Credit crunch forces Delphi to cut size of finance plan for Ch. 11 exit

CHICAGO — Auto parts supplier Delphi Corp. is seeking to cut the size of a financing arrangement for its emergence from bankruptcy protection in the wake of recent credit-market turmoil.

Executives said in a statement that the company had filed proposed amendments with the U.S. Bankruptcy Court for the Southern District of New York that would cut Delphi's debt by about $2 billion after it emerges from Chapter 11 protection.

They said the amendments would include changes in an investment plan by a group headed by Appaloosa Management LP, Chatham, N.J., and a shift in cash paid to unsecured creditors and to Delphi's former parent and largest customer, General Motors Corp., Detroit. GM's planned cash recoveries of $2.7 billion would be cut to $750 million in cash, $750 million in a second lien note and $1.2 billion in junior convertible preferred stock, executives said.

In court filings Monday, the company said that the availability of financing terms assumed when the company filed its original plan in early September had not been realized and the company's 2008 business plan also had changed to reflect GM's reduced production forecasts.

While the changes have the support of Dephi's creditors' committee, GM and plan investors, executives said the company had been told that an equity committee involved in the bankruptcy would oppose a cut in recoveries for common shareholders and seek a delay in Delphi's planned emergence from bankruptcy early next year.

John Sheehan, Delphi's vice president and chief restructuring officer, said the changes "reflect current market conditions" found in a "challenging capital markets environment." Delphi's Chapter 11 reorganization has been working its way through the court for more than two years.

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