

# Detroit Free Press - McTevia insight on Delphi plan

Delphi Corp. moved a step closer to coming out of bankruptcy protection after a judge approved a comprehensive equity plan from five institutional investors on Friday.

Bankruptcy Judge Robert Drain of New York approved a plan allowing the five investors to invest between \$1.4 billion and \$3.4 billion in the new company, which would give them between 30% and 72% ownership in a reorganized Delphi.

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Drain emphasized the importance of moving quickly, given that the company had national labor agreements due to expire in the fall. He said that if he didn't approve the deal, Appaloosa Management LP, Cerberus Capital Management LP and three other investors might withdraw, according to the Associated Press.

The other investors are Harbinger Capital Partners Master Fund I, Merrill Lynch & Co. and UBS Securities LLC.

"The approval will help move us closer in our plan of reorganization," Delphi spokeswoman Claudia Piccinin said.

Under Delphi's multipart financing plan, Delphi's former owner General Motors Corp. will own 5% of Delphi and receive \$2.63 billion in cash. GM also is permitted to have its existing claims against Delphi paid through Delphi's bankruptcy process.

"From a GM perspective, we clearly are going to continue to support the Harbinger, Appaloosa, Cerberus plan," said Renee Rashid-Merem, GM's financial spokeswoman.

The equity plan is contingent on Delphi's ability to reach an agreement with its unions and with GM by Jan. 31. The Troy-based auto supplier is trying to negotiate wage reductions, plant shutdowns and product discontinuations with GM and its unions. If no deal is reached, the investors can abandon their commitment.

But Jim McTevia, a managing member of turnaround consulting firm McTevia & Associates LLC in Bingham Farms, said Delphi and its unions likely are more in agreement now and the equity plan should have little trouble satisfying creditors.

Delphi board members chose the Appaloosa-Cerberus plan over a competing \$4.7-billion offer by Highland Capital Management LP, Delphi's second-largest shareholder.

In a statement, Highland Capital officials said they are disappointed in Drain's ruling because the plan he approved does a disservice to the majority of shareholders.

"It gives Appaloosa and Cerberus disproportionate equity ownership in Delphi and a value transfer of approximately \$1 billion at the expense of Delphi's current stockholders," the company said.

Highland, based in Dallas, said it now must decide what to do with its current stake in Delphi. Highland still can make another offer, but it would require Delphi to petition the court for consideration.

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