

JP MORGAN THE BANKS FORCES CHRYSLER INTO BANKRUPTCY



photo courtesy of S and C

The UAW was willing to negotiate, but the banksters weren't. So Chrysler will now enter bankruptcy.

The Obama administration will announce at noon today that it will take Chrysler LLC into a historic bankruptcy to force a cut in debt key to a partnership with Fiat S.p.A. after three firms refused a sweetened offer.

With the UAW late Wednesday ratifying cost cuts in its contract and cuts in the money due its retiree health-care trust fund, President Barack Obama will announce a Chrysler-Fiat deal and the government's "surgical" bankruptcy plan later today.

The administration "was willing to give the holdout creditors a final opportunity to do the right thing," an administration official said. But "the agreement of all other key stakeholders ensured that no hedge fund could have a veto over Chrysler's future success."

The lack of an agreement will not "impede the new opportunity Chrysler now has to restructure and emerge stronger going forward," the official said.

The Administration claims they'll be able to pull off a surgical bankruptcy and still pull off the Fiat deal on the other side, leaving Chrysler with some lease on life. But meanwhile, the banksters get to collect on their bets against Chrysler and get rich rich rich! All

while sucking at the Federal teat.

Update: JPMorgan Chase may have been willing to deal. It was a couple of hedge funds that were the final holdouts.

The holdouts are no longer the big four banks (and TARP recipients) that together own 70 percent of Chrysler's debt. Both the Journal and the Washington Post have fingered three hedge funds – Oppenheimer Funds, Perella Weinberg Partners' Xerion Capital Fund and Stairway Cap Management – as the sticklers. The government is faced with the unenviable prospect of getting unanimous consent from all the bondholders to make a deal, which gives the hedge funds extraordinary leverage. In the parlance of Wall Street, taking a hit on what you are owed is known as a "haircut." The hedge funds seem to be allergic to the barbershop.

From Obama's statements.

He starts by saying they get a new lease on life.

Talks about its role in US history, and in building the middle class.

It's been a pillar of our economy, but a pillar that's been weakening. Designing cars that were less reliable and less fuel efficient than competitors. As I've said from the start, we cannot keep this company afloat on an endless supply of tax dollars. Must be invested in making Chrysler more competitive. It's also clear that if Chrysler was able to form a partnership with Fiat, there was a chance it could have a new lease on life. I challenged them to design a plan that would protect American jobs. Chrysler's most important stakeholders have agreed to make major sacrifices. Pleased to announce that Chrysler and

Fiat have formed a partnership that has a chance for success. Save thousands of jobs at Chrysler and tens of thousands at suppliers. Every dime will be repaid before Fiat can take a majority ownership. Canada also committing resources. It's a partnership that will give Chrysler a chance not only to survive, but to thrive. Fiat has demonstrated it can design the clean efficient technology that is the future. Fiat also working to build fuel efficient cars and engines here in America. Unprecedented sacrifices. Management—especially Nardelli—constructive. UAW already made painful sacrifices, made further cuts. Several major financial institutions, including JPMC, agreed to reduce their debt. German automaker agreed to give up its stake in Chrysler.

While many made sacrifices, a group of hedge funds held out, they were hoping that everyone else would hold out. I don't stand with them. I stand with Chrysler's employees and management and suppliers. I stand with the millions who want to buy Chrysler's cars. Supporting Chrysler's plans to use our bankruptcy laws. Nobody should be confused about what BK means. Clearly charted path on the way to Chrysler's survival. Because the biggest stakeholders have already agreed, this process designed to deal with those last few hold outs. Not affect the ability to buy a Chrysler or to get it serviced and repaired. Full support of key stakeholders. Every confidence that Chrysler will emerge stronger and more competitive. I know some believe BK should not happen. I recognize path we're taking is hard, but it's the right one.

Also to shore up financing. It's not clear that Chrysler Financial would

require stream of money to remain compatible. GMAC has agreed to finance new Chrysler sales. Additional capital to GMAC so consumers can get auto loans and dealers can finance inventories. Tomorrow small business admin to include more dealers and suppliers. Steps to make it easier to buy American cars. If you decide to buy a Chrysler, warranty back by US government. Working to accelerate purchase of federal fleet. Fleet modernization.

As pleased as I am, we know that far too many Americans are still struggling. That's why as I discussed I've named Ed Montgomery to be director of recovery reaching out to hardest hit areas. Challenging times for American auto industry and American people, shared purpose, if we can embrace the idea that we're all in it together, we will succeed not only with Chrysler, but we will rebuild our entire economy. And make 21st century another American Century.

Chrysler and GM are going to come back.