

filing; (b) a \$4.5 billion, 60-day debtor in possession financing facility from the U.S. Treasury to fund Chrysler's bankruptcy process, including the expedited Sale Process; (c) a \$6 billion senior secured financing facility to support the operations of New Chrysler after the sale; and (d) a four-year agreement for wholesale and retail financing with GMAC LLC.

K. The Master Transaction Agreement

88. After an intense period of effort to meet the government's 30-day timeline, Chrysler, Fiat and New Chrysler tentatively entered into the MTA, supported by the U.S. government. Pursuant to that agreement, among other things: (a) Chrysler will transfer substantially all of its operation assets to New Chrysler; and (b) in exchange for those assets, New Chrysler will assume certain liabilities of Chrysler and pay Chrysler \$2 billion in cash. Prior to the Closing Date, (a) Fiat will contribute to New Chrysler access to competitive fuel-efficient vehicle platforms, certain technology, distribution capabilities in key growth markets and substantial cost saving opportunities; and (b) New Chrysler will issue approximately 55%, 8% and 2% of the Membership Interests in New Chrysler to a new VEBA, the U.S. Treasury and the Canadian government, respectively. After the "Fiat Transaction", a subsidiary of Fiat will own 20% of the equity of New Chrysler, with the right to acquire additional 31% of New Chrysler's Membership Interests under certain circumstances.

L. The Commencement of the Chapter 11 Cases

89. With the support of the U.S. government, the Canadian government, Fiat, the UAW, dealers, suppliers and employees, Chrysler commenced these cases to implement an expeditious sale process to implement the Fiat Transaction, or a similar Sale Transaction with a competing bidder, designed to maximize the value of Chrysler's operations and businesses for the benefit of their stakeholders. Pending such a sale, Chrysler has idled most operations as it conserves its resources, while at the same time ensuring that (a) the facilities are prepared to

resume normal production schedules quickly upon the completion of a sale and (b) consumers are not impacted by the filing (e.g., by continuing operations at parts depots to provide an uninterrupted supply of parts to service Chrysler's vehicles). Upon the consummation of the Fiat Transaction, Chrysler anticipates that the purchased manufacturing and assembly facilities will quickly resume normal operations under ownership of New Chrysler.

90. Under these extraordinary circumstances, it is imperative that Chrysler takes all appropriate steps to preserve the going concern value of its enterprise, protect its assets pending the sale and complete the sale as quickly as possible. Key to the success of any transaction is the support and survival of Chrysler's supplier base and an appropriate dealer network, as well as ongoing consumer and employee goodwill and support. Chrysler's business of designing, assembling and selling cars cannot function without the unique, specially-designed parts produced by suppliers that are not readily replaceable and the distribution network developed over many decades that is required to sell assembled vehicles into the marketplace and provide authorized repair services. In the face of a challenging economic environment in the automotive industry, the supplier base and the necessary parts the dealer network must be supported by Chrysler pending the sale as core elements of the value to be transferred to a buyer. As described below, Chrysler will seek first day relief to honor and pay obligations to essential suppliers and dealers as an essential component of preserving going concern value pending a sale and ensuring that these key business partners will be able to continue their business relationships with New Chrysler. Likewise, to preserve consumer goodwill and the value of Chrysler's brands that are central to any going concern sale, Chrysler must continue to honor warranties and related obligations that directly impact the purchasers of Chrysler, Dodge and Jeep vehicles. Support for

Chrysler employees is key to preserving its going concern value and restarting operations under new ownership.

91. Even with these initiatives, the fragile state of the automotive industry mandate that the sale be completed without delay. Notwithstanding support from Chrysler, the key suppliers and dealers cannot survive a prolonged period of uncertainty. Consumers will look elsewhere for vehicles if delays persist, and dealers selling diminishing volumes may not survive beyond the short term. Suppliers not producing parts will struggle to survive beyond a brief down period even if Chrysler is able to pay past amounts. If a sale is not completed quickly, new product launches will be delayed to the further detriment to the business. Key employees may leave for other opportunities. Chrysler has filed a series of additional declarations in support of the sale and providing further details regarding the necessity to complete the Sale Process as quickly as possible, while supporting the key business partners essential to preserve going concern value.¹⁹ Absent these efforts and the completion of the Sale Process as quickly as possible, no going concern sale will be possible.

92. Despite these challenges, Chrysler believes that the initiation of these chapter 11 cases will allow it to implement an expeditious Sale Process designed to maximize the value of Chrysler's business assets for the benefit of Chrysler's stakeholders.

93. Despite the unprecedented upheaval in the global automotive industry, Chrysler's management team, myself included, believe that Chrysler is a company worth saving. With the right restructuring and business plan, Chrysler will not only survive these difficult times but will return to profitability and resume its place among the world's leading automobile

¹⁹ See Declaration of Scott R. Garberding, April 29, 2009; Declaration of Frank J. Ewasyszn, April 29, 2009; Declaration of Peter M. Grady, April 29, 2009; Declaration of James J. Arrigo, April 29, 2009.

manufacturers, providing jobs and innovative new products to American consumers for decades to come.

94. As indicated, Chrysler has a sustainable core of value that it intends to protect and build upon. The Company has a number of high-performing brands and models—including its Jeep and Dodge Truck nameplates and certain minivan lines—that have enjoyed strong sales and have provided solid returns to the Company for many years. These models can, and will, serve as the centerpiece of a re-focused and re-energized business. Indeed, after its underperforming brands are eliminated and its capital and debt structure is reorganized, the Sale Transaction gives New Chrysler an excellent chance of being profitable in the future.

PART IV

Facts in Support of First Day Pleadings

M. General

95. Concurrently with the filing of its chapter 11 cases, Chrysler filed the First Day Pleadings requesting various forms of relief. Chrysler anticipates that the Court will conduct a hearing soon after the commencement of these chapter 11 cases (the "First Day Hearing") at which the Court will hear and consider certain First Day Pleadings. Chrysler further anticipates that the Court will consider the remainder of the First Day Pleadings on or about the date that is 20 days after the Petition Date.

96. Generally, the First Day Pleadings have been designed to meet the goals of: (a) implementing an expeditious Sale Process; (b) preserving and protecting Chrysler's assets pending a sale, including by paying claims of suppliers, dealers and employees to preserve the going concern value of Chrysler's businesses; (c) obtaining debtor-in-possession financing from the U.S. Treasury to fund the Sale Process and the other activities necessary to protect and