

McTevia Explains Why Delphi Filed Bankruptcy

Shareholder lashes out at Delphi
Tepper calls bankruptcy a sham in letter
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One of Delphi Corp.'s largest shareholders sent a letter to the board of directors claiming that the company's bankruptcy was a premeditated sham for Delphi CEO Steve Miller and his management team to get rich, according to documents filed Thursday with the Securities and Exchange Commission.

David Tepper, president of Appaloosa Management LP, a \$3-billion hedge fund investment firm based in Chatham, N.J., is demanding that Delphi's board help establish an equity committee to protect shareholders, and schedule an annual shareholders meeting, which had been suspended, so up to four new directors can be elected.

Tepper said Delphi's financial filings before bankruptcy do not reflect a cash crisis. There is no indication, Tepper said, of any damaging event between Aug. 2 -- when Delphi paid dividends to shareholders -- and Oct. 8 -- when the nation's largest auto-parts supplier filed for bankruptcy.

The Appaloosa fund bought its stake two days after Delphi declared bankruptcy, reports Bloomberg.

Tepper, 48, said the crux of his beef against Delphi's management is in the attempt to approve a controversial program to retain top executives. The compensation plan, designed to keep Delphi's management team from leaving and valued at hundreds of millions of dollars, has been reduced to \$38 million.

"This is an outrage," said Tepper in an interview with the Free Press. "What the hell were they thinking?"

Delphi spokeswoman Claudia Piccinin declined to comment on Tepper's claims, saying that it would be inappropriate to speak before a March 21 bankruptcy hearing where the request to form the equity committee will be aired.

Jim McTevia, a managing member of turnaround consulting firm McTevia & Associates LLC in Bingham Farms, said he believes Delphi's board acted in the best interest of shareholders.

"It is my hunch that if Delphi had not filed for Chapter 11, shareholders of the company would be at greater risk now," said McTevia, a bankruptcy expert, who also testified in a similar accusation involving the 1982 bankruptcy of DeLorean Motors.

"Delphi was bleeding and was running out of money," McTevia said.

McTevia said bankruptcy was the only way Delphi could have bought enough time to fix its problems without the pressure of fulfilling its labor obligations. Bankruptcy, McTevia said, allowed Delphi to bring GM and the UAW to the negotiating table.

Tepper, who in 2004 donated \$55 million to Carnegie Mellon University and has the business school named in his honor, Tepper School of Business, said he isn't opposed to such a deal.

"We just don't want them to have a deal where they screw us," Tepper said. "Because there's a record of them screwing us."