Other companies will follow Dura's lead, McTevia tells the Detroit Free Press

Dura's Chapter 11 exit is on track
Judge OKs supplier's reorganization plan

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Dura Automotive Systems Inc., whose bankruptcy exit was delayed for five months because of the tight credit market, is on track to leave Chapter 11 during the next few weeks.

On Tuesday, Dura cleared the last legal hurdle in its bankruptcy when U.S. Bankruptcy Judge Kevin Carey gave final approval to the company's reorganization plan.

The Rochester Hills supplier has assembled a $300-million loan that will allow it to leave Chapter 11, shed its restructuring costs and become profitable as a publicly held company.

"Taking out the restructuring costs today, Dura is a profitable company," said CEO Larry Denton.

The credit markets aren't much better since the company tried to emerge from Chapter 11 last year, Denton said. But one way Dura weathered the market was to lower the amount it needed for an exit loan from $425 million to $300 million.

That means the firm will pay some of its bondholders and unsecured creditors less than it had planned last year.

Dura's reorganization plan calls for unsecured creditors in the United States to recover 8% of what they are owed in stock in the reorganized company, compared with the 22% creditors were to receive under a previous plan.

Similar scenarios are likely to play out again and again, particularly in the auto industry, where a bleak North American automotive market has made investment risky and exit loans difficult to attract, said Jim McTevia, principal of the Bingham Farms restructuring firm McTevia & Associates.

Dura's departure would leave Delphi Corp. and Plastech Engineered Products as two of the high-profile suppliers still operating under bankruptcy protection.

Dura filed for bankruptcy in October 2006 as production volumes declined and the supplier was forced to sell some parts at a loss. Along with that, the company lost much of its business from seatmaker Lear Corp, which decided to make power seat adjusters for GM's large trucks itself, instead of continuing to buy those parts from Dura.

By Dura's bankruptcy filing, the company already had launched a restructuring plan, which aimed to move 2,600 jobs out of the United States, Canada and Western Europe and into countries with lower labor costs including Mexico, India, China and Romania.

In all, the company sold 12 plants and started the closure of another 14 plants. In Michigan, Dura is to close factories in Gladwin and Mancelona, which together employ 463 people.

The company had hoped to emerge from Chapter 11 by the end of 2007 as a privately owned firm, with hedge fund Pacificor LLC owning as much as 42% of the company's stock. But that stock deal expired in January and was never renewed after the fund's CEO died in a plane crash in December.

After having trouble finding a loan, Dura's plans to go private unraveled when the stock deal expired at the end of January.

That nervousness followed a year when the company's top executives would visit customers each month to discuss Dura's restructuring progress and try to win new business.

"We didn't dig ourselves a huge trough in the future," Denton said. "We managed to keep the orders coming."

Dura makes several components, including pedal systems, automotive cables and door and hood hinges.