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Chrysler Investors Deserved More Money, Experts Testify

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WILMINGTON, Del., Dec. 8 -- Witnesses for the billionaire investor Kirk Kerkorian testified on Monday that Chrysler shareholders should have been financially compensated for having two members on the DaimlerChrysler board while Daimler-Benz had nine.

Mr. Kerkorian, who was the biggest shareholder in Chrysler, is suing DaimlerChrysler over the 1998 merger. The chairman of DaimlerChrysler, Jurgen E. Schrempp, will appear in federal court on Tuesday, a lawyer for Mr. Kerkorian's company, the Tracinda Corporation, was heard telling a colleague on Monday.

Mr. Kerkorian sued Mr. Schrempp and DaimlerChrysler in 2000 after Mr. Schrempp said in an interview with The Financial Times of London that it had always been his intent to acquire control of Chrysler rather than merge with it as an equal, as Chrysler shareholders had been told before the combination.

Lawyers for Mr. Kerkorian and Tracinda are trying to persuade Judge Joseph J. Farnan Jr. of Federal District Court that Mr. Schrempp defrauded Chrysler shareholders in the \$36 billion deal to avoid paying a premium for what Tracinda asserts was a change-of-control acquisition.

According to two expert witnesses for Tracinda, Chrysler shareholders should have received \$6.4 billion to \$9.3 billion more in return for having only two Chrysler members on the DaimlerChrysler board.

Tracinda is seeking at least \$1.2 billion for Mr. Kerkorian's stake of 13.74 percent, or 89 million Chrysler shares.

"Chrysler was donating considerably more than they were getting back from the combined entity," one expert witness, H. Conrad Meyer III, an investment banker, testified under questioning by a Tracinda lawyer, James Schreier.

Mr. Meyer said he would have valued the stock-for-stock exchange as a takeover worth \$61.50 a share, rather than the \$51.00 value agreed to by the Chrysler board.

"Why give up control for less than the company is worth on a stand-alone basis?" he asked.

A lawyer for DaimlerChrysler, Joseph Sacca, challenged Mr. Meyer's conclusions, saying that even if one assumed that there had been a change of control, Chrysler shareholders received a higher value per share than the highest estimate of the company's banker, Credit Suisse First Boston.

Mr. Sacca said that it was Credit Suisse, and not Mr. Meyer, that conferred with Chrysler directors before drawing more conservative assumptions than Mr. Meyer about value of the deal. Mr. Sacca noted that Chrysler was free to seek other partners because the deal did not have a no-shop provision or a breakup fee.

A second witness for Mr. Kerkorian, Dr. **William L. Silber**, an economist at New York University, was asked by Judge Farnan whether Mr. Schrempp's remarks in The Financial Times had been a factor in his analysis, Dr. Silber replied, "The analysis does not depend on what he said, but only the number of seats" allotted to each side on the combined DaimlerChrysler board.

When Judge Farnan asked if Dr. Silber could think of any reason for the Chrysler board to vote for a deal that was undervalued by \$9 billion, Dr. Silber said, "You want to give them a present? I'd say fine, give them a present."

A decision is pending on whether a \$300 million class-action settlement between Chrysler shareholders, excluding Tracinda, and DaimlerChrysler will be approved by Judge Kent A. Jordan, also of Federal District Court in Delaware.

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