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Splitting up is hard to do: Visteon-Leuliette severance fight shows old rules are changing

By **Dustin Walsh**



Tim Leuliette, who began his career at Ford Motor Co. and later helmed Metaldyne and Dura Automotive Systems, joined Visteon as a member of its board of directors in 2010.

While longtime automotive industry executive and former Visteon Corp. CEO Timothy Leuliette walked away with a \$16.7 million severance after the company terminated him in 2015, it came at a cost to his reputation.

A two-year legal battle, which Leuliette, 68, sparked after demanding arbitration to receive a more than \$60 million golden parachute, triggered what legal experts are calling a "personal vendetta" by Visteon.

Leuliette's fight was settled in January, but the arbitration settlement revealed the executive downloaded pornography and solicited prostitutes on company devices while on business trips to Asia — which the company used as a means to terminate his employment for cause.

The severance dispute between Visteon and Leuliette went beyond the old rules of engagement when it comes to potentially embarrassing allegations in an industry that's still more of an old boys' club than most, experts say.

It's also a signal that big companies may be getting less tolerant of misbehavior at the top — that it's better for a company to take a small hit of embarrassment than to risk being revealed as hiding something. Federal court records first obtained by *The Detroit News* detailed the behavior Leuliette hoped to keep private, but Visteon, in an unusual move, asked U.S. District Judge Terrence Berg to unseal the arbitration award. And he agreed.

"This smacks of a personal vendetta," said Jennifer Lord, partner at Royal Oak-based law firm Pitt McGehee Palmer & Rivers PC, which is currently representing Flint residents in the Flint water crisis lawsuits. "Generally CEOs and companies agree that it's in everyone's best interests to keep their dirty laundry under wraps. They have an institutional incentive not to reveal their top executive was soliciting prostitutes in the Philippines or wherever on company time. But this must've have reached a very personal nature, to the point where Visteon's board wanted to humiliate Leuliette."

Visteon declined to comment on the arbitration. Leuliette's attorneys at Chicago-based Crotty & Schiltz LLC did not respond to inquiries.

It's unclear where things went wrong between Leuliette and Visteon's board of directors.

Leuliette, who **began his career at Ford Motor Co.** and later helmed Metaldyne and Dura Automotive Systems, joined Visteon as a member of its board of directors in 2010.

After 12 years of hemorrhaging cash, the construction of a major Southeast Michigan headquarters and a debt-clearing bankruptcy, **Visteon parted ways with CEO Donald Stebbins** in 2012. The executive spent months sparring with Visteon's board over its direction, which ultimately led to his termination in August of 2012 after Visteon failed to acquire a 30 percent stake in its South Korean joint venture Halla Climate Control Corp.

Leuliette was appointed interim president and CEO in August 2012 and became permanent president and CEO two months later.

During his tenure, Leuliette was credited with a massive restructuring that helped boost the company's share price from the high \$20s to a high of \$106 within two years. Leuliette also spent much of his career as an advocate for suppliers and the industry, including during the Great Recession.

Leuliette led Visteon in a \$265 million acquisition of Johnson Controls Inc.'s electronics unit, cost cutting and selling its 50 percent stake in Korean joint venture Duckyang Industry Co. Ltd. for \$24.1 million in 2014.

He left Visteon in June 2015 upon the completion of the a \$3.6 billion deal to sell Visteon's 70 percent stake in Halla Visteon Climate Control to Seoul-based Hankook Tire Co. and private equity firm Hahn & Co.

At the time of his departure, Leuliette said the company had finished its reorganization under his leadership and a new CEO should set the company in its next direction.

But behind closed doors, a feud was clearly brewing. Upon Leuliette's termination, he petitioned in court to arbitrate his severance package, as outlined in his employment agreement, over a \$43 million discrepancy in pay.

The argument, filed in U.S. District Court in Detroit in April 2016, was over whether Visteon terminated Leuliette with cause or if the termination was deemed a change in control under his employment contract. Visteon immediately petitioned to have the court documents sealed, which they were.

The two parties reached an agreement in arbitration in October 2017, according to court documents. In a turn, Leuliette requested in January that the court keep the arbitration agreement filings sealed, as they concerned "sensitive and private conduct."

That's when the gloves came off.

Visteon responded by asking the court to vacate at least part of the arbitration award — twice. When denied, the auto supplier sought to unseal the court documents. It even sought to reveal the pornographic content from Leuliette's work devices, but the judge denied that request.

Miriam Rosen, partner in the labor and employment practice at McDonald Hopkins LLC in Bloomfield Hills, called the case unusual but said it is becoming more common when top executives demonstrate bad behavior.

"I think it's these situations where an executive has an indiscretion that makes the company so mad, they go against following the terms they set out in an employment agreement, which are usually designed to end relationships amicably," Rosen said.

The days of companies looking the other way in cases where the top boss misbehaves are ending, she said.

"Until recently, there has been some level of overlooking certain types of behavior by the highest level of executives that might not have complied with company rules," Rosen said. "People at the top always had more latitude, but it's tightening now, and there's much less tolerance of that behavior."

James Hermon, a partner in the labor and employment practice at Dykema Gossett PLLC in Detroit, said the "Me Too" movement — an international social movement against sexual harassment and assault — may have also influenced Visteon to seek to unseal the documents.

"We're seeing an increased backlash against private arbitrations, especially with public companies," Hermon said. "Companies are more and more saying they don't want to hide this behavior in a sealed environment."

Rosen and Lord agreed the movement likely played a role and unsealing gives the bad situation a positive spin for protecting Visteon's image.

"They are sending out a PR message that 'we're a large company and we're not going to put up with this crap from anyone, even our CEO,'" Lord said.

But porn and hookers were not the original reason Leuliette was terminated. Visteon originally provided more traditional reasons, including spending too much time away from the office and engaging in M&A negotiations without the board's awareness.

Only after the arbitrator denied those claims as "cause" for dismissal did Visteon trot out the salacious material against Leuliette — leaving more questions than answers, Rosen said.

"Did they know about (the pornographic material and prostitution solicitation) at the time and not want to use it?" Rosen asked. "It's a really risky move to come back to an arbitrator with a completely different set of reasons for termination. But the arbitrator allowed it, which isn't common, either."

And what did Leuliette know?

"Given he knew about his own conduct, he was still willing to challenge (Visteon)," Rosen said. "At some point he knew they knew, but he had no shame in his conduct, maybe thinking they wouldn't expose him. There are types of executives that are arrogant enough to think they are untouchable; it's their organization and they can do what they want."

Until they can't and their employer aims to humiliate them for trying.

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