

# CRAIN'S DETROIT BUSINESS

## Lynn Tilton's high-wire bankruptcy gamble with Dura backfires

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- Bardin Hill replaces Tilton as debtor-in-possession financier
- Tilton placed a profitable Dura into Chapter 11 last month
- Bardin Hill positioned to buy company during reorganization



Bloomberg

Financier Lynn Tilton, CEO of Auburn Hill-based Dura Automotive, filed Chapter 11 protection last month in hopes of clearing Dura from Tilton's investment company's obligations to repay a bond insurer in an unrelated legal dispute.

Dura Automotive Systems LLC has secured new financing to replace a previous funding effort by embattled CEO and financier Lynn Tilton.

The Auburn Hills-based supplier secured \$84 million in debtor-in-possession financing through U.S. Bankruptcy Court Tuesday, replacing a previously approved \$77 million commitment from Tilton, the company said in a press release. The financing from New York private equity firm Bardin Hill Investment Partners LP will be used to fund ongoing business operations as the company moves toward a sale.

The replacement financing appears to bear out that Tilton's plan to place a profitable Dura into bankruptcy to rid debt and sell the company back to her equity firm has backfired.

Tilton filed Chapter 11 protection in U.S. Bankruptcy Court for the Middle District of Tennessee for Dura and its domestic subsidiaries last month in hopes of clearing Dura from Tilton's investment company's obligations to repay a bond insurer in an unrelated legal dispute.

Tilton reached a legal settlement in May with bond insurer MBIA Inc. The agreement involved three bankrupt investment funds Tilton and MBIA had created to originate loans for distressed companies owned by her turnaround firm.

Tilton's Patriarch Partners, 73 percent majority owner of Dura, has sought to sell the maker of driver control systems, lightweight metal vehicle frames and battery trays for at least a year, with Bloomberg reporting a potential \$1 billion price tag.

That obligation was preventing prospective buyers from placing bids on the company, **Marcus Hudson, executive director of Birmingham-based turnaround firm Calderone Advisory Group**, told Crain's when Dura filed for protection in October.

"Someone has probably put a claim on the assets of Dura, and it's holding up a sale of some shape or form," Hudson said. "If everyone agreed upon a value, we wouldn't be in bankruptcy court. This seems to be a creative way of trying to negotiate a deal that probably should be done out of court."

A source familiar with Dura's situation who spoke to Crain's on the condition of anonymity called the filing "financial engineering."

Generally, bankruptcy protection is reserved for unprofitable companies or those headed for insolvency, Hudson said. Dura is profitable. Dura generated revenue of \$1.4 billion in 2018, according to estimates by Automotive News. It generates around \$90 million in earnings before interest, tax, depreciation and amortization, according to a Bloomberg report.

According to the October filing, Tilton was looking to sell the profitable company to herself through the court. Tilton committed \$77 million of debtor-in-possession financing to purchase Dura's assets and take on all employee, customer and trade obligations through an investment arm.

But things don't appear to be going as planned.

MBIA countered Tilton's move and filed a motion in another ongoing bankruptcy case for funds previously controlled by Tilton only hours after Dura's filing in Tennessee to move the case to Delaware. The fund claims in a court filing in U.S. Bankruptcy Court in Delaware that Tilton is violating the terms of the settlement by placing Dura into bankruptcy.

The agreement states Tilton is to repay the fund "whether through sale or refinancing" of portfolio companies, including Dura. The fund alleges Tilton "ignored alternative third-party financing that would have avoided a Chapter 11 filing."

The judge agreed and Dura's Chapter 11 case was moved to Delaware, where the judge approved Bardin Hill's bid to replace Tilton as the debtor-in-possession financier.

Dura intends to complete a sale of the company within 120 days, but if another bidder is not found within that time frame, Bardin Hill plans to acquire the company by paying off all creditors in full.

"Bardin Hill's commitment provides Dura with the capital required for us to continue business as usual and ensure our customers, vendors and employees are compensated during our restructuring process," Marc Beilinson, Dura's appointed restructuring officer, said in a press release. "This critical funding will allow us to continue our expedited sales process as we work to find a buyer that will not result in any supply disruptions to customers or impairments to trade obligations. We look forward to Bardin Hill's ongoing support as we seek to best position the company for future success."