

## **Tentative deal set on Chrysler debt to avert bankruptcy**

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*The Treasury Department has worked out a preliminary agreement with Chrysler's largest secured creditors that, if approved, may keep the company out of bankruptcy court, two people briefed on the matter said on Tuesday.*

Chrysler has about \$6.9 billion in secured debt owned by big banks like Citigroup and JPMorgan Chase and a group of hedge funds. Under the proposal, all of the debt would be canceled in exchange for \$2 billion in cash, according to these people.

The Treasury drew up the latest proposal in consultation with Chrysler's biggest secured creditors, which hold about 70 percent of the company's secured debt. It requires approval by almost all of the secured lenders. That could be difficult as some lenders, including several hedge funds, may hold their ground and reject it.

The proposal is now being reviewed by all of the secured lenders, according to those briefed on it. These people cautioned that even if a deal was reached with the secured lenders, Chrysler could still face bankruptcy.

If a deal is reached, it would amount to creditors being paid about 28 cents on the dollar for their outstanding debt. That is a premium to where the debt is currently trading in the market, but much less than the 60 cents on the dollar that creditors originally said they wanted. The Treasury was originally looking for around 22 to 25 cents on the dollar.

The two sides had been far apart in negotiations ahead of a Thursday deadline, but they have significantly narrowed the gap in recent days. The most recent agreement was hammered out late on Monday night as the creditors waited for a response to their most recent proposal, submitted on Friday.

Over the weekend, Chrysler reached a deal with the United Automobile Workers in which the union would own a 55 percent stake in the newly reorganized automaker. The Italian automaker Fiat and the government would probably own the rest. The agreement with the U.A.W. is subject to ratification by union members.

The agreement with the U.A.W. relieves Chrysler of a portion of the \$10 billion it owes to the union's retiree health fund. In exchange for giving up its claims to some of that \$10 billion, the union is getting the significant equity stake in the company.

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