

**United States Senate Committee on Banking, Housing
and Urban Affairs**

Committee Hearing

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**Chrysler's Plan for Short-Term
and Long-Term Viability**

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Chrysler Background

Historically, Chrysler has been the one of most agile and innovative of the three Detroit automakers. This pioneering spirit has resulted in bold and successful business decisions including the acquisition of the Dodge and the Jeep brands, the invention of the legendary HEMI engine, and the creation of the Minivan. Today, Chrysler employs 55,000 workers worldwide, and sells approximately 2 million new vehicles each year, through a network of global dealers, including over 3,300 located in the United States. In 1979, Chrysler sought and received loan guarantees from the Federal Government to survive the economic recession and oil crisis of the late 1970s. These loans were paid back seven years early, and generated more than \$300 million in equity returns to the American taxpayers. Even more significantly, the loan guarantees that helped return Chrysler to health resulted in the Company's ability to continue to pay employees and suppliers, fund retiree health and pension benefits and pay local, state and Federal taxes for the past 30 years.

In 1998, Chrysler was acquired by Daimler and became a wholly-owned subsidiary of the large global automaker. As part of the integration, the Chrysler organization became functionally aligned with Daimler's German headquarters, and key functions were centralized in Germany. Chrysler's operating strategy and long-term product plans were optimized based on Daimler's overall global goals rather than Chrysler's stand-alone objectives.

In August 2007, Daimler sold a controlling interest in Chrysler to affiliates of Cerberus Capital Management L.P., creating the first privately held American auto company in 50 years. The dedicated men and women of Chrysler view the challenge of returning Chrysler to profitability as an opportunity of a lifetime, and are determined to restore this 83-year old, iconic American brand to one of stature in the automotive industry.

Mr. Nardelli was engaged by Chrysler immediately following the separation from Daimler in August 2007. New to the automotive industry, he recognized the need to question and challenge the status quo and sought significant opportunities to improve performance throughout the business. Under his leadership Chrysler launched an aggressive restructuring effort to address declining market conditions and to transform the business into an independent American auto company aligned with consumers' emerging needs.

Chrysler made tough decisions to reduce operating costs and adjusted production schedules immediately. Management prioritized every product investment with a strong emphasis on improving energy security and environmental sustainability by introducing advanced powertrain technologies. At the same time four unprofitable vehicle models were discontinued and over \$1 billion in unprofitable assets were identified for sale, with more than 70 percent of those assets disposed of to date.

Since 2007, Chrysler has eliminated 1.2 million units of capacity, which represented over 30 percent of its previously installed capacity, and resulted in the elimination of 12 production shifts. Over the past 10 months alone Chrysler reduced its fixed costs by \$2.4 billion. Unfortunately, by the end of 2008, Chrysler will have separated over 32,000 employees, including 5,000 white collar employees who left the company just this past Wednesday before Thanksgiving. Cost cutting has been substantial, swift and wide-ranging. Nothing has been viewed as “sacred.”

According to the Harbour Report, Chrysler has increased its manufacturing productivity by 32% over the past 7 years to equal Toyota, the most productive automaker in North America in terms of hours of assembly per vehicle. This combined with the favorable hourly labor rates in the recently negotiated transformational labor agreement with the UAW is an important step toward making Chrysler’s cost structure competitive with transplant manufacturing by 2010.

To further enhance its product portfolio, support growth and improve its cost structure, Chrysler continues to aggressively pursue strategic alliances and partnerships. Examples include our manufacturing agreement with Nissan whereby Chrysler will provide 100 percent of Nissan’s full size truck manufacturing in North America beginning 2011. At the same time Chrysler will purchase a compact, fuel efficient car from Nissan for global markets beginning in 2010. Chrysler also became the sole supplier to VW for all its Minivan production in North America. Chrysler has also entered into alliances with suppliers to develop innovative powertrain technology to support improved fuel economy.

Further partnership, restructuring and consolidation represent a significant upside for the U.S. auto manufacturers in a global economy. Chrysler welcomes the opportunity to have an open discussion with the new Administration and Congress on a collaborative approach to restructuring that will ensure any Government resources invested in the industry are used efficiently and will advance important national public policy objectives.

1. Our Request

Chrysler is requesting a \$7 billion secured working capital bridge loan by December 31, 2008. The existing senior secured lenders have advised Cerberus that they will work with the Company and the Government to provide mutually satisfactory collateral and priority.

The Company makes this extraordinary request to meet a short-term deficiency in our liquidity and working capital created by a perfect storm comprised of

- (a) the collapse in demand for light duty vehicles (2007 SAAR 16.2 million compared to 10.8 million run rate for the month of November 2008),
- (b) the unprecedented financial crisis where even world-class companies like General Electric and Berkshire Hathaway must pay huge premiums for what was previously considered “AAA” credit, and many businesses have no access to credit at all (despite the best efforts of the Congress and Treasury to inject capital and create liquidity) and
- (c) the general global economic downturn.

These events have jeopardized our ability to complete the dramatic restructuring plan that we began in 2007, before the commencement of the current economic crisis. Provision of the bridge loan will allow the Company to retain the confidence of its lenders, suppliers, dealers and employees and complete the on-going restructuring which we are confident will place the company on a path to long-term viability.

This submission to Congress contains the facts, assumptions and projected financial results that support Chrysler's belief that it will be financially viable throughout the plan cycle. Management believes this report and analysis demonstrates that Chrysler can and will emerge from this restructuring process as a significant and healthy player in the U.S. automotive market for years to come, and will be well positioned to begin repayment of the Federal loans in 2012. Chrysler believes that participating in the restoration of the Company's long-term viability without a bankruptcy filing significantly improves the outcome for all constituents.

2. Short –Term Cash Requirements

For the first six months of 2008 Chrysler LLC operations generated adequate working capital to fund its ongoing operations. The Company ended the first half of the year with approximately \$9.4 billion of cash. However, the significant downturn in the U.S. automotive sector in the second half of this year began to deplete the Company's otherwise ample cash reserves.

Chrysler currently estimates that at year end it will have approximately \$2.5 billion available cash on hand. In order to maintain appropriate working capital liquidity, and to bridge to the completion of the out-of-court restructuring and business plans described below, we are requesting the \$7 billion secured bridge loan. During the period from January 1, 2009 through March 31, 2009, Chrysler anticipates making payments to the following parties:

Summary of Qtr. 1, 2009
Major Expenditures (\$Billions)

Parts suppliers	\$ 8.0
Other vendors	1.2
Wages	0.9
Healthcare/legacy	0.5
Capital expenditures	0.5
Other expenditures	0.5
Total expenditures	\$11.6

Traditionally, the first three months of the year are the months with the lowest sales volumes, and hence, the lowest cash flows. Chrysler anticipates sales to be even lower than normal due to the economic downturn, the credit crisis and the inability of dealers and customers to secure wholesale and retail financing, which places greater pressure on operating cash flows.

As a result of the above, without an immediate working capital bridge, Chrysler's liquidity could fall below the level necessary to sustain the company through the first quarter of 2009.

3. Major Business Assumptions

Congress has asked whether Chrysler, if in receipt of the requested Federal loan, can achieve viability on a stand alone basis as a profitable company. As noted above, the Company has already made substantial strides towards that goal and as indicated in this submission, will pursue significant additional restructuring actions and seek meaningful concessions from each of its major constituents. Chrysler believes these actions, taken together, clearly demonstrate long-term viability. Management fully understands that it has to continue to drive revenues through responsible product development that support the country's energy security and environmental sustainability goals.

Chrysler remains focused upon developing partnerships, strategic alliances or a consolidation as a fundamental element of its restructuring to expand its product portfolio, generate incremental revenue, and create additional operational synergies related to manufacturing, purchasing and distribution. Management recognizes that in spite of the capacity reductions in the U.S. industry, there still exist opportunities for significant synergies through factory rationalization, sharing platforms and components (i.e., powertrain), and sharing new technical innovations (i.e., dual-mode hybrid drive systems) in a cost effective manner. Chrysler has conducted internal studies to identify the financial impact of an alliance or consolidation. Our estimates for annual synergies once fully implemented range between \$3.5 and \$9.0 billion.

Chrysler anticipates that the Federal loan will function as additional adequate assurance to our suppliers, customers and employees that the Company will make it through this extraordinary time in our nation's economy, assuming, among other things, that Chrysler Financial has financing capacity at the wholesale and retail level sufficient to support Chrysler's production volumes. At Chrysler, 75 percent of our dealers rely on Chrysler Financial to finance their business, and 50 percent of all customers finance their vehicle purchases through Chrysler Financial. With credit markets frozen, our customers – average working Americans – do not have access to competitive financing to purchase or lease vehicles...our dealers do not have access to market competitive funding to place wholesale orders for new vehicles...resulting in the constriction of cash inflows to the Chrysler. Chrysler Financial is in need of immediately liquidity support.

Chrysler's salaried workforce will fully comply with the restrictions established under section 111 of EESA. The Company has already undertaken and will continue to undertake significant cost reduction actions, such as: suspending the Company's match portion of the 401(k) plan; terminating the lease car program; and asking more productivity of each employee as a result of the approximately 12,000 in headcount reductions over the past 2 years. Additionally, Chrysler has substantially increased all salaried employees' contribution to health care costs,

suspended tuition reimbursement program benefits, and eliminated retiree life insurance benefits.

Mr. Nardelli receives an annual salary of \$1 from Chrysler. In addition, Mr. Nardelli receives no health care, insurance or similar benefits from the Company. On average, Chrysler's executive salaries are in the 2nd quartile when compared to similarly situated companies, which in general, is below competitive market levels.

Furthermore, the Company did not pay salaried merit increases or performance bonuses in 2008, and has not planned salaried merit increases or performance bonuses for 2009. Management has no options or restricted stock units. Top management will continue to share in the sacrifices of the salaried workforce and bear 100% of their healthcare premium costs.

Product Development and Other Revenue Drivers

DOE - 136 funding : Chrysler applied on day one for \$8.5 billion in 136 funding, \$6 billion (or 70 percent) of which is factored into the planning period from 2009 – 2012. These funds will be absolutely critical for Chrysler to achieve its product plan to support energy security and environmental sustainability. (reference chart #51)

Providing Cars and Trucks People Want to Buy: Chrysler has made substantial progress in its product line to improve fuel efficiency, quality, technology and consumer appeal. During its first 60 days as an independent company, management approved more than 400 design changes representing an investment of half a billion dollars in improvements to product reliability, durability, fit and finish, and consumer appeal. Chrysler also offered its customers a lifetime powertrain warranty to build both confidence in its products and demonstrable quality. Due to a focused product quality improvement effort during the past year, Chrysler has seen its warranty claim rates drop by 29%. This improvement trend continues.

Chrysler's viability plan includes 24 major product launches through 2012, including a wide portfolio of hybrid electric-drive vehicles within several categories: Neighborhood Electric Vehicles (NEV), City Electric Vehicles (CEV), Range-extended Electric Vehicles (ReEV), and full-function battery electric vehicles (BEV).

Chrysler is the largest producer of all-electric vehicles in the U.S.. Through its GEM (Global Electric Motorcars) division, Chrysler has produced over 40,000 NEVs during the past 10 years with significant market growth forecasted over the next several years.

The development of Chrysler's full function electric-drive vehicles is led by ENVI, the Company's in-house organization that was formed to focus on electric-drive production vehicles and related advance technologies. ENVI's initial focus is on establishing a market presence and technology leadership in electric-drive to further:

- Reduce well-to-wheel energy consumption.
- Reduce petroleum dependency.
- Reduce tailpipe emissions and greenhouse gases.
- Increase energy efficiency.
- Exceed consumer's expectations in the areas of fuel economy, cost-of-ownership, performance, comfort, utility, and safety.

Chrysler recently developed several advanced production-intent electric vehicles and publicly demonstrated our commitment to apply electric-drive technology to front-wheel-drive, rear-wheel-drive and body-on-frame four-wheel-drive platforms.

Chrysler's product plan includes the introduction of the first full function electric-drive model in 2010, and expansion to additional models by 2013. Chrysler will have close to 100 vehicles dedicated to testing and development within the Company, or assigned to Government and business evaluation fleets by the end of 2009. Chrysler's market penetration of electric-drive vehicles will further increase with over 500,000 produced by 2013 .

Our commitment to enhancing the nation's energy security and environmental sustainability also includes improving the performance of existing technology and support for flex fuel vehicles. For the 2009 model year, nineteen Dodge, Jeep and Chrysler models, or 73% of our product line, will offer improved fuel economy compared to previous models. The company has more than 1.7 million Flex Fuel Vehicles (FFV) on the road capable of running on 85 percent ethanol, and is on target to meet our commitment of 50% of our fleet being flex fuel capable by 2012.

Chrysler's ongoing commitment to safety is evident in industry ratings. For 2009 model year over 88% of Chrysler vehicles achieved NHTSA's highest possible rating—5 stars for frontal crash tests. Eighty-six percent of Chrysler vehicles achieved the Government's highest rating for side impact protection.

4. 2009 – 2012 Financial Forecast

In order to complete a successful restructuring of Chrysler, the participation of many constituencies is essential.

Based upon the financial analysis included herein, which assumes:

- (i) a reasonable level of support and concessions from the Company's constituencies
 - (ii) \$6 billion in funds from our DOE 136 loan request: and
 - (iii) the \$7 billion bridge loan:
- the long-term viability of Chrysler will be ensured.

The detailed "bottom up" yearly forecasts for 2009-2012 were completed and critically challenged by all levels of senior management and the Company's independent outside advisors.

There are a number of key market and financial assumptions which directly impact the Company's level of profitability. Summarized below are the major assumptions made for the years 2009 – 2012:

<u>Operating Assumption</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
SAAR (millions of units, light duty only)	11.1	12.1	13.7	13.7
Chrysler share (%)	10.4	10.7	10.7	10.7
Chrysler unit sales(m) - U.S.	1.19	1.33	1.49	1.49
Chrysler unit sales(m) - WW	1.72	1.86	2.15	2.15

Based upon the above operating assumptions, Chrysler projects that the financial results will be as set forth below:

	(\$ in Billions)			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating profit	0.4	2.6	2.0	1.8
Net cash change	(2.0)	2.3	1.6	1.1
Ending cash balance	7.5*	9.8	11.4	12.5**

*includes \$7 billion Government bridge loan

**assumes \$1 billion repayment of Government loan

Chrysler believes that its operating assumptions are appropriate and realistic for 2009 and 2010, given the current state of the economy and domestic vehicle market. With respect to 2011 and 2012, the Company assumes a trend upward in unit sales volumes as the economy gradually improves. However, even if growth assumptions are reached, management believes the annual unit sales volumes will remain approximately 20% below recent historical levels of 17 million vehicles annually.

The Company also prepared a sensitivity analysis assuming a 1 million unit higher and 1 million unit lower volume level for 2009 through 2012. The results are as follows:

Sensitivity Higher Case (1 million unit annual increase)

	(\$ in Billions)			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
SAAR (millions of units, light duty only)	12.1	13.1	14.7	14.7
Operating income	0.8	3.0	2.4	2.2
Net cash change	(1.2)	3.1	2.4	1.1
Ending cash balance	8.3	11.4	13.8	14.9

Sensitivity Lower Case (1 million unit annual decrease)

	(\$ in Billions)			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
SAAR (millions of units, light duty only)	10.1	11.1	12.7	12.7
Operating income (\$B)	0.0	2.2	1.6	1.4
Net cash change	(2.8)	1.5	0.8	1.1
Ending cash balance	6.7	8.2	9.0	10.1

5. Governmental requirements

New Funding/Equity Grant

The funding contemplated pursuant to the Government program will be on terms consistent with those provided by the Government under existing or contemplated loan programs and contain equity enhancement opportunities to ensure that taxpayers will benefit from appreciation of shareholder value. Chrysler has a high degree of flexibility and the support of Cerberus Capital Management, L.P., to offer the Government warrants, common or preferred equity or other equity based rights.

Executive Compensation Matters

Chrysler understands the importance of limitations on compensation for senior executives during the term of the loans and will fully comply with all conditions relating to executive compensation established under the Emergency Economic Stabilization Action of 2008 ("EESA") and such other conditions as the Government may require.

Transparency/Accountability

The terms of the financing will include provisions to ensure transparency and accountability. The Company will provide regular financial information and will fully cooperate with the Government's oversight personnel.

Fuel Efficiency

Chrysler has made substantial progress in its product line to improve fuel efficiency, quality, technology and consumer appeal. Chrysler accepts all currently applicable CAFE standards as a condition to the funding.

(reference charts # 46 – 49)

Early Acceleration

Chrysler agrees that the loans will be immediately callable if the Company's restructuring plan submitted to the Government on March 31, 2009 is not acceptable, or other mutually agreed upon benchmarks are not met.

6. Why the out-of-court scenario is a better option than a bankruptcy filing.

1. A "prepackaged bankruptcy" is not plausible for Chrysler because:
 - a. In a typical prepackaged bankruptcy, the company solicits and obtains the necessary affirmative vote in favor of a plan of reorganization of only one impaired class of creditors in advance of its bankruptcy filing and in accordance with applicable nonbankruptcy law. Once filed, the bankruptcy case can proceed expeditiously to confirmation because all other classes of creditors are either left unimpaired or have agreed to the treatment proposed in the plan.
 - b. Any plan of reorganization proposed by Chrysler would necessarily impair a multitude of separate classes of holders of claims and interests, making the pre-petition solicitation and acceptance or rejection of the plan (and satisfying the Bankruptcy Code's myriad conditions to plan confirmation) impracticable and highly unlikely to succeed.
2. A regular chapter 11 bankruptcy would likely not lead to a timely and successful reorganization of Chrysler because:
 - a. Chapter 11 cases involving companies with the scale, scope and complexity similar to Chrysler (and even companies far smaller and simpler than Chrysler) usually take several years to resolve.
 - b. Because the Bankruptcy Code embodies a strong Congressional preference for consensually negotiated plans of reorganization, it invariably takes a debtor-in-possession an extended period of time (often years) to negotiate the terms of a plan that are acceptable to the holders of most (if not all) classes of impaired claims and interests.
 - c. Chrysler would not be permitted to reject or modify unilaterally its collective bargaining agreements in a chapter 11 case. The Bankruptcy Code contains express, specific and often time-consuming requirements that must be adhered

to before a Bankruptcy Judge is even authorized to rule on a debtor's application to reject a collective bargaining agreement. Even then, there can be no assurance that a Bankruptcy Judge will approve the debtor's application. Accordingly, negotiations between a debtor-employer and a Union can (and often do) take years to resolve consensually.

- d. During these protracted negotiations, the employer-debtor is required to honor and pay its wage, benefit, jobs banks and other obligations under its existing collective bargaining agreements. The Bankruptcy Code simply does not provide the haven (as many believe) for employers-debtors to re-cut burdensome collective bargaining agreements in a cost efficient or timely manner. We reference the pending Delphi Automotive bankruptcy case to highlight the protracted time and significant expense that renegotiating a collective bargaining agreement imposes even during a chapter 11 process.
3. Almost every chapter 11 debtor requires debtor-in-possession (DIP) financing to maintain ordinary course business operations while it reorganizes. Chrysler would be no exception.
- a. Chrysler believes that the amount of DIP financing that it would need to remain viable even during a relatively short bankruptcy (just one year) would approximate \$12 to \$15 billion. And, even that estimate presumes that financing remains available for the company's dealers and customers, which cannot be counted on given current market conditions.
 - b. If financing for its dealers is unavailable from traditional sources during its Chapter 11 process (as Chrysler must assume would be the case), then Chrysler would need at least \$5 billion of additional DIP financing just to support its dealers, pushing the expected total size of the year-one DIP financing need approximately \$17 to \$20 billion.
 - c. The enormous size of the DIP financing facility that Chrysler would require is due to many factors, including: (i) the likelihood that many consumers will shun purchasing vehicles made by a manufacturer that is in chapter 11, thereby starving the company of revenue while it attempts to reorganize; (ii) the extraordinary imperiled financial state of the automotive suppliers will likely leave the Bankruptcy Court with no choice but to approve billions of dollars of payments to many of its suppliers on account of "pre-petition" claims just to keep the suppliers themselves afloat and the assembly lines moving at Chrysler; (iii) in addition, Chrysler expects that many suppliers will eliminate any trade credit during its chapter 11, thereby instantly consuming billions of additional dollars of working capital; and (iv) the incurrence by Chrysler of significant professional fees on account of the bankruptcy proceedings.
 - d. Given the current adverse credit markets, we would not expect DIP financing of such size would be provided by Chrysler's existing lenders or by any other

private source. Accordingly, the DIP financing would have to be provided by the U.S. Government.

- e. Absent the availability of such DIP financing, Chrysler would be left with no choice but to commence liquidation, the consequences of which could be dire for the overall U.S. economy including:
 - i. All 29 of our manufacturing facilities and 22 parts depots would be permanently shut down immediately.
 - ii. 53,000 out of the Company's 55,000 hourly and salaried employees would be terminated immediately representing over \$7.2 billion in annual wages and healthcare benefits.
 - iii. No payments would be made to over \$7 billion in outstanding auto parts and service supplier invoices forcing thousands of our suppliers to go out of business.
 - iv. Over 3,300 dealers would go out of business and over 140,000 employees at dealerships would lose their jobs.
 - v. Over 31 million Chrysler, Jeep and Dodge owners would lose significant value in their vehicles. Additionally, these customers would not be covered by ongoing warranties and would find replacement parts and service difficult to obtain over time.
- 4. Sales of new vehicles may plunge during a chapter 11 bankruptcy because:
 - a. Potential consumers may shun Chrysler vehicles due to perceived uncertainty regarding its financial ability to honor its vehicle warranties and due to concerns that the local dealer will itself go out of business leaving the customer without convenient access to authorized service for its vehicle.
 - b. Residual (resale) values of vehicles manufactured by Chrysler (both pre-petition and post-petition) would likely drop precipitously. This will further erode consumers' willingness to purchase a new vehicle from Chrysler. Also, lenders will likely reduce the amount of any financing that they might otherwise provide to potential Chrysler customers resulting in significantly higher down payments required to purchase new Chrysler vehicles. Many would-be Chrysler customers simply could not shoulder the financial burden of such significant down payment.
 - c. New vehicle sales will further deteriorate if Chrysler's affiliated auto finance company is unable to provide retail financing to consumers during a chapter 11. Chrysler Financial provides consumer financing for 50% of Chrysler's U.S. retail sales.

5. In summary, Management believes that the requested \$7 billion working capital bridge loan from the government is the most cost-effective, expeditious and certain means of ensuring the long-term viability of Chrysler. This request is considerably less than the \$17 to \$20 billion (or more) of DIP financing that Management believes would be required to sustain Chrysler for just one year in a chapter 11 (and certainly billions more of financing would be required if the Chapter 11 goes beyond one year). Moreover, without access to adequate DIP financing, Management believes that Chrysler would be forced to liquidate, which would have severe consequences to the overall U.S. economy.

7. Conclusion

Chrysler's Plan for Short-Term and Long-Term Viability

As demonstrated by the initiatives, financial projections and assumptions set forth above, Chrysler has already embarked upon, and is accelerating, a plan to overhaul its cost structure, streamline its operations, redirect its product mix to meet CAFE standards and "greener" product demands, rationalize its dealer network and partner with its supplier base and workforce to return the company to health.

Industry volumes in this plan are conservative compared to historical results. Under our viability plan, after making a \$1 billion payment toward the Government loan, the Company will have approximately \$12.5 in billion in cash by 2012, providing a sound basis to continue repayment of Federal loans.

To further enhance its product portfolio, support growth and improve its cost structure, Chrysler continues to aggressively pursue strategic alliances and partnerships. Further partnership, restructuring and consolidation is required for the industry to be viable in the long-run. Chrysler welcomes the opportunity to have an open discussion with the new Administration and Congress on a collaborative approach to restructuring that will ensure any Government resources invested in the industry are used efficiently and help achieve important national public policy objectives.

Accomplishing these initiatives will take time and require the cooperation of all of Chrysler's constituencies. The changes proposed are sweeping, and Chrysler recognizes they will be painful for all of the players in the industry. In light of that, Chrysler believes that attempting to impose change by a bankruptcy filing will be less likely to garner long-term success than engaging each of the constituencies in negotiations to achieve consensus, while always bearing in mind the necessity of meeting the financial targets that will restore Chrysler to profitability. Accordingly, careful planning, information sharing and discussions with key parties are required components of Chrysler's ability to succeed in each of its initiatives.

Today we are asking you to help us bridge a chasm created by an unprecedented financial meltdown, and in doing so, preserve a critical sector of the U.S. economy. According to a research memorandum published November 4, 2008, by the Center for Automotive Research, 4.5 million people depend on the U.S automotive industry. This memorandum estimates the impact of a domestic auto maker failure to the overall economy, and the result is devastating: 2.3 – 3 million in lost jobs, \$275-\$400 billion in lost wages, and \$100-\$150 billion in lost Government revenue.

Without immediate bridge financing support, Chrysler's liquidity could fall below the level appropriate to ensure operations in the ordinary course. Failing to act now will hurt many American families and undermine our country's economic recovery, far outweighing the costs related to supporting an industry that touches every district in every state of the nation.

The Company is also asking you to consider investing in a company and in people that will deliver real results for the American taxpayer. Chrysler plans to emerge from the current downturn as a lean, agile company, and well positioned to begin to repay the Government loans beginning in 2012.

Management fully recognizes that this is a significant amount of money. However, the Company believes this request is the least costly alternative considering the options we face. It provides the least detrimental effect on human capital and the stimulus necessary to prevent further economic decline, if not outright economic depression.