

# DEBT NEGOTIATIONS: JP MORGAN CHASE AND FRIENDS CLAIM THEY FOUND A PONY!

I'll say this for the Administration. They're driving a harder bargain on behalf of Chrysler and GM than Hank and Timmeh bargained with AIG (a cynic might say that's to push both companies towards bankruptcy).

But I'm fascinated by the claims the creditors are making in the case of Chrysler. Where Chrysler estimated its secured creditors could get 25 cents on the dollar (around \$1.7 billion; it picked the 25 cents out of the 11 to 43 cent range), and the Administration is offering them the 15 cents on the dollar they can currently get in the market (around \$1 billion), the creditors claim they believe they can get 70 cents on the dollar (around \$4.75 billion).

Some senior lenders believe they would get more than 70 cents for each dollar of their secured loans if Chrysler is broken up and sold, said people familiar with the talks. Other lenders don't have an exact number nailed down and are awaiting detailed figures from the auto maker on its assets.

All of the 40-plus lenders and investors are nonetheless incensed by the last Treasury offer: that they accept about 15 cents per dollar of face value of their loans, or roughly \$1 billion of the \$6.9 billion owed them.

[snip]

But some of the senior secured lenders think that is a low-ball estimate and say recoveries could reach 70 cents on the dollar in liquidation, said another person familiar with the talks.

Gosh. Cerberus has been trying for two years to sell Chrysler, much of that time before the crash drove down the value of Chrysler and wiped out the ability of many potential buyers to do so. Yet these banksters think they're going to get \$4.75 billion off Chrysler's remains now that the market is really abysmal?

Who knew Chrysler has secretly been a shiny pony all this time?

Or perhaps the creditors are using the 70 cent number for a different reason, and not just to drive an equally hard bargain in response to the Administration. Perhaps that's what at least some of the creditors know they'll get in bankruptcy, once you take what they'll get to sell Chrysler's pieces parts and get the payoffs of the credit default swaps and other hedges they've got on Chrysler.

Are JP Morgan Chase and friends suggesting they've placed a \$3 billion bet against American industry?