

MONEY & INVESTING

DEAL JOURNAL

Breaking insight from WSJ.com

Not much left at old Chrysler

Chilmark analysis finds only \$2 million remains after 'wind down' costs

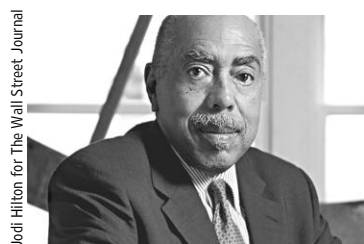
By MICHAEL CORKERY

After the government-brokered sale of Chrysler's best assets to a new venture managed by Fiat, how much can lenders expect to reap from auctioning off the company's remaining assets? Only about \$2 million.

That is according to a confidential "liquidation analysis" prepared by investment firm Chilmark Partners for Chrysler's lenders and reviewed by The Wall Street Journal.

Chilmark's analysis shows that after the Fiat deal the "old" Chrysler still holds about \$2.1 billion of assets on the books, which include: seven assembly and part plants, valued at \$1.4 billion, and an inventory of 8,500 "company" cars, valued at about \$200 million. The assets also include about \$200 million of derivatives.

Chilmark estimates lenders actually would be able to recover only \$100 million by selling the assembly and part plants and about \$100 million for the company cars. The derivatives are worthless, according to its June 3 analysis.



Walter Massey still backs the man he succeeded as BofA chairman.

That leaves \$200 million in proceeds from liquidation. But those proceeds must be used to pay administrative fees and "wind down" costs, leaving only \$2 million, according to Chilmark.

Chilmark's analysis suggests that the \$2 billion that the Treasury Department agreed to pay to Chrysler's lenders, including J.P. Morgan Chase and Citigroup, to settle their total of \$6.9 billion debt may have been the best deal those lenders could have gotten.

They Like Lewis Better in the South

Bank of America Chief Executive Kenneth Lewis has had better weeks. Last Wednesday, emails surfaced in which federal officials called him "reckless." On Thursday, Mr. Lewis was hauled before Congress and grilled about whether he had been completely truthful regarding BofA's acquisition of Merrill Lynch.

But the message back home at BofA's Charlotte, N.C., headquarters was all warm and fuzzy. The day before Mr. Lewis headed to Capitol Hill, Bank of America posted a Q&A on its internal company Web site with new Chairman Walter E. Massey, who went out of his way to make it clear that Mr. Lewis's job was safe: "I have enjoyed working with Ken for many years, and I look forward to continuing that work... What we share is an insistence on high standards, the right values, professionalism and results. Sharing those priorities makes the relationship easy."

Several times Mr. Massey mentioned that "Ken and I" share similar visions and beliefs about BofA's future. Massey was appointed BofA's chairman after shareholders stripped Mr. Lewis of his chairman duties in April, while retaining Mr. Lewis as CEO. "This comes after other public displays of affection. In a June 5 interview with The Wall Street Journal, Mr. Massey made clear that Mr. Lewis "has the board's full support and mine personally," saying, "I don't see anyone who could be doing a better job of leading this organization at this time."

This comes after other public displays of affection. In a June 5 interview with The Wall Street Journal, Mr. Massey made clear that Mr. Lewis "has the board's full support and mine personally," saying, "I don't see anyone who could be doing a better job of leading this organization at this time."

Bank of America Chief Executive Kenneth Lewis has had better weeks.

Last Wednesday, emails surfaced in which federal officials called him "reckless." On Thursday, Mr. Lewis was hauled before Congress and grilled about whether he had been completely truthful regarding BofA's acquisition of Merrill Lynch.

Read continuous updates on the high-stakes world of deal making, Deal Journal, free online at blogs.wsj.com/deals

Huntsman deal dispute heads to court in Texas

By PETER LATTMAN

The final act in the legal drama over the busted buyout of Huntsman Corp. was expected to start Monday, when the chemical maker squares off against Credit Suisse Group AG and Deutsche Bank AG.

Big money will be at stake in the Conroe, Texas, courtroom. Huntsman seeks \$4.65 billion in damages, roughly three times its current stock-market capitalization. It accuses the investment banks, which were facing billions of dollars in loan losses, of plotting to scuttle its 2007 leveraged buyout by Hexion Specialty Chemicals, a company owned by private-equity firm Apollo Management LP.

"The banks have done nothing wrong," said a spokesman for the two firms. "We are fully confident that we will be vindicated." The case will test how a Texas state court jury views large Wall Street banks at a time when their reputations have been sullied by the financial crisis. Barring a last-minute settlement, the trial is expected to last six weeks.

The case is among the last in a spate of lawsuits that cropped up two years ago when the credit bubble burst. Private-equity firms and their lenders grew skittish about funding the deals and tried to renege on their commitments.

Struck in July 2007, the Huntsman deal was a classic boom-era leveraged buyout, entirely funded by \$15.4 billion of newly issued debt. It collapsed 11 months later when Apollo asked a Delaware judge to cancel it, arguing that a combined Hexion-Huntsman would be insolvent and therefore didn't meet the banks' funding conditions.

Huntsman accuses the investment banks of plotting to scuttle its 2007 LBO.

After a six-day trial, a Delaware judge disagreed with Apollo, ruling that Hexion intentionally breached the merger pact to wriggle out of the deal. The judge ordered Apollo to use its best efforts to close the transaction.

After the Delaware ruling, Huntsman, based in The Woodlands, Texas, sued the banks in state court, alleging that they also interfered with the merger.

Last December, Huntsman and Apollo reached a \$1 billion settlement that included a \$325 million payment from the banks. That amount was far less than the \$3 billion Huntsman had sought, but it came at a moment when the company needed cash.

Now Huntsman has taken aim at the banks. The company has accused Credit Suisse and Deutsche Bank of failing to fund the deal because they sought to avoid billions of dollars in losses. Huntsman is also accusing the banks of subverting a binding deal it had with chemical maker Basell Holdings BV, which had agreed to acquire Huntsman for

\$25.25 per share, funded by Citigroup Inc. Huntsman says it accepted the higher Apollo \$28-per-share bid in large part because of the ironclad financing promised by the banks, which stood to earn \$250 million in fees on the commitment. The banks say they didn't provide the financing for the deal because they didn't think a combined Hexion-Huntsman would be solvent, a requirement under the financing commitment letter.

Huntsman hopes to persuade jurors that the banks schemed with Apollo to squelch the buyout. The evidence is expected to include details of a meeting at the World Economic Forum in Davos, Switzerland, between Apollo boss Leon Black and Credit Suisse Chief Executive Brady Dougan in which the two men

discussed the troubled buyout and ways to mitigate losses on the deal. "We needed to find a solution that would limit the damage to both firms," reads a document prepared by a Credit Suisse banker marking what was said at the meeting.

The banks are expected to argue that this conversation and others are typical interactions, nothing more than loose talk between lenders and their private-equity clients. Apollo executives have testified in pretrial depositions that there was no conspiracy with the banks.

A victory would be a boon for Huntsman, which continues to suffer from a global slump in the chemical industry. In 4 p.m. New York Stock Exchange trading Friday, Huntsman was at \$6.67, down 18 cents.

Wall Street will be watching the trial closely to see how the banks fare in the Texas courts, where a jury awarded Houston-based Penzoil Co. \$10.5 billion in a 1986 suit against New York-based Texaco Inc. Legal experts say that Texas-size verdicts aren't nearly as common as they once were. After years of tort reform, "Texas is nowhere near the plaintiffs' paradise that it was in the time of Texaco-Pennzoil," said Tom Kirkendall, a commercial litigator based in The Woodlands.

The case is being tried in Conroe, a small city 40 miles north of Houston, not considered a particularly plaintiff-friendly jurisdiction. The area has also held up relatively well during the downturn.

"I don't think you could be in a better court as far as the economic crisis is concerned," said Judge Fred Edwards to the banks' lawyers during a pretrial hearing.



Leon Black

Commodities Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; CME: Chicago Mercantile Exchange; NYBOT: New York Board of Trade; MDEX: Bursa Malaysia Derivatives Berhad; LIFFE: London International Financial Futures Exchange; LME: London Mercantile Exchange; NYMEX: New York Mercantile Exchange; ICE: IntercontinentalExchange

Table with columns: Commodity, Exchange, Last price, Net, ONE-DAY CHANGE, Contract high, Contract low. Lists various commodities like Corn, Soybeans, Wheat, Live cattle, Cocoa, Coffee, Sugar, Cotton, Crude palm oil, Cocoa, Robusta coffee, Copper, Gold, Silver, Aluminum, Tin, Copper, Lead, Zinc, Nickel, Crude oil, Heating oil, RBOB gasoline, Natural gas, Brent crude, Gas oil.

WSJ.com logo and text: Follow the markets throughout the day, with updated stock quotes, news and commentary at WSJ.com/Asia. Also, receive email alerts that summarize the day's trading in Europe and Asia. To sign up, go to WSJ.com/Online Today

Major stock market indexes

Table with columns: Region/Country, Index, Close, Net change, Percentage change, Yr.-to-date, 52-wk. Performance. Lists indexes for ASIA-PACIFIC, EUROPE, AMERICAS, and EURO ZONE.

*P/E ratios use trailing 12-months, as reported earnings. European and Americas index data are as of 12:00 p.m. ET. Sources: Thomson Reuters; WSJ Market Data Group

Dow Jones and Dow Jones Stoxx Indexes

Table with columns: Dividend yield*, Price-to-earnings ratio*, Dows Jones Index, Last, Net change, Daily, Year, 52-wk, Three-yr., PERFORMANCE. Lists various Dow Jones and Stoxx indexes.

Cross rates U.S.-dollar and euro foreign-exchange rates in global trading

Table with columns: U.S., AUSTRALIA, BRITAIN, CANADA, CHINA, EURO, HONG KONG, INDIA, INDONESIA, JAPAN, NEW ZEALAND, SOUTH KOREA, PHILIPPINES, SINGAPORE, SWITZERLAND, TAIWAN, THAILAND. Lists exchange rates for various countries.

Currencies London close on June 15

Table with columns: AMERICAS, EUROPE, ASIA-PACIFIC. Lists exchange rates for various currencies like Argentinian peso, Brazilian real, Canada dollar, Euro zone euro, Czech Rep. koruna, Denmark krone, Hungary forint, Norway krona, Poland zloty, Russia ruble, Sweden krona, Switzerland franc, U.S. dollar, Venezuela bolivar, Australia dollar, Hong Kong dollar, India rupee, Indonesia rupiah, Japan yen, Malaysia ringgit, New Zealand dollar, Pakistan rupee, Philippines peso, Singapore dollar, South Korea won, Taiwan dollar, Thailand baht.

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies. Note: Based on trading among banks in amounts of \$1 million and more, as quoted by Thomson Reuters.

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Table with columns: Region/Country, Index, Close, Net change, Percentage change, Yr.-to-date, 52-wk. Performance. Lists stock indexes for Euro Zone, AMERICAS, and EUROPE.

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones indexes.

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of June 15, 2009

Table with columns: Dividend yield, Price-to-earnings ratio, Morgan Stanley Index, Last, DAILY, PERFORMANCE, LOCAL-CURRENCY, YTD, 52-wk. Lists MSCI indexes for ALL COUNTRY (AC) WORLD, World (Developed Markets), World Small Cap, Kokusai (World ex-Japan), EAFE, Emerging Markets (EM), AC ASIA PACIFIC EX-JAPAN, AC Far East ex-Japan, Japan, Kokunai (Japan Domestic), Kokunai Value, Kokunai Growth, Kokunai Small Cap, China (China Domestic), Hong Kong, India, Korea, Malaysia, Singapore, Taiwan, Thailand, Australia, New Zealand, US BROAD MARKET, EUROPE.

*Twenty-three developed and 26 emerging markets. Source: MSCI Barra

Innovation:

"People talk about \$2500 car as the world's cheapest car. But at Tata Motors, we do not perceive the Tata Nano as simply the world's cheapest car. Every component that has gone into the Tata Nano has been well thought through and designed differently. Unconventional thinking to create a product with features exceeding customer expectations at a given price point is an Innovation and source of competitive advantage for an organisation."

- Ajit Venkataraman, CEO, Tata Motors, Thailand

Join exemplary leaders at -

2009 Growth, Innovation, and Leadership:

A Frost & Sullivan Global Congress on Corporate Growth

- GIL 2009: Middle East - Abu Dhabi, UAE, 6-7 October
GIL 2009: Asia Pacific - Kuala Lumpur, Malaysia, 12-16 October
GIL 2009: India - Bangalore, India, 23 October
GIL 2009: China - Shanghai, China, 28 October

www.gil-global.com

To attend GIL 2009 Congress, email: neethiya.sadagopal@frost.com or call: +65.6890.0966

On Other Fronts

Captive at home?

Rio slum dwellers feel fenced in by walls built around them > Page 24

