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## Visteon's Reorganization Plans Approved by Bankruptcy Judge

Auto parts supplier Visteon Corp had their reorganization plans approved by bankruptcy judge Christopher Sontchi, paving the way for the company to allow its creditors to vote on it. The vote is expected to give unsecured bond holders controlling stake in the company.

The plan came under heavy objections from some of the shareholders and holders of unsecured trade claims but the judge overruled them. The judge also scheduled a plan confirmation trial to proceed on September 28, while giving creditors until July 30 to vote on the plan.

Under Visteon's reorganization plan, unsecured bond holders would become 95% stakeholders in the reorganized company after they buy over \$300 million worth of stocks and raising a further \$950 million by backing a stock rights offering to pay off secured creditors who hold \$1.6 billion in debt. These secured creditors are fighting the unsecured bond holders for control of the company. In the event that the bond holders fail to raise the money, Visteon will revert to an earlier plan where the secured creditors take up 85% ownership of the reorganized company and the rest of the equity be given to the bond holders.

But should the controlling stake be held by the unsecured bond holders, the present shareholders of the company could be left with nothing and the trade creditors could 50 cents or less for every dollar they are owed. The trade creditors are claiming a total of \$48 million. Their attorneys contend that the disclosure statement outlining Visteon's reorganization plans did not present sufficient information on the company's valuation and that the plan itself could not be confirmed because of the way it treats various groups of creditors.

On the other hand, Visteon's lawyers claim that the objections to the disclosure statement were baseless and that they should be brought up at the plan confirmation trial, which is expected to stretch over two weeks. Judge Sontchi ruled that the valuation information in the disclosure statement was "more than adequate and exhaustive".

Another point of contention has to do with the fees incurred in the entire process. The fees for arranging and purchasing the stock rights offering amount to more than \$60 million, payable to the bond holders. Visteon's financial adviser, Rothschild, would be paid \$62.5 million. This led to objections from the lenders and objecting shareholders that Visteon's deal with the bond holders could cost the company more than \$100 million in unnecessary fees.

Visteon was a former subsidiary of Ford Motor Co. and one of its top suppliers of parts based in Van Buren, Michigan, filed for bankruptcy in May 2009 after automakers cut production due to the recession.

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