

April 30, 2009

Statement From Non-Tarp Lenders To Chrysler

As of last night's deadline, we were part of a group of approximately 20 relatively small organizations; we represent many of the country's teachers unions, major pension and retirement plans and school endowments who have invested through us in senior secured loans to Chrysler. Combined, these loans total about \$1 billion. None of us have taken a dime in TARP money.

As much as anyone, we want to see Chrysler emerge from its current situation as a viable American company, and we are committed to doing what we can to help. Indeed, we have made significant concessions toward this end – although we have been systematically precluded from engaging in direct discussions or negotiations with the government; instead, we have been forced to communicate through an obviously conflicted intermediary: a group of banks that have received billions of TARP funds.

What created this much-publicized impasse? Under long recognized legal and business principles, junior creditors are ordinarily not entitled to anything until senior secured creditors like our investors are repaid **in full**. Nevertheless, to facilitate Chrysler's rehabilitation, we offered to take a 40% haircut even though some groups lower down in the legal priority chain in Chrysler debt were being given recoveries of up to 50% or more and being allowed to take out billions of dollars. In contrast, over at General Motors, senior secured lenders are being left unimpaired with 100% recoveries, while even GM's *unsecured* bondholders are receiving a far better recovery than we are as Chrysler's first lien *secured* lenders.

Our offer has been flatly rejected or ignored. The fact is, in this process and in its earnest effort to ensure the survival of Chrysler and the well being of the company's employees, the government has risked overturning the rule of law and practices that have governed our world-leading bankruptcy code for decades.

We have a fiduciary responsibility to all those teachers, pensioners, retirees and others who have entrusted their money to us. We are legally bound to protect their interests. Much as we empathize with Chrysler's other stakeholders, the capital is just not ours to contribute to their cause by accepting a deal that is outside the well established legal framework and cannot be rationalized as being commercially reasonable.

We continue to attempt to discuss our position with the United States Treasury, so far to no avail. We have made a proposal which we earnestly believe is fair and would appropriately recognize our legal position.

As President Obama implied yesterday, it is likely that Chrysler will have to file Chapter 11 whether or not all lenders agree to any particular proposal. Chapter 11 is often used to help implement an agreed deal and dispose of unwanted legacy liabilities. We are hopeful and optimistic that we will reach a positive resolution of our issues so that all stakeholders will move forward together to implement Chrysler's "quick trip" restructuring in an un-contested proceeding. **Our Group would never initiate a bankruptcy filing on Chrysler – that is a decision for the Company and the Administration to make.**

As we all appreciate, laws are the foundation of our economy and society. Despite recent travails, our country remains the economic envy of the world and the United States remains a vital engine of global growth. The rule of law made it that way. We urge that people remember this and not succumb to unproductive and unwarranted finger pointing.

Sincerely,

The Committee of Chrysler Non-Tarp Lenders