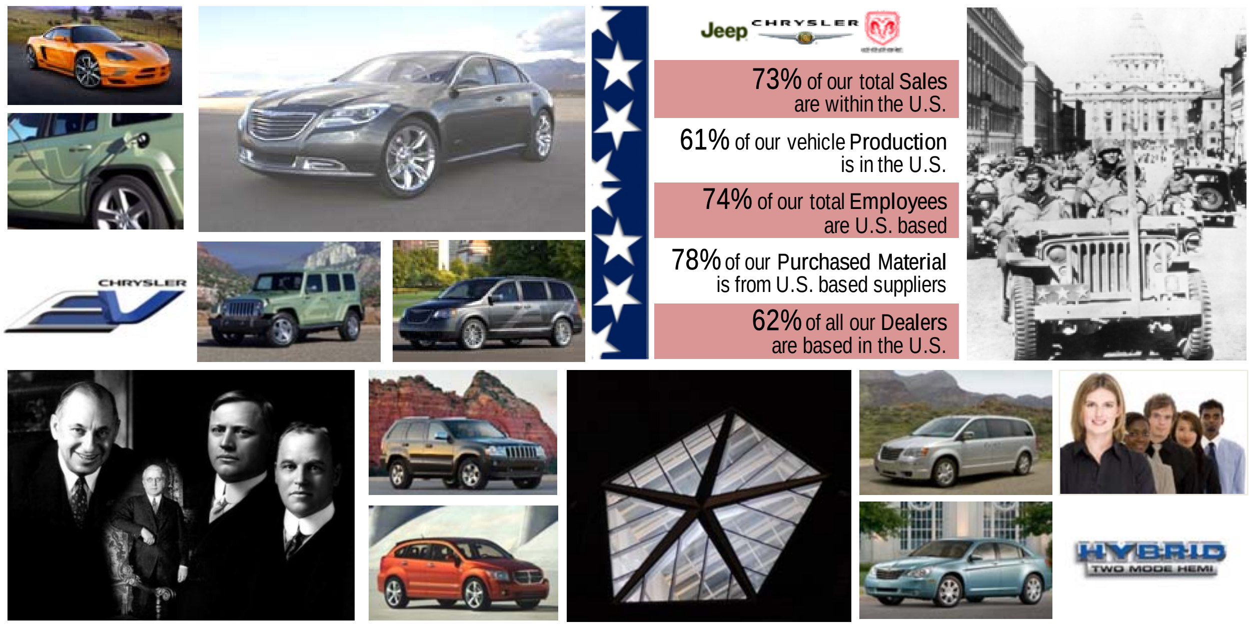
CHRYSLER



Chrysler Restructuring Plan for Long-Term Viability

Executive Summary

February 17, 2009

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Introduction

On December 2, 2008, Chrysler LLC ("Chrysler" or "the Company") submitted its Plan for Short-Term and Long-Term Viability to Congress as part of its request for a $7 billion working capital loan from the U.S. government to support its short term restructuring and long term viability. On January 2, 2009, Chrysler received an initial $4 billion loan from the United States Department of the Treasury, the terms of which require the Company to submit a restructuring plan to achieve and sustain long-term viability, international competitiveness and energy efficiency.

The restructuring plan presented demonstrates Chrysler's ability to meet those requirements through its continued focus on implementing cost reductions and modifications to its capital structure to improve its balance sheet, and on developing a fuel-efficient product portfolio that meets customer expectations and governmentally imposed environmental requirements. Chrysler's management believes that this restructuring plan, which assumes achievement of concessions from all constituents, Chrysler Financial maintaining adequate retail and wholesale financing capacity, and incremental funding from the U.S. Treasury can be successfully implemented and will result in the Company's long-term viability, international competitiveness and energy efficiency.

Due to the continued deterioration in the economy which has led to an unprecedented decline in the automotive sector since our December 2nd plan submission, in addition to the $7 billion original request, $4 billion of which has been received, Chrysler is requesting an additional $2 billion, for a total of $9 billion to support ongoing operations.

The availability of credit for automotive customers and dealers is the single most important element of Chrysler's viability. Because of the credit market crisis and subsequent rating agency actions, restrictions were placed on Chrysler Financial's credit conduits. Because of these restrictions, Chrysler Financial was forced to greatly reduce the level of retail and wholesale financing support for customers and dealers in the U.S., Mexico and Canada. Most significant was the complete discontinuation of lease financing in the U.S. and Canada in August 2008, which led directly to reductions in total sales volumes of 20% and 50% for the U.S. and Canada, respectively.

Chrysler Financial received a U.S. Treasury loan of $1.5 billion in mid January, 2009 to support retail financing, and it was estimated that this amount would provide adequate financing capacity through March 31, 2009. However, this is not a long-term solution. Because of the continued lack of liquidity in the credit markets, several follow-on proposals have been submitted by Chrysler Financial to the U.S. government for a long-term solution to ensure its financing capacity. It is critical that these requests be resolved, as adequate retail and wholesale financing capacity for Chrysler Financial is a requirement for Chrysler's viability.

The Company's standalone restructuring plan demonstrates viability which could be further enhanced with a strategic alliance that more effectively utilizes its manufacturing capacity and positions the Company for growth. Chrysler and Fiat S.p.A. have signed a non-binding letter of intent that is conditioned upon Chrysler meeting all restructuring targets set forth in Chrysler's U.S. Treasury Loan Agreement Department. If completed, this partnership would greatly improve Chrysler's long-term viability.

It is essential that Chrysler achieve the concessions and planned balance sheet restructuring identified in its restructuring plan, including the receipt of incremental government funding.
If the requisite concessions are not achieved by the government's March 31st funding deadline, management believes the only alternative would be to immediately plan for an orderly wind down of all operations through a court-supervised liquidation. This is clearly not an alternative Chrysler would prefer, but is one that the Company is prepared to implement if required.

Chrysler has had discussions with each of its constituents and believes that it has made substantial progress in seeking concessions from its dealers, suppliers, 2nd lien lenders, shareholders and the UAW. In order to complete its restructuring plan, the Company requires further concessions of $5 billion of additional liability and interest burden relief from its creditor groups[1].

The Company has engaged in discussions with its creditor groups[1] and believes it is possible to reach agreement on the terms and conditions of required concessions. With the continuing participation and diligent effort of all creditor groups[1], and support from the President's Designee and the Presidential Task Force on Autos, Chrysler will be in a position to finalize its restructuring plan and receive additional government funding, by March 31, 2009.

1) Restructuring Plan Assumptions and Key Metrics

Due to the continued lack of consumer credit, which has prevented interested customers from purchasing new vehicles and has prevented dealers from securing financing to support continued wholesale orders, Chrysler has revised its Seasonally Adjusted Annual Rate (SAAR) forecast covering the next four years. Chrysler's restructuring plan is based on conservative SAAR assumptions that reflect the reality of a declining automotive industry. The restructuring plan projects, commencing in 2009, a SAAR level of 10.1 million units, and for years 2009 through 2012, an average SAAR level of 10.8 million units. This represents a reduction from the Company's original December 2, 2008 submission to Congress of 7.2 million units, or on average, 1.8 million units annually over the four years.

Table 1 – Revenue Impact of U.S. SAAR Levels (millions)

	2009	2010	2011	2012
December Submission	11.1	12.1	13.7	13.7
Current Restructuring Plan	10.1	10.6	11.1	11.6
Change	(1.0)	(1.5)	(2.6)	(2.1)
Cumulative Change	(1.0)	(2.5)	(5.1)	(7.2)
Estimated Revenue Impact on Chrysler (a)	$ (2,500)	$ (6,250)	$ (12,750)	$ (18,000)
Estimated Cash Impact	$ (500)	$ (1,250)	$ (2,550)	$ (3,600)

(a) Based on assumed market share of 10%

Footnote 1: Creditors include the 1st lien lenders, the U.S. Government and the UAW-VEBA

For Chrysler, this represents a sales decline of approximately 720,000 units, assuming a 10% market share, and approximately $18 billion in lost revenue and a $3.6 billion decline in cash inflow over the four years.

As the Company indicated in its December 2nd Congressional testimony, the availability of credit to automotive consumers and dealers is the single most important element of Chrysler's viability. The continued credit market turmoil has resulted in rejection of consumer loan applications and lost sales to dealers, which in turn has led to reduced wholesale orders for Chrysler vehicles and further vehicle production cuts.

This chain of events has created a rapidly declining SAAR trend which directly and immediately reduces cash inflow in a manner that cannot be addressed adequately through even the most aggressive restructuring actions. These softer-than-expected market conditions during the 4th quarter have continued into the 1st quarter of 2009 resulting in an industry-wide decline in automotive sales. As a result, Chrysler now requires an additional $2 billion in cash beyond that anticipated in Chrysler's December submission, bringing its total request to $9 billion.

Table 2 below summarizes Chrysler's initial and current funding request:

Table 2 – Request for Government Loan

	Funding To Date ($Billions)
Funded to Date	$ 4
Remaining	$ 3
Total Original Requested	**$ 7**
Additional Request	$ 2
TOTAL Funds Requested	$ 9

Chrysler proposes to repay the U.S. Treasury Loan with interest, fees and out-of-pocket expenses beginning in 2012. The fees to be paid are in lieu of warrants, given Chrysler is a private company.

Chrysler's restructuring plan includes the benefit of restructuring actions and concessions that management believes will be reached with its core constituents including: the UAW, dealers, suppliers, shareholders, 2nd lien lenders and other creditor groups. These benefits are reflected in the restructuring plan in fixed costs savings, improved EBITDA and improved cash flow.

The restructuring plan shows that the Company will have adequate liquidity throughout the planning period while making significant loan amortization payments. The chart below summarizes the key operating metrics of the restructuring plan on the pro forma basis and reflects what the Company believes to be a conservative outlook.

	2008 Unaudited	2009 Plan	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
U.S. Industry SAAR (Mills) (Light Duty Only)	13.2	10.1	10.6	11.1	11.6	12.1	12.6	13.1	13.7
Worldwide Shipments (000 units)	2,065	1,618	1,775	2,085	2,120	2,175	2,227	2,281	2,345
U.S. Market Share (Retail & Fleet)*	10.8%	10.4%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
U.S. Dealer Inventory (000 units)	398	355	312	306	306	306	306	306	306
Material Cost Savings	(1.1%)	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%
Net Pricing	(1.0%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.25%)	(0.25%)	(0.25%)	(0.25%)
Capital Expenditures (Bils)	$2.3	$2.3	$2.3	$2.6	$2.6	$2.6	$2.5	$2.5	$2.5
Fixed Cost excluding VEBA (Bils)	$10.9	$10.2	$10.2	$10.2	$10.2	$10.1	$10.1	$10.1	$10.1
EBITDA (Bils)	$0.3	$2.9	$5.0	$3.9	$3.9	$4.4	$4.7	$5.2	$5.6
Cash - Year End Balance (Bils)	$2.5	$9.0	$10.6	$10.8	$11.4	$11.3	$11.4	$12.2	$13.4

Table 3 - Key Operating Metrics of the Restructuring Plan

The restructuring plan shows that Chrysler achieves a positive net present value of $17.3 billion after taking into account all existing and projected costs, including repayment of 100% of the U.S. Treasury Loan and implementation of the restructuring plan.

**For the seven years prior to the 2008 industry turn down (2001-2007) Chrysler's market share was flat compared to GM and Ford whose market share declined 17% and 25% respectively*

Table 4 – Net Present Value

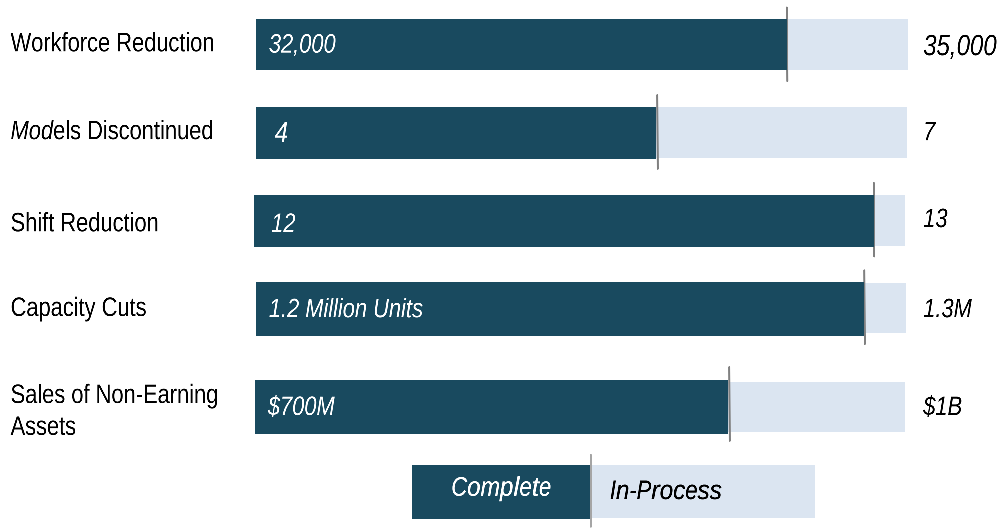
		2009	2010	2011	2012	2013	2014	2015	2016
Free Cash Flows to Equity		$ 6.5	$ 1.7	$ 0.1	$ 0.6	$ (0.1)	$ 0.1	$ 0.8	$ 1.2
Terminal Value									
EBITDA at 2016	$ 5.6								
Multiple	5.0								
Terminal Value (Before Debt)	$ 28.0	**NPV Discount Rates**							
Less Debt:	(13.7)	5%	10%	15%	20%				
Terminal Value (Net of Debt)	$ 14.3	$ 9.7	$ 6.7	$ 4.7	$ 3.3				
NPV of Free Cash Flows at 1/1/2009		9.7	8.7	8.0	7.5				
NPV of Net Terminal Value		9.7	6.7	4.7	3.3				
NPV of Chrysler Cash Flows		$ 19.4	$ 15.4	$ 12.7	$ 10.8				
Plus: Cash at 1/1/2009		1.9	1.9	1.9	1.9				
NPV per Section 7.20 of UST Loan		**$ 21.3**	**$ 17.3**	**$ 14.6**	**$ 12.7**				

2) Restructuring Actions

Upon becoming an independent company on August 3, 2007, Chrysler took immediate action to redesign its business model, enhance its product portfolio and create a more competitive cost structure. In response to deteriorating economic conditions, Chrysler initiated additional measures to reduce costs and improve competitiveness which included:

- Workforce reduction of 32,000
- Capacity reduction of 1.2 million units (over 30% of total capacity)
- Reduction of 12 manufacturing shifts
- Discontinuation of 4 models
- Sale of $700 million in non-earning assets

Figure 1: Status of Restructuring Actions (2008 and 2009)



In developing its restructuring plan, Chrysler has worked closely with all key constituents to explore additional concessions. The identified concessions that management believes can be implemented by March 31, 2009 include:

- **Executive/Management Concessions –** Chrysler will fully comply with the restrictions established under section 111 of EESA relative to executive privileges and compensation. In addition, the company has suspended the 401K match, performance bonuses, merit increases, and eliminated retiree life insurance benefits.
- **Dealer Concessions –** Chrysler will achieve cost savings and improved cash flow through a number of initiatives including reduced dealer margins, elimination of fuel fill reimbursement, and reduction of service contract margins.
- **Union Concessions –** The term sheets for the Labor Modifications and VEBA modifications fundamentally comply with the requirements of the U.S. Treasury Loan and once realized, will provide Chrysler with a workforce cost structure that is competitive with the transplant automotive manufacturers. The VEBA modifications term sheet however is conditioned on, among other things, further due diligence and satisfactory debt restructuring. Chrysler will continue to work diligently with its labor unions and retirees' class counsel in structuring and negotiating concessions necessary to

the Company's continued viability and look forward to the assistance of the U.S. Treasury in that effort.

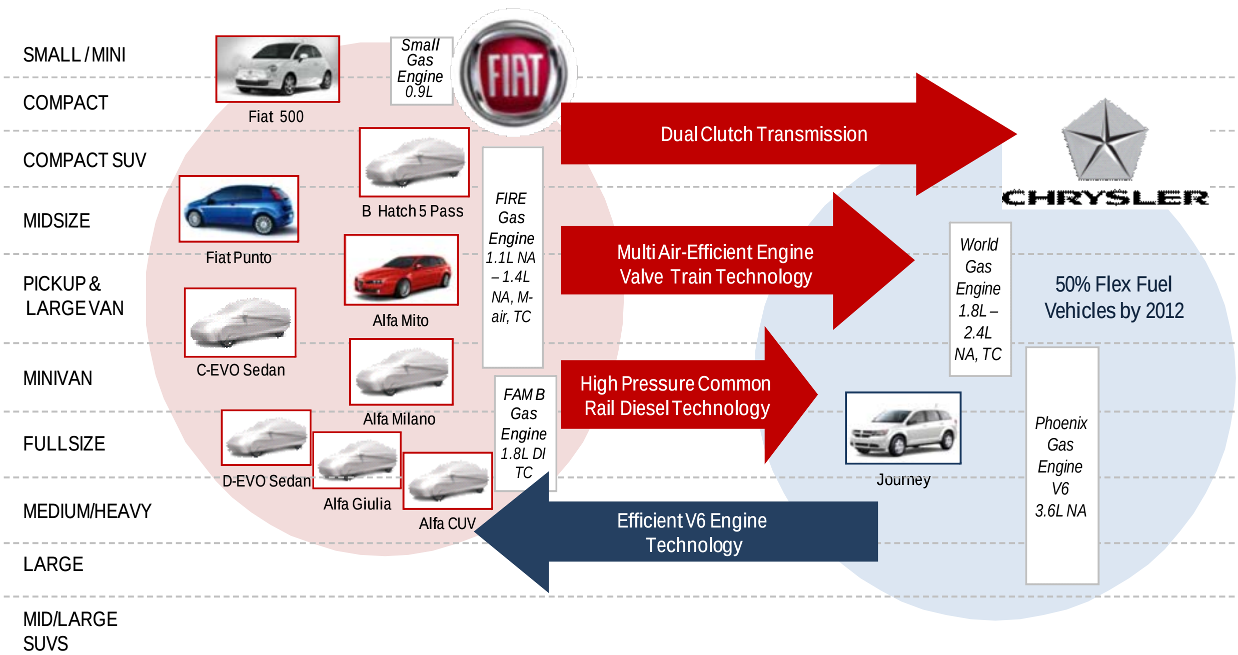
- **Supplier Concessions –** The Company has initiated a dialogue with its suppliers and believes that it will be able to obtain substantial cost reductions from suppliers that will result in achieving targeted savings. Chrysler also supports the supplier associations' proposals which would provide a government guarantee of OEM accounts payables.
- **2nd Lien Debt Holders Concessions –** The holders of the 2nd Lien Debt have expressed a willingness to convert 100% of their debt to equity.
- **Shareholders –** Current shareholders have also indicated a willingness to relinquish their current equity position to support Chrysler's viability plan.

Additionally, the viability plan includes a further reduction of outstanding obligations from certain creditor groups by $5 billion. In addition to strengthening the Company's balance sheet for the long-term, this reduction will also provide immediate cash flow via interest savings of between $350 - $400 million annually.

3) Strategic Alliance

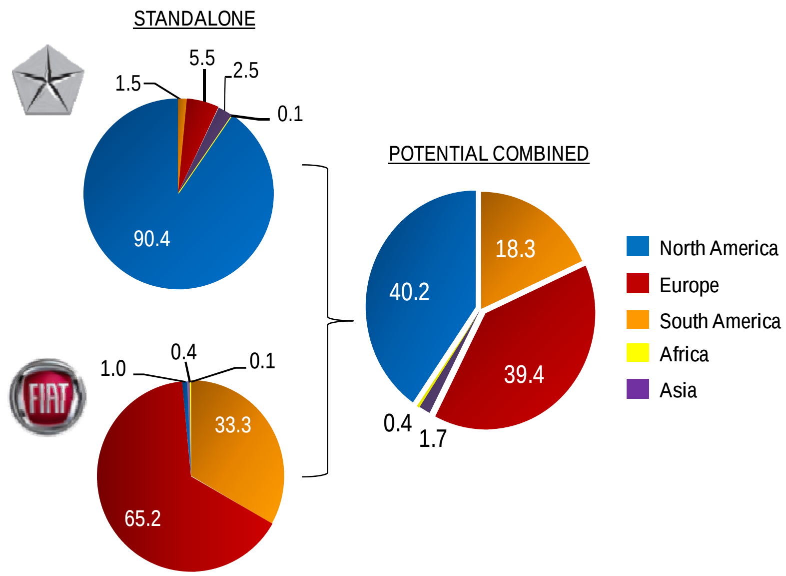
The written and oral testimony Chrysler submitted to the U.S. House and Senate in 2008 stated the Company's intent to seek the benefits of global partnerships and alliances. Chrysler has signed a non-binding agreement to pursue a strategic alliance with Fiat which represents an attractive opportunity for significant strategic and financial benefits.

Figure 2: Improvement of Fuel Economy Using Powertrain and Portfolio Opportunities with Fiat



The proposed Fiat alliance would enhance Chrysler's restructuring plan, provide customers with access to competitive fuel-efficient vehicle platforms, provide Chrysler with substantial cost saving opportunities and provide Chrysler with distribution capabilities in key growth markets. The alliance would also help stabilize the U.S. automotive market and enhance Chrysler's ability to more quickly repay the U.S. Treasury loan.

Figure 3: Expansion through Current Geographic – Percent (%) Sales by Region



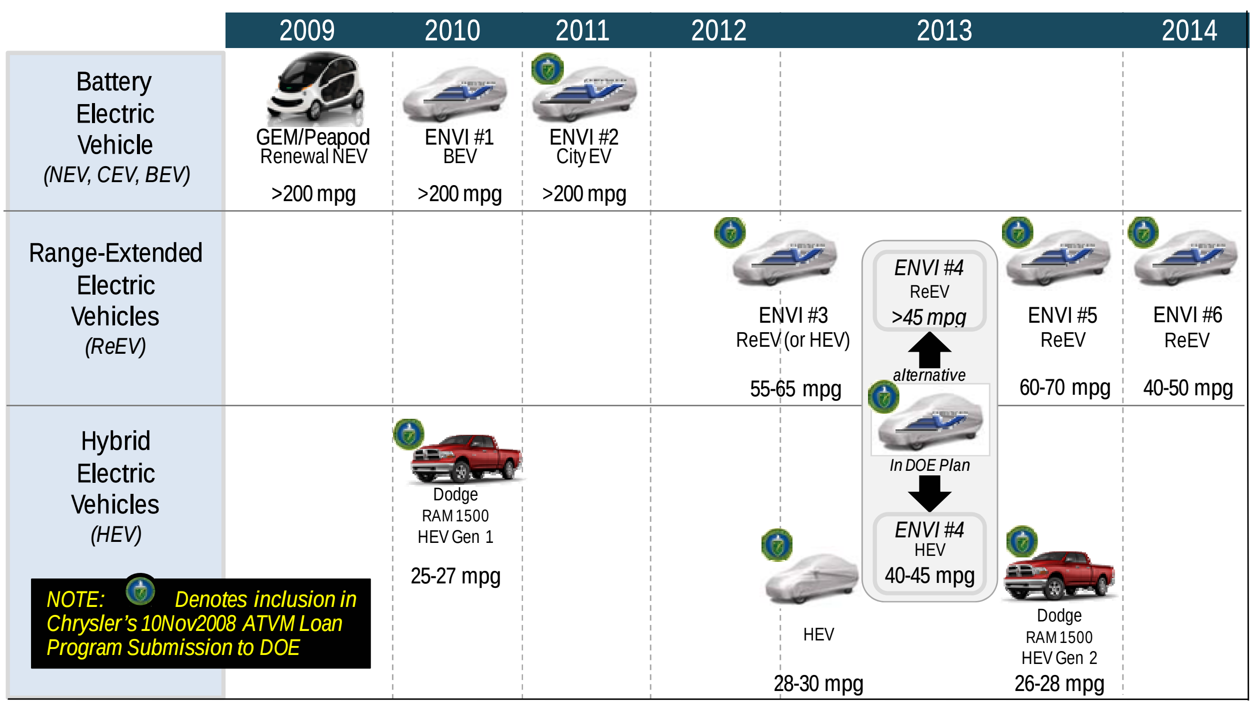
Chrysler's intent is to build on its product alliances or form global alliances to enhance its viability. The Company has proposed that a percentage of its new equity be retained in a trust controlled by the Presidents Designee to facilitate these alliances in the future. This provision will avoid a redistribution and reallocation of Chrysler equity in the future.

4) Commitment to Energy Security and Environmental Sustainability

In 2008, Chrysler offered six vehicles with highway fuel economy of 28 miles per gallon or better. The 2009 product lineup offers improved fuel economy with 73% of its vehicles showing improved fuel economy compared with the prior year's model. Fuel economy will continue to improve in 2010 with the introduction of the all-new Phoenix V-6 engine, which will provide fuel efficiency improvements of between 6-to-8 percent. A two-mode hybrid version of the Company's best-selling vehicle, the Dodge Ram is scheduled for 2010.

The first Chrysler electric-drive vehicle is also scheduled to reach the market in 2010. It will be followed by other electric-drive vehicles, including Range-extended Electric Vehicles, in order to further reduce fuel consumption and greenhouse gas emissions in Chrysler's mainstream vehicles.

Figure 4: Chrysler's Electric Vehicle Product Portfolio



The proposed Fiat alliance would further help the Company achieve fuel economy improvements as Chrysler gains access to Fiat's smaller, fuel efficient platforms and powertrain technologies.

This alliance would enable Chrysler to reduce its capital expenditures while supporting the Company's commitment to develop a portfolio of vehicles that meet the country's energy security and environmental objectives.

5) Compliance with Fuel Economy Regulations

Chrysler is committed to meeting Federal Corporate Average Fuel Economy (CAFE) requirements. The restructuring plan supports the company's compliance with all federal fuel economy standards as set forth in the Energy Independence and Security Act of 2007. Going forward, Chrysler supports the development of a uniform national standard that reflects the input of all constituents.

Included in the main report are estimates of Chrysler's required minimum CAFE levels in model years 2008 to 2011, based on a pre-publication draft of the NHTSA Final Rule for model years 2009 to 2015 that became available earlier this year. The Appendix contains a series of charts showing the specific technologies to be used in each vehicle to achieve CAFE compliance, along with the timing of the deployment of the technologies. This description of specific actions demonstrates that Chrysler will comply with the CAFE standards throughout the term of the U.S. Treasury loan and beyond.

Pursuant to California Assembly Bill 1493 ("AB 1493") the California Air Resources Board ("CARB") has also adopted vehicle emissions standards to control greenhouse gas ("GHG") emissions, chiefly carbon dioxide. The GHG standards include sales-weighted fleet average requirements using a formula that requires increases in fuel economy, because the only current available technology to reduce carbon dioxide emissions from gasoline- or diesel-powered vehicles is to reduce fuel consumption. Thirteen other States and the District of Columbia have adopted the California GHG standards. These states comprise approximately 50% of the United States vehicle market during model years 2012-2016.

If the California GHG standards take effect, Chrysler will try its best to comply using available technology, however, as a last resort it may be necessary to restrict the sales of certain vehicle models in order to comply with the GHG fleet average requirements in each jurisdiction that has adopted them and that has decided to enforce the fleet average requirements. The ultimate effect of the California standards on Chrysler's product plan depends on a number of developments as indicated in the Appendix.

6) Compliance with Emissions Regulations

The United States EPA and the CARB enforce regulations to control hydrocarbons and nitrogen oxides, the two vehicular air emissions aimed at reducing smog. Chrysler vehicle engine systems and catalytic converters oxidize and reduce these emissions to regulatory levels, and control emissions of other compounds subject to other EPA and CARB regulations. EPA and CARB also enforce "on board diagnostic" ("OBD") regulations governing vehicles onboard computer, which among other things optimize the performance of the catalytic converter and determine if emissions-related components are properly functioning.

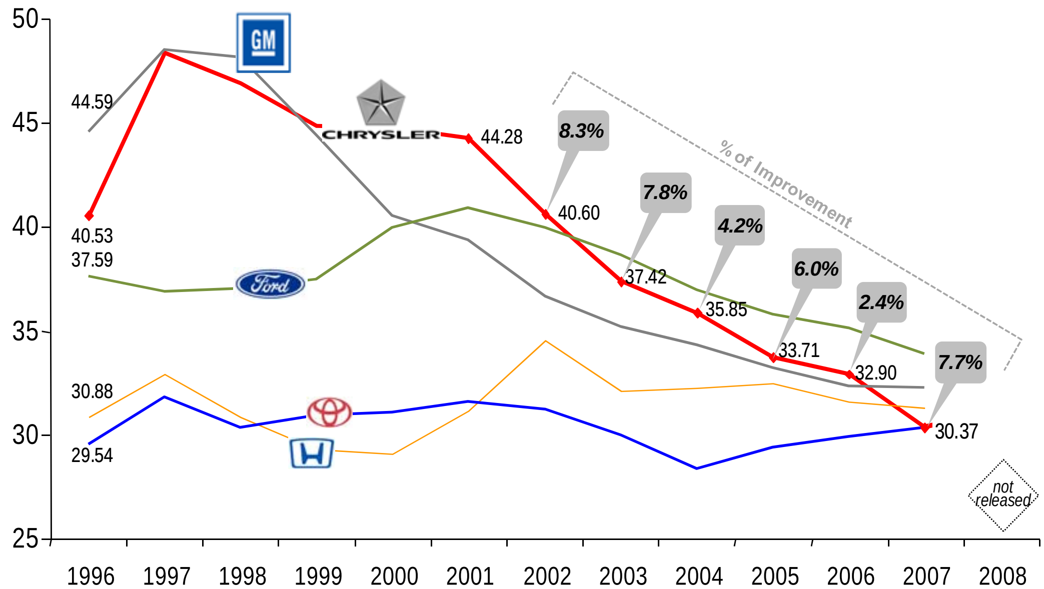
Chrysler pre-production and post-production vehicles must pass rigorous testing, after which vehicle certification to a specific set of EPA and CARB emissions standards is obtained. Chrysler also must warrant that its vehicles will pass such testing when properly maintained and used.

The Appendix includes materials that show that Chrysler will comply with emissions standards as expressed, per the regulations, as a weighted average of the various categories of emissions requirements versus fleet sales volumes for cars and trucks established by EPA and CARB for the time period relevant to the loan agreement. The Appendix also shows Chrysler's compliance with CARB's "zero emission vehicle" ("ZEV") requirements, which are promulgated for model years 2009 through 2010, and Chrysler's best understanding of the as yet unpromulgated ZEV requirements for model years 2011 and later.

7) Achieving a Competitive Product Mix and Cost Structure

As noted above, Chrysler has taken a number of actions over the past several years to improve its cost competitiveness. According to the Harbour Report, Chrysler has improved its manufacturing productivity by 32% over the past seven years to equal that of Toyota, making Chrysler and Toyota the most productive automakers in North America in terms of hours of assembly per vehicle.

Figure 5: 2008 Harbour Report (Manufacturing Efficiency)

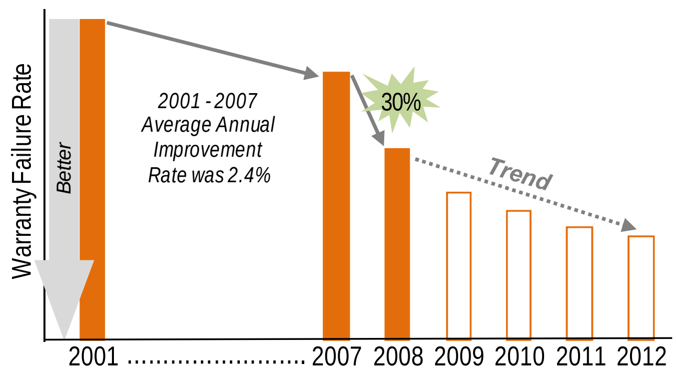


Having achieved world class hours of assembly time per vehicle, assuming the implementation of new wage rates consistent with the government mandated labor modifications, Chrysler will be on par with transplants from a manufacturing cost perspective.

Since becoming a standalone company on August 3, 2007, Chrysler has made quality a major focus. In its first 60 days as an independent automaker, Chrysler management approved more than 260 product enhancements representing an investment of $500 million. Hundreds of additional engineering improvements were made in the following months to enhance the interior quality, fit and finish, and the driving performance of many Chrysler products. In the 2008 J.D.

Power and Associates Initial Quality Survey, the Company's vehicles improved scores by an average of 5 points. In addition, in 2008 Chrysler achieved the lowest warranty claim rate in its history – a 30% improvement compared to the prior year. And, among the seven major auto manufacturers, Chrysler had the lowest number of vehicles recalled in 2008 as measured by NHTSA.

Figure 6: Chrysler Total Quality Improvement



Chrysler was the first company in the industry to appoint a Chief Customer Officer devoted to improving real and perceived quality. As part of this initiative, Chrysler has formed cross-functional customer satisfaction teams that act as problem solvers on new vehicles as they are being developed and launched.

Figure 7: Customer Promoter Score (CPS) Confirms Consumer Appeal of New Dodge Ram

2009 Dodge Ram Truck

- First vehicle tested with customer promoter score system
- First 700 customers contacted
- 99.8% positive comments
- 12 awards received in 2009

Chrysler's product line is a key component to its restructuring plan. Next year Chrysler will launch revisions to four of its previously highly successful platforms: Jeep Grand Cherokee, Dodge Charger, Dodge Durango and Chrysler 300. The Chrysler 300C has become the most awarded car in automotive history since its launch in 2005. This launch will be followed by a new, bolder, more intimidating Dodge Charger and an all new unibody Dodge Durango.

Chrysler will continue to work with its dealer body to rationalize the number of dealerships to enhance the long-term profitability of all dealers. Through Project Genesis, Chrysler is committed to facilitating the ability to offer each of Chrysler's three product brands under one roof, creating an enhanced buying and service experience for the consumer and supporting the viability of Chrysler dealers in communities across the country. The proposed alliance with Fiat would allow Chrysler to broaden its product offerings – bringing the American consumer a broader selection of cars to meet their needs - and providing Chrysler dealers with an expanded product line and opportunity for improved profitability.

8) Conclusion

We believe Chrysler's restructuring plan, as approved by its Board of Directors, demonstrates that, with constituent concessions, adequate retail and wholesale capacity for Chrysler Financial, a restructuring of our liabilities resulting in a $5 billion reduction in debt and debt service requirements and additional governmental assistance, Chrysler can achieve and sustain long-term viability, international competitiveness and energy efficiency. The Company's viability can be further enhanced through strategic alliances and partnerships. However, in order to weather the current economic crisis, in addition to the original $7 billion, $4 billion of which has been received, Chrysler is requesting an additional $2 billion, for a total of $9 billion, to support ongoing operations due to the continued deterioration in the economy, which has led to an unprecedented decline in the automotive sector since the Company's December 2nd plan submission.

While this is a substantial investment of taxpayer funds, Chrysler believes the requested loan is the least costly available alternative and will provide an important stimulus to the U.S. economy that will eventually deliver positive returns for the American taxpayer.

Respectfully submitted,

Chrysler LLC