
Highland discloses 6% stake in Delphi

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Highland Capital Management, a Texas-based fund manager, has disclosed a 6.2 percent stake in Delphi, joining a flock of investors circling the bankrupt automotive parts maker.

Highland's investment coincides with growing signs that a deal is at hand to move Delphi's restructuring forward.

An announcement is likely within the next few weeks, one person familiar with the negotiations indicated yesterday. Delphi's shares, listed on the Pink Sheets market, have risen sharply in recent days, climbing another 2 cents to \$2.71 in early trading yesterday. They stood at 33 cents immediately after the parts maker filed for Chapter 11 protection in October 2005.

Numerous other hedge funds and private equity firms have disclosed sizable interests in Delphi or emerged as potential buyers of Delphi assets.

They include Appaloosa Management, which has a 9.3 percent equity holding, Ripplewood Holdings, Harbinger Capital Partners, Wexford Capital, Lampe Conway and DC Capital.

According to reports this week, Cererus Capital Management is in talks to buy some of Delphi's US and European plants.

"The fact that so many are interested demonstrates how much potential value is there," said David Kudla, chief executive of Mainstay Capital, which manages retirement funds for hundreds of Delphi employees. Beyond Delphi, private equity and hedge funds have become increasingly active in the North American auto parts industry, taking the view that cost-cutting, renegotiation of contracts and other restructuring moves could revive the sectors walking wounded.

Many suppliers are in financial difficulty, and several dozen have filed for court protection over the past two years.

One person described Delphi's restructuring yesterday as a complicated "three-ring circus" involving numerous constituencies, including General Motors, the unions and other creditors.

Delphi disclosed in court documents last week that it had exchanged draft agreements with GM that "taken together, have advanced negotiations considerable".

As Delphi's former parent, its biggest customer and a large creditor, GM's co-operation is crucial.

Delphi has applied to the court to nullify its labour contracts and to reject unprofitable supply contracts with GM.

The carmaker, on the other hand, is seeking a stable supply of parts at competitive prices, and an equity stake in return for underwriting benefits for Delphi workers.

Calls to Highland yesterday were not returned. The company says that it manages more than \$28bn in funds.

Its holding in Delphi was disclosed in an SEC form designated for passive investors.