

# **Fiat Exercises Option To Buy More Chrysler Stock**

Tom Krisher, AP Auto Writer

DETROIT (AP) — Italian automaker Fiat has exercised a third option to buy a small amount of Chrysler stock, but the sale won't go through until a U.S. court settles a dispute over the price.

Fiat said Monday that it offered \$254.7 million for another 3.3 percent of Chrysler's outstanding equity.

Fiat already owns 58.5 percent of Chrysler, with the remaining 41.5 percent held by a trust that pays medical bills for retired United Auto Workers union members. The Italian company wants to buy all of the trust's stock and fully merge Chrysler and Fiat.

The price on the options will be settled by a judge in Delaware Chancery Court, and the ruling is likely to set the price for the trust's remaining Chrysler stake. For several months, Fiat has been trying to arrange financing to buy the trust's stock. Fiat expects a court ruling sometime this month.

"I hope to close (the deal) as soon as possible if they let me do it," the Italian news agency LaPresse quoted Fiat and Chrysler CEO Sergio Marchionne as saying at an appearance Monday in Turin, Italy, Fiat's headquarters city.

Fiat now has exercised options to buy 9.9 percent more Chrysler stock. The Italian automaker has options to buy 3.3 percent of Chrysler stock every six months until it gets another 16.6 percent. Fiat offered \$139.7 million for the first 3.3 percent option on July 3, 2012, but the trust fund says the price should be \$343 million. Fiat raised its offer to \$198 million for the second 3.3 percent on Jan. 3 of this year.

Morgan Stanley, in a July 5 note to investors, estimated that it would cost Fiat \$2 billion to \$5 billion to buy the trust's entire stake.

The options are part of the deal in which Fiat and Marchionne were appointed to manage Chrysler in 2009 by the U.S. government. The government bailed out the struggling Chrysler and funded its trip through bankruptcy restructuring.

Since then, Fiat has raised its stake in the resurgent Chrysler, and Marchionne is merging the companies to generate more cost savings from joint research, management and purchasing.

Once it gains control of the whole company, Fiat is considering a plan to hold an initial public stock offering, which would raise much-needed money for research on new vehicles at both companies, and could help Fiat weather the economic downturn in Europe.

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Fiat SpA shares are now traded publicly on the Milan stock exchange, while Chrysler is technically a private company with no publicly traded shares. Presumably, Fiat shareholders would be offered a stake in the new company if they approve the merger.

Merging the companies would give Fiat access to Chrysler's cash. Currently, Fiat shares in Chrysler's profits but can't use the Detroit automaker's funds for its own operations. Fiat lost \$108 million in the first quarter, while Chrysler made \$166 million. Without Chrysler, Fiat would have lost \$1.41 billion last year. Chrysler had \$11.9 billion in cash as of March 31.

Like Fiat, the trust got its stake in Chrysler from the government as part of the 2009 bankruptcy. At the time Chrysler owed the trust around \$4 billion as part of a deal with the UAW to take over retiree health care costs.

The trust fund needs cash to pay medical bills for thousands of Chrysler blue-collar retirees. In order to monetize its stake in Chrysler, it either has to sell the shares to another party, such as Fiat, or sell to the public — which could happen if Fiat and the trust can't agree on a share price.

The trust has asked Fiat to begin working on an IPO of Chrysler, but cannot formally compel it to follow through; a public offering takes about 18 months to prepare. Marchionne has said he favors buying the trust's stake to a public sale.

Marchionne has already taken steps to combine Fiat and Chrysler. The companies are sharing engines and parts and have jointly designed cars like the Dodge Dart compact. The balance sheets are already combined, although there is a strict separation of assets.

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