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Auto Supplier Visteon Files for Chapter 11 in U.S.

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DETROIT -- **Visteon Corp.**, a former division of **Ford Motor Co.** and one of the country's largest auto suppliers, confirmed it filed for bankruptcy protection for its U.S. operations Thursday after continued production cutbacks by its auto maker customers eroded the company's financial stability.

Visteon's bankruptcy makes it the latest casualty in the U.S. auto industry, which has been hit by the Chrysler LLC bankruptcy and awaits an imminent filing by **General Motors Corp.**

Though expected for months, a Visteon filing could complicate matters for Ford, the one Detroit auto maker to so far avoid government aid. Visteon doesn't have any financing lined up from banks, and will have to lean heavily on Ford and other auto companies for cash to get it through a restructuring.

"Visteon is taking this step to maximize the long-term value of the company," Visteon Chief Executive Donald J. Stebbins said in a written statement.

"During the reorganization period, we will seek to address our capital structure and legacy costs that are not sustainable given the current economic environment."

Visteon expects to fund its operations with its U.S. cash balance, cash flows from operations and a debtor-in-possession facility. Ford has executed a commitment letter to support debtor-in-possession financing for Visteon's restructuring efforts and to ensure long-term continuity of supply. Other global customers have also expressed their support, the company said.

"Ford's top priority is to ensure we have sufficient parts and material to protect our production," Ford's Global Purchasing Group Vice President Tony Brown said in a written statement.

"As a result of the growing financial pressure in the supply base, it is not unusual for suppliers to request assistance from Ford -- as well as other automakers. Ford evaluates these requests on a case-by-case basis and takes action when appropriate to maintain our production. Because Visteon is an important, preferred supplier to Ford, we have committed to providing financial support to help Visteon meet its business challenges."

As of Dec. 31, Visteon employed 11,000 salaried workers and 22,500 hourly workers worldwide. It also had \$893 million in unfunded pension obligations.

Auto-supplier bankruptcies have frequently caused unforeseen and expensive problems for auto makers, as suppliers can use the courts to reject contracts and demand higher pay for much-needed parts. Some suppliers are unable to line up enough financing from lenders, forcing auto makers to inject money to keep the companies afloat.

Visteon is by far Ford's largest parts supplier, and the auto maker accounts for one-third of Visteon's \$9 billion of annual sales. Korean-based auto maker Hyundai Motor Co. is the next biggest customer, with 30% of Visteon's sales.

Parts from the Van Buren Township, Mich.-based firm lie at the heart of many Ford vehicles, making the radios for the Fusion sedan, instrument clusters on the F-150 pickups and climate-control parts on the new Flex crossover.

Ford hasn't experienced any production issues as a result of Visteon's business issues, Brown said. The auto maker will continue to monitor the situation.

Visteon received waivers from its lenders after it violated the provisions of its loans in March, after independent accountants said they doubted the company's ability to remain a going concern. One of those waivers expires on May 30.

Whether Visteon is able to restructure or is forced to liquidate depends largely on how much support Ford is willing to give, said Doug Bernstein, managing partner of the bankruptcy group at law firm Plunkett Cooney P.C. "How dependent is Ford?" he said. "If Ford's not there to support, it could very well end up in liquidation because I don't know who's going to finance it then."

Ford assumed \$167 million in Visteon secured loans this month. Visteon hopes Ford will let it borrow against that loan for bankruptcy financing and also provide other lending as well, said people familiar with the matter.

Visteon has hired law firm Kirkland & Ellis as bankruptcy counsel and financial advisers Rothschild LLC and Alvarez & Marsal.

Visteon's bankruptcy comes at the beginning of what is likely to be a painful global contraction among companies that supply auto parts. With auto makers building fewer cars and taking longer to pay their bills, suppliers are burning through cash and finding banks reluctant to lend to an industry beset by uncertainty.

"Basically put, it's a high level of chaos right now," said Van Conway, president of turnaround firm Conway, MacKenzie and Dunleavy.

Visteon has failed to turn an annual profit since it was spun off by Ford in 2000. In 2005, the auto maker took back the majority of Visteon's plants. Since then, Ford has whittled those 17 plants to six.

The filing was made in a Wilmington, Del., federal bankruptcy court.