

# Booth News turns to McTevia on Delphi bankruptcy story

Delphi stumbles in bankruptcy plan

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Detroit Bureau

DETROIT -- Delphi Corp. says it expects a major investor to pull out of a plan to pump \$3.4 billion into the company and allow it to emerge from bankruptcy later this year.

Delphi said Thursday that Cerberus Capital Management LP in New York will likely leave a group of investors that had agreed in December to invest in the auto parts supplier and become majority owners when Delphi emerged from bankruptcy.

The other investors are Appaloosa Management LP, Harbinger Capital Partners, Merrill Lynch & Co. and UBS Securities.

Delphi spokesman Lindsey Williams said Cerberus' share of the investment would have been \$1.7 billion. But he said the loss of Cerberus wouldn't stop Delphi from negotiating a new agreement with the remaining investors and possibly others.

"Cerberus can't comment on the anticipated changes announced today," company spokeswoman J.J. Rissi said.

General Motors Corp. spokeswoman Renee Rashid-Merem said it's too early to tell what the impact of Cerberus' pullout will be on Delphi's bankruptcy exit timeline.

"But we remain committed with all the parties, the unions and the (bankruptcy) plan investors, in Delphi's restructuring," she said.

Analysts said it is unlikely that the pullout by Cerberus will delay Delphi's plan to exit Chapter 11 bankruptcy later this year. The company filed for bankruptcy protection in October of 2005.

"Somebody will jump in if (Cerberus) bails out," said James McTevia, president of McTevia & Associates, a corporate turnaround firm in Bingham Farms.

Delphi said it has been unable to reach an agreement with Cerberus and other bankruptcy exit-plan investors on how much the company would likely be worth upon exiting bankruptcy. That could be a

stumbling block to Delphi's plan to exit bankruptcy.

Meanwhile, a spokesman for Los Angeles-based Platinum Equity said Thursday the private equity firm is continuing negotiations to purchase Delphi Steering Systems in Saginaw.

"We are continuing to work through the process and hope to reach an agreement with the court that will allow us to acquire the company," said Platinum Equity spokesman Mark Barnhill.

Delphi said in January that it had selected Platinum Equity as the preferred purchaser of Delphi Steering Systems. Other companies will have the right to bid on the company, although none have publicly emerged.

Barnhill said there is no deadline on its bid to acquire the Delphi unit.

Also on Thursday, another private equity firm that had a previous bid for ownership of Delphi rejected by the company, said it wants to renew talks involving its \$4.7 billion equity bid.

Dallas-based Highland Capital Management LP sent a letter to Delphi's board Thursday asking for a meeting. Highland is Delphi's second-largest shareholder.

"We look forward to working with Delphi's management, its board, General Motors, the UAW and other unions, and all other key constituents," said Patrick Daugherty, a partner in Highland Capital.

In order for Delphi to get out of bankruptcy, it must reach new labor agreements for reduced wages and benefits with the United Auto Workers union.

Relations between the UAW and Delphi have been testy during months of negotiations.

Last month the union rejected a Delphi compensation proposal, which the union called insulting.

But Delphi spokeswoman Claudia Piccinin said the two sides are still working toward reaching a "consensual agreement."

UAW leadership will be meeting with all of its local leaders at Delphi's 29 plants nationwide over the next two weeks to update them on negotiations.

Delphi also must reach an agreement with former parent GM on shedding thousands of parts contracts with GM, which Delphi says are unprofitable, before it can leave bankruptcy.

And GM will likely have to spend billions of dollars on funding retirement health benefits for Delphi employees who used to work at GM.

"It's got to be a three-way deal with the UAW, GM and Delphi," said David Cole, chairman of the Center for Automotive Research in Ann Arbor. "They can't afford to have a strike and have one of the Big Three go down."

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