

# McTevia to AP: "...Delphi Is Going To Survive"

Stock deal creates exit path out of bankruptcy

Delphi could soon emerge from Chapter 11 in a \$3.4 billion stock deal that has also brought new leadership to the company.

BY TOM KRISHER

Associated Press

DETROIT - A group of private equity investors has offered to pay up to \$3.4 billion to buy shares of Delphi Corp. and could wind up owning as much as 72 percent of the auto parts maker, in a deal that creates a framework for its emergence from bankruptcy, Delphi said Monday.

The company -- which makes a slew of auto parts, including entertainment systems, chassis, electronics and air conditioning -- also said its board named President Rodney O'Neal to replace Chairman Robert S. "Steve" Miller as chief executive, effective Jan. 1. Miller will serve as executive chairman until the company emerges from bankruptcy. O'Neal will remain as president.

Under the financing deal, Appaloosa Management, Cerberus Capital Management and Harbinger Capital Partners Master Fund I, as well as Merrill Lynch & Co. and UBS Securities, will invest a minimum of \$1.4 billion and a maximum of \$3.4 billion in the struggling company in exchange for common and preferred stock issued in the first half of next year.

Delphi plans to dissolve its current 560 million shares and issue 135.3 million shares of new common stock. Current Delphi shareholders would divide up 3 million shares of the new stock, plus they would get rights to buy more new shares at a discount.

## LARGE INVESTORS

Of the new investors, Cerberus and Appaloosa are the largest. Appaloosa already holds 9.3 percent of Delphi's current stock, according to LionShares.com.

The new investors would buy 30 percent to 72 percent of Delphi's new stock, depending on how many current stockholders decide to exercise their option to buy the new stock, Delphi said.

Delphi, the nation's largest auto parts supplier, said the agreement was part of a plan to emerge from bankruptcy protection by the second quarter of 2007. A reorganization framework agreement, signed by Delphi, the investors and former parent General Motors, was included in the deal.

The new investment will be used to fully fund Delphi's pension plan, which at the end of 2005 was underfunded by \$4.1 billion, the company said.

Separately, Delphi accepted a proposal from JPMorgan Chase Bank and a group of lenders to refinance the company's existing \$2 billion debtor in possession credit line and about \$2.5 billion in loans.

#### APPROVAL NEEDED

The agreements still must be approved by a federal bankruptcy judge in New York, where a hearing is scheduled for Jan. 5. The new investors and Delphi each have the right to terminate the agreement on or before Jan. 31 if Delphi fails to reach a wage and benefit agreement with its unions and a parts supply pact with GM.

The investors also can withdraw before Feb. 28, but that deadline can be extended if both parties agree.

The willingness of "very sophisticated" investors who already have a stake in Delphi to put more money into it speaks well for the supplier's future, said Jim McTevia, a Michigan-based corporate turnaround specialist. "It looks like Delphi is going to survive."

The move to replace Miller with O'Neal also could help relations with the United Auto Workers union, whose president frequently criticizes Miller as a symbol of corporate greed. The UAW would not comment on the change.