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White House Denies Charge By Attorney that Administration Threatened to Destroy Investment Firm's Reputation*

918 [Text](#) |

A leading bankruptcy attorney representing hedge funds and money managers told ABC News Saturday that Steve Rattner, the leader of the Obama administration's Auto Industry Task Force, threatened one of the firms, an investment bank, that if it continued to oppose the administration's Chrysler bankruptcy plan, the White House would use the White House press corps to destroy its reputation.

The White House and a spokesperson for the investment bank in question challenged the accuracy of the story.

"The charge is completely untrue," said White House deputy press secretary Bill Burton, "and there's obviously no evidence to suggest that this happened in any way."

Thomas Lauria, Global Practice Head of the Financial Restructuring and Insolvency Group at White & Case, told ABC News that Rattner suggested to an official of the boutique investment bank Perella Weinberg Partners that officials of the Obama White House would embarrass the firm for opposing the Obama administration plan, which President Obama announced Thursday, and which requires creditors to accept roughly 29 cents on the dollar for an estimated \$6.8 billion owed by Chrysler.

Lauria first told the story, without naming Rattner, to **Frank Beckmann on Detroit's WJR-AM radio**

Perella Weinberg Partners, Lauria said, "was directly threatened by the White House and in essence compelled to withdraw its opposition to the deal under the threat that the full force of the White House press corps would destroy its reputation if it continued to fight. That's how hard it is to stand on this side of the fence."

A Perella Weinberg Partners spokesperson told ABC News on Sunday that "The firm denies Mr. Lauria's account of events."* The spokesperson would not elaborate.

Perella Weinberg Partners, which owned Chrysler debt through its Xerion Fund, was one of Lauria's clients in this bankruptcy, but no longer is. The firm is led by Joseph Perella. On Thursday afternoon — after the Wednesday deadline — the portfolio manager for the Xerion fund decided to join the larger four creditors who are owed roughly 70% of Chrysler's debt and had already agreed to participate with the administration's plan.

Those four financial institutions — JP Morgan Chase, Citigroup, Morgan Stanley, and Goldman Sachs — are recipients of up to \$100 billion in federal government bailout funds, though the Obama administration insists the matters were kept completely separate.