million. In addition, the security interest for the benefit of the holders of the notes issued by the parent company of Safety National will be released upon payment of $9 million at maturity of such notes in May 2003.

The notes may be redeemed prior to maturity and you may not be able to reinvest the redemption proceeds and obtain an equal effective interest rate.

We may redeem the notes, in whole or in part, at any time on or after , 2008, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the date of redemption. Prevailing interest rates at the time we redeem the notes may be lower than %. As a result, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate of %. See Description of the Notes Redemption and Repayment for a more detailed description of redemption of the notes.

We cannot assure you that an active trading market for the notes will develop and the liquidity of the notes may be adversely affected by various factors.

We intend to list the notes on the New York Stock Exchange. You should be aware that the listing of the notes on the New York Stock Exchange will not necessarily ensure that a trading market will develop for the notes. If you sell your notes before maturity, you may have to do so at a discount from the original public offering price, and, as a result, you may suffer substantial losses.

The liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by many factors, including changes in prevailing interest rates, changes in the overall market for debt securities generally or the interest of securities dealers in making a market in the notes and by changes in our financial performance or prospects or in the prospects for companies in our industry generally.

If you sell your notes between record dates for a distribution payment, you will have to include accrued but unpaid distributions in your taxable income.

The notes may trade at prices that do not fully reflect the value of accrued but unpaid interest on the notes.

If you dispose of your notes before the record date for a distribution payment, you will have to treat a portion of your proceeds from the disposition as ordinary income for United States federal income tax purposes in an amount equal to the accrued but unpaid interest on your proportionate share of the notes through the date of your disposition.

When you sell your notes you will recognize a capital loss if the amount you receive is less than your adjusted tax basis in the notes. The amount you receive for your notes may not fully reflect the value of any accrued but unpaid interest at the time of the sale while your adjusted tax basis for accrual basis taxpayers will include any accrued but unpaid interest. Normally, you may not apply capital losses to offset ordinary income for United States federal income tax purposes.

See Certain Material U.S. Federal Income Tax Considerations Consequences to United States Holders for more information.

USE OF PROCEEDS

The net proceeds from the sale of the notes are estimated to be $96.5 million after deducting the underwriting discount and estimated expenses for the offering to be paid by Delphi. Delphi intends to use all of the net proceeds, first, to repay the full amount of indebtedness outstanding on the closing date of this offering under its $150.0 million revolving credit facility due December 16, 2005 (which amount was $47.0 million as of March 31, 2003) and, second, to either repay at maturity or repurchase in the open market a portion of its outstanding 8% Senior Notes due 2003. During the last twelve months, Delphi borrowed $49 million net of repayment under its current revolving credit facility and its previous revolving credit facilities, and used such proceeds for general working capital purposes. At March 31, 2003, outstanding indebtedness under the revolving credit facility bore interest at the weighted average rate of 2.80% per annum. Pending application of the net proceeds to repay or repurchase a portion of the existing Senior Notes, Delphi intends to invest the net proceeds in short-term, investment grade, interest-bearing securities.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company at March 31, 2003 and as adjusted to give pro forma effect to the issuance of the notes (before the exercise of the underwriters option and after deducting estimated expenses and underwriting discounts):

	March 31, 2003	
	Actual	**As Adjusted(1)**
	(dollars in thousands)	
Corporate debt:		
Revolving credit facility	$ 47,000	$
8% Senior Notes due 2003	66,473	16,973
Notes offered hereby		100,000
SIG Senior Notes	9,010	9,010
Subordinated notes due 2003	5,650	5,650
Total corporate debt	128,133	131,633
Company-obligated mandatorily redeemable capital securities of subsidiary LLC holding solely junior subordinated deferrable interest debentures of Delphi	36,050	36,050
Shareholders equity	691,756	691,756
Total capitalization	$855,939	$859,439

(1) Adjustments reflect the application of the net proceeds of this offering to repay $47.0 million (the amount outstanding at March 31, 2003) of indebtedness outstanding under the revolving credit facility and to repay at maturity or repurchase approximately $49.5 million aggregate principal amount of the 8% Senior Notes due 2003.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges of the Company for each of the periods indicated is set forth below for the periods indicated. For the period in which earnings before fixed charges were insufficient to cover fixed charges, the dollar amount of coverage deficiency (in millions), instead of the ratio, is disclosed.

	Fiscal Year Ended December 31,				
	2002	**2001**	**2000**	**1999**	**1998**
Ratio of earnings to fixed charges	6.95x	1.35x	$(6.1)	4.02x	5.57x

The deficiency of $6.1 million in 2000 was primarily attributable to net realized investment losses which resulted from the liquidation of a substantial majority of the investments of Delphi s investment subsidiaries. These net realized investment losses totaled $138.0 million and were non-recurring charges which were included in the loss from continuing operations.

For the purpose of computing the ratios of earnings to fixed charges, earnings consist of pre-tax income (loss) from continuing operations adjusted to include distributed earnings of equity investees plus fixed charges. Fixed charges consist of interest expense, including amortization of debt discount, and such portion of rental expense as is estimated to be representative of the interest factor, all on a pre-tax basis.

Because the Company had no preferred stock outstanding during any of the periods presented, the ratio of earnings to combined fixed charges and preferred stock dividends is identical to the ratio of earnings to fixed charges for each of the periods presented.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows Delphi to incorporate by reference into this prospectus supplement and the accompanying prospectus the information it files with the SEC, which means that it can disclose important information to you by referring to another document filed separately with the SEC. The information that Delphi files after the date of this prospectus supplement with the SEC will automatically update and supersede this information. Delphi incorporates by reference into this prospectus supplement the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act.

Annual Report on Form 10-K for the year ended December 31, 2002, filed on March 28, 2003.

Any statement contained in a document incorporated or considered to be incorporated by reference in this prospectus supplement or the accompanying prospectus shall be considered to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained in this prospectus supplement or the accompanying prospectus or in any subsequently filed document that is or is considered to be incorporated by reference modifies or supersedes such statement. Any statement that is modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus supplement or the accompanying prospectus.

You may request a copy of any of the documents which are incorporated by reference in this prospectus supplement or the accompanying prospectus, other than exhibits which are not specifically incorporated by reference into such documents, and Delphi s constitutional documents, at no cost, by writing or telephoning us at the following:

Delphi Financial Group, Inc.
1105 North Market Street
Suite 1230
P.O. Box 8985
Wilmington, Delaware 19899
Attention: Secretary
Telephone: (302) 478-5142

Delphi has not authorized anyone to give any information or make any representation about Delphi that is different from, or in addition to, that contained in this prospectus supplement or the accompanying prospectus or in any of the materials that Delphi has incorporated by reference into this document. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document, unless the information specifically indicates that another date applies.

DESCRIPTION OF THE NOTES

General

We provide information to you about the notes in two separate documents: (1) the accompanying prospectus and (2) this prospectus supplement.

The following statements about the notes are summaries and are subject to, and qualified in their entirety by reference to, the prospectus and the senior indenture referred to in the prospectus. The notes are a series of senior debt securities as described in the accompanying prospectus. See Description of Debt Securities in the prospectus for additional information concerning the notes and the senior indenture. Not all the defined terms used in this prospectus supplement are defined herein, and you should refer to the prospectus or the senior indenture for the definitions of such terms. The provisions of the senior indenture, including the first supplemental indenture, set forth the terms of the notes in greater detail than this prospectus supplement or the prospectus. If the statements herein differ from the provisions of the senior indenture, the provisions of the senior indenture control.

The notes:

- will be our unsecured obligations;
- will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding;
- will initially be limited in aggregate principal amount to $100.0 million, plus up to $ aggregate principal amount issuable if the underwriters exercise their option to purchase additional notes in full;
- will mature on , 2033;
- will be issued in minimum denominations of $25 and will be increased in multiples of $25;
- will be redeemable at our option, in whole or in part, at any time on or after , 2008 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date; and
- are expected to be listed on the New York Stock Exchange.

Quarterly Payments

Interest on the notes will accrue from the date of original issuance at a rate of % per annum and will be payable quarterly in arrears on , , and of each year, commencing , 2003. We refer to each of these dates as an Interest Payment Date. On an Interest Payment Date, interest will be paid to the persons in whose names the notes were registered as of the record date. With respect to any Interest Payment Date, the record date will be the day of the month preceding such Interest Payment Date, except as otherwise provided in the senior indenture.

The amount of interest payable for any period will be computed on the basis of twelve 30-day months and a 360-day year and, for any period shorter than a full quarterly interest period, will be computed on the basis of the actual number of days elapsed in such 90-day quarterly interest period. If any Interest Payment Date falls on a Saturday, Sunday, a legal holiday or a day on which banking institutions in the City of New York are authorized by law to close, then payment of interest may be made on the next succeeding business day, and no additional interest will accrue as a result of the delayed payment. If, however, the next succeeding business day is in the next succeeding calendar year, such payment of interest shall be made on the immediately preceding business day.

Redemption and Repayment

The notes will be redeemable at our option, in whole or in part, at any time on or after , 2008, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. Additionally, we may at any time repurchase notes at any price in the open market and may hold, resell or surrender such notes to the Trustee for cancellation. You will not have the right to require us to repay notes prior to maturity. The notes will not be subject to any sinking fund provision.

Further Issues

We may from time to time, without the consent of the existing holders of the notes, create and issue further notes having the same terms and conditions and with the same CUSIP number as the notes being offered hereby in all respects, except for issue date, issue price and, if applicable, the first payment of interest thereon. Additional notes issued in this manner will be consolidated with, and will form a single series with, the previously outstanding notes.

Trading Characteristics

We expect the notes to trade at a price that takes into account the value, if any, of accrued and unpaid interest. This means that purchasers will not pay, and sellers will not receive, accrued and unpaid interest on the notes that is not included in their trading price. Any portion of the trading price of the notes that is attributable to accrued and unpaid interest will be treated as ordinary interest income for United States federal income tax purposes and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the notes. See generally Certain Material U.S. Federal Income Tax Consequences.

Events of Default and Notice Thereof

The following events are events of default with respect to the notes:

(1) failure to pay interest on the notes within 30 days of when due or principal of the notes when due;

(2) failure to perform any other agreement contained in the notes or the senior indenture for 60 days after notice; and

(3) certain events of bankruptcy, insolvency or reorganization with respect to us.

The trustee under the senior indenture shall, within 90 days after the occurrence of any default (the term default to include the events specified above without grace or notice) give to the holders of the notes notice of such default; provided, however, that, except in the case of a default in the payment of principal of or interest on any of the notes, the trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of such notes; and provided, further, that in the case of any debt default of the character specified in clause (2) above with respect to the notes, no such notice to holders of such notes will be given until at least 30 days after the occurrence thereof. We will certify to the trustee annually as to whether any default exists.

In the case of an event of default, other than an event of default resulting from bankruptcy, insolvency or reorganization, with respect to any series of debt securities shall occur and be continuing, the trustee for such series or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by notice in writing to us (and to the trustee for such series if given by the holders of the notes), will be entitled to declare all unpaid principal of and accrued interest on the notes then outstanding to be due and payable immediately.

In the case of an event of default resulting from certain events of bankruptcy, insolvency or reorganization, all unpaid principal of an accrued interest on all notes then outstanding shall be due and payable immediately without any declaration or other act on the part of the trustee or the holders of any of the notes.

Such acceleration may be annulled and past defaults (except, unless theretofore cured, a default in payment of principal of or interest on the debt securities of such series) may be waived by the holders of a majority in principal amount of the notes then outstanding upon the conditions provided in the senior indenture.

No holder of the notes may pursue any remedy under the senior indenture unless the trustee shall have failed to act after, among other things, notice of an event of default and request by holders of at least 25% in principal amount of the notes and the offer to the trustee an indemnity satisfactory to it; provided, however, that such provision does not affect the right to sue for enforcement of any overdue payment on the notes.

Covenant Regarding Merger, Consolidation or Sale

The first supplemental indenture provides that we cannot consolidate with, or sell, lease or convey our assets substantially as an entirety, or merge with or into, any other corporation or trust or entity unless:

we will be the surviving company in any merger or consolidation; or

the successor entity is an entity organized under the laws of the United States of America, any state of the United States of America or the District of Columbia that expressly assumes by supplemental indenture all of our obligations under the senior indenture and the notes; and

immediately after the merger, consolidation, sale, lease or conveyance, we, or the successor entity, will not be in default in the performance of the covenants and conditions of the senior indenture applicable to us; and

certain other conditions are met.

This covenant would not apply to any recapitalization transaction, a change of control of Delphi or a highly leveraged transaction unless such transaction or change of control were structured to include a merger or consolidation or sale, lease or conveyance of our assets substantially as an entirety.

The Trustee and Transfer and Paying Agent

Wilmington Trust Company, acting through its principal corporate trust office at Rodney Square North, 1100 North Market Street, Wilmington, Delaware, is the Trustee for the notes. Wilmington Trust Company is the transfer and paying agent for the notes. Payment of principal and interest will be payable, and the notes will be transferable, at the corporate trust office of the paying agent at Rodney Square North, 1100 North Market Street, Wilmington, Delaware. The Company may, however, pay interest by check mailed to registered holders of the notes. At the maturity of the notes, the principal, together with accrued interest thereon, will be payable in immediately available funds upon surrender of such notes at the office of the Trustee. The Trustee is also acting as the debenture trustee for Delphi s Series A Subordinated Debentures issued in connection with the capital securities of Delphi Funding L.L.C.

Book-Entry Only

The notes will be issued only in book-entry form through the facilities of The Depository Trust Company, acting as Depositary, and will be in denominations of $25 and integral multiples thereof. The notes will be represented by a single Global Security and will be registered in the name of a nominee of the Depositary. The Depositary has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a *banking organization* within the meaning of the New York Banking Law, a member of the Federal Reserve System, a *clearing corporation* within the meaning of the New York Uniform Commercial Code, and a *clearing agency* registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depositary holds securities that its participants deposit with the Depositary. The Depositary also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants accounts. By doing so, the Depositary eliminates the need for physical movement of securities. The Depositary s participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations, and certain other organizations, some of which own the Depositary. The Depositary is also owned by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the Depositary s system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not participants may beneficially own securities held by the Depositary only through participants. The rules applicable to the Depositary and its participants are on file with the Securities and Exchange Commission.

Upon the issuance of the Global Security, the Depositary will credit its participants accounts on its book-entry registration and transfer system with their respective principal amounts of the notes represented by such Global Security. The underwriters designate which participants accounts will be credited. The only persons who may own beneficial interests in the Global Security will be the Depositary s participants or persons that hold interests through such participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depositary or its nominee (with respect to interests of its participants) and on the records of its participants (with respect to interests of persons other than such participants). The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair your ability to transfer your interest in the notes.

So long as the Depositary or its nominee is the registered owner of the Global Security, the Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Security for all purposes under the senior indenture. Except as provided below or as we may otherwise agree in our sole discretion, owners of beneficial interests in a Global Security will not be entitled to have notes represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of notes in definitive form and will not be considered the owners or holders thereof under the senior indenture.

Principal and interest payments on notes registered in the name of the Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner of the Global Security representing such notes. None of the Company, the Trustee, any paying agent or the registrar for the notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in such Global Security for such notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

We expect that the Depositary for the notes or its nominee, upon receipt of any payment of principal or interest, will credit immediately its participants accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security for such notes as shown on the records of the Depositary or its nominee. We also expect that payments by such participants to owners of beneficial interests in such Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in street name (*i.e.*, the name of a securities broker or dealer). Such payments will be the responsibility of such participants.

If the Depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Company within 90 days, the Company will issue notes in definitive form in exchange for the entire Global Security representing such notes. In addition, the Company may at any time, and in its sole discretion, determine not to have the notes represented by the Global Security and, in such event, will issue notes in definitive form in exchange for the Global Security representing such notes. In any such instance, an owner of a beneficial interest in the Global Security will be entitled to physical delivery in definitive form of notes represented by such Global Security equal in principal amount to such beneficial interest and to have such notes registered in its name. If an event of default with respect to the notes has occurred and is continuing, the Global Security may be exchanged for notes in definitive form. Notes so issued in definitive form will be issued as registered notes in denominations that are integral multiples of $25.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the notes. This discussion applies only to beneficial owners of notes that purchase the notes upon their initial issuance at the initial offering price. Except where noted, this discussion deals only with notes held as capital assets and does not apply to holders that are subject to special tax rules. For example, this discussion does not address:

tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, traders in securities that elect to use a mark-to-market method of accounting, insurance companies, or certain expatriates;

partnerships or other pass-through entities;

tax consequences to persons holding notes as part of a hedging, integrated or constructive sale or conversion transaction or a straddle;

tax consequences to U.S. holders of notes whose functional currency is not the U.S. dollar; or

any state, local or foreign tax consequences, or any federal tax consequences other than income tax consequences.

If a partnership holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership holding the notes, you should consult your tax advisor.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), U.S. Treasury Regulations promulgated thereunder, and published rulings and judicial decisions, all as of the date of this prospectus supplement. Those authorities may be changed, possibly with retroactive effect, in which case the U.S. federal income tax consequences may be different from those discussed below.

You should consult your own tax advisors concerning the U.S. federal income tax consequences to you of the purchase, ownership, and disposition of notes, and any consequences arising under the tax laws of any state, local or foreign jurisdiction.

Consequences to United States Holders

The following discussion summarizes certain U.S. federal income tax consequences that will apply to you if you are a U.S. holder of notes. A U.S. holder means a beneficial owner of a note that is for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation created or organized in or under the laws of the United States or any political subdivision thereof;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust that (a) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Payments of Interest. Interest on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for U.S. federal income tax purposes.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Notes. Upon the sale, exchange, redemption, retirement or other taxable disposition of a note, you generally will recognize gain or loss equal to the difference between the amount realized (less an amount equal to any accrued stated interest not previously includible in income, which will be taxable as ordinary income) and your adjusted tax basis in the note (generally your cost for that note). Any such gain or loss recognized will be capital gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. In general, information reporting requirements will apply to certain payments of principal and interest on the notes and to the proceeds of a sale of the notes unless you are an exempt recipient (such as a corporation). A backup withholding tax (currently at a rate of 30%) will apply to such payments if you fail to provide a correct taxpayer identification number or certification of exempt status, or if you are notified by the Internal Revenue Service (the IRS) that you have failed to report all interest and dividends required to be shown on your U.S. federal income tax returns.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Consequences to Non-United States Holders

The following is a discussion of certain of the U.S. federal income tax consequences that generally will apply to you if you are a non-U.S. holder of notes. A non-U.S. holder is a beneficial owner of notes that, for U.S. federal income tax purposes, is (i) a non-resident alien or (ii) a corporation, estate or trust that is not a U.S. holder.

U.S. Federal Withholding Tax. In general, any payment to you of interest on the notes that is not effectively connected with the non-U.S. holder s conduct of a trade or business within the United States will not be subject to U.S. federal withholding tax if:

you do not actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of Section 871(h)(3) of the Code and related U.S. Treasury Regulations;

you are not a controlled foreign corporation that is related, directly or indirectly, to us through stock ownership; and

(a) you provide your name and address on an IRS Form W-8BEN, and certify, under penalty of perjury, that you are not a U.S. person or (b) you hold your notes through certain foreign intermediaries and you satisfy the certification requirements of applicable U.S. Treasury Regulations.

If you do not satisfy the requirements described above, payments of interest made to you will be subject to the 30% U.S. federal withholding tax, unless you provide us with a properly executed (a) IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in the rate of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the notes is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States.

The 30% U.S. federal withholding tax generally will not apply to any payments of principal or any gain that you realize on the sale, exchange, retirement or other disposition of the notes.

U.S. Federal Income Tax. If you are engaged in a trade or business in the United States and interest on any notes is effectively connected with the conduct of that trade or business (and, if certain tax treaties apply, such interest is attributable to a permanent establishment maintained in the U.S.) you will be subject to U.S. federal income tax on that interest on a net income basis (although generally exempt from the 30% withholding tax) in the same manner as if you were a U.S. person as defined under the Code. In addition, if you are a foreign corporation, you may also be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of your earnings and profits for the taxable year (subject to adjustments) that are effectively connected with the conduct by you of a trade or business in the United States.

Any gain realized on the disposition of a note generally will not be subject to United States federal income tax unless (1) you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met, in which case you may have to pay a United States federal income tax of 30% (or lower applicable treaty rate) on the excess, if any, of such gain plus all other United States source capital gains recognized during the same taxable year over your United States source capital losses recognized during such taxable year, or (2) such gain is effectively connected with your conduct of a trade or business in the United States (and, if certain tax treaties apply, such gain is attributable to a permanent establishment maintained in the U.S.) in which case such gain will be taxed on a net income basis in the same manner as interest that is effectively connected with your conduct of a trade or business within the United States.

Information Reporting and Backup Withholding. Backup withholding and information reporting will not apply to payments of interest if you have provided the required certification that you are a non-U.S. holder.

In addition, information reporting will apply with respect to payments of principal on a note or the proceeds of the sale of a note within the United States or conducted through certain U.S.-related financial intermediaries, unless the payor receives the statement described above and does not have actual knowledge that you are a U.S. person or you otherwise establish an exemption. Backup withholding will not apply to such payments provided the payor does not have actual knowledge that you are a U.S. person.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

UNDERWRITING

We intend to offer the notes through the underwriters named below, for whom Lehman Brothers Inc., Wachovia Securities, Inc., Stifel, Nicolaus & Company, Incorporated and U.S. Bancorp Piper Jaffray are acting as joint book-running managers and representatives. We have entered into an underwriting agreement, dated as of the date of this prospectus supplement, with the underwriters pursuant to which, on the terms and subject to the conditions of the underwriting agreement, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the principal amount of notes listed opposite their names below:

Underwriters	Principal Amount of Notes
Lehman Brothers Inc.	$
Wachovia Securities, Inc.	
Stifel, Nicolaus & Company, Incorporated	
U.S. Bancorp Piper Jaffray Inc.	
	$ 100,000,000

The underwriting agreement provides that the obligation of the underwriters to purchase the notes included in this offering is subject to customary conditions. The underwriters have agreed to purchase all of the notes sold pursuant to the underwriting agreement if any of the notes are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters initially propose to offer part of the notes to the public at the public offering price set forth on the cover page of this prospectus supplement, and in part to certain dealers at a price that represents a concession not in excess of % of the principal amount of the notes. The underwriters may allow, and such dealers may re-allow, a concession not in excess of % of the principal amount of the notes to certain other dealers. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the underwriters.

The following table shows the underwriting discounts and commissions (expressed as a percentage of the principal amount of notes) to be paid by us to the underwriters in connection with this offering.

	Paid by Delphi
Per note	%

We have granted the underwriters an option, exercisable until , to purchase up to an additional $ aggregate principal amount of notes at the public offering price set forth on the cover page of this prospectus supplement, less the underwriting discount. To the extent the option is exercised, each underwriter will become obligated to purchase approximately the same percentage of the additional notes as the underwriter purchased in the original offering. If the underwriters option is exercised in full, the total public offering price would be $, the total underwriting discount would be $ and total proceeds, before deducting expenses, to us would be $.

In connection with this offering, the representatives of the underwriters may purchase and sell the notes in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by the representatives in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the notes, and short positions created by the representatives involve the sale by the representatives of a greater aggregate principal amount of notes than they are required to purchase from us. The representative also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the notes sold in the offering may reclaimed by the representatives if such notes are repurchased by the representatives in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the notes, which may be higher than the price that might otherwise prevail in the open market, and these activities, if commenced, may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

The notes are a new issue of securities with no established trading market. We have been advised by the underwriters that they intend to make a market in the notes, but they are not obligated to do so and may discontinue any market making at any time without notice. We cannot assure you as to the liquidity of the trading market for the notes. We intend to list the notes on the New York Stock Exchange, and we expect trading in the notes on the Exchange to begin within 30 days after the original issue date. In order to meet one of the requirements for listing the notes, the underwriters will undertake to sell the notes to a minimum of 400 beneficial owners.

It is expected that delivery of the notes will be made on or about the date specified on the cover page of this prospectus supplement, which will be the fifth business day following the date of this prospectus supplement. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, the purchasers who wish to trade notes on the date of this prospectus supplement or the next succeeding business day will be required to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of notes who wish to trade notes on the date of this prospectus supplement or the next succeeding business day should consult their own advisors.

The Company has agreed with the underwriters not to, directly or indirectly, issue, sell, offer to sell, grant any option for the sale or otherwise dispose of, any of its debt securities in the retail debt market for a thirty day period commencing on the date of delivery of the notes without the prior written consent of the representatives.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

In the ordinary course of their respective businesses, the underwriters and their respective affiliates may have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with us and our affiliates. They have received customary fees and commission for these transactions. Affiliates of Wachovia Securities, Inc. and U.S. Bancorp Piper Jaffray Inc. are lenders under our $150.0 million revolving credit facility and each of these affiliates will receive a portion of the amounts repaid under such credit facility with the net proceeds of this offering. Because more than 10% of the net proceeds of the offering may be paid to affiliates of the underwriters, this offering is being made in accordance with Rule 2710(c)(8) of the Conduct Rules of the National Association of Securities Dealers, Inc.

We expect to have an estimated $ of expenses, excluding underwriting discounts and commissions, in connection with this offering.

You should read Plan of Distribution in the accompanying prospectus for further information regarding the distribution of the notes.

LEGAL OPINIONS

Certain legal matters in connection with the offering of the notes will be passed upon for the Company by Chad W. Coulter, General Counsel of the Company. Certain legal matters in connection with the offering of the notes will be passed upon for the Company by Cahill Gordon & Reindel LLP, New York, New York, and for the underwriters by LeBoeuf, Lamb, Greene & MacRae, L.L.P., a limited liability partnership including professional corporations, New York, New York. LeBoeuf, Lamb, Greene & MacRae, L.L.P. has in the past performed, and continues to perform, legal services for the Company. As of March 31, 2003, Mr. Coulter was the beneficial owner of 77,873 shares of Delphi s common stock, 1,207 shares of which were owned and the remainder of which were represented by stock options exercisable within sixty days thereof.