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**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

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In re:	::	Chapter 11
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Chrysler LLC, <i>et al.</i> ,	::	Case No. 09-50002 (AJG)
	::	
Debtors.	::	(Jointly Administered)
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**STATEMENT OF THE UNITED STATES
 DEPARTMENT OF THE TREASURY IN SUPPORT
OF THE COMMENCEMENT OF CHRYSLER LLC'S CHAPTER 11 CASE**

TO THE HONORABLE ARTHUR J. GONZALEZ,
 UNITED STATES BANKRUPTCY JUDGE:

The United States of America, through the United States Department of the Treasury ("Treasury"), by its attorney, Acting United States Attorney Lev L. Dassin, submits this statement (a) in support of the cases commenced under chapter 11 of title 11, United States Code

(the “Bankruptcy Code”) by Chrysler LLC and certain of its affiliates (collectively, “Chrysler”), and certain of the related relief being or to be sought by Chrysler; (b) to set forth the relevant statutory authority pursuant to which Treasury intends to participate in this case as a post-petition lender to Chrysler; and (c) to set forth the facts regarding Treasury’s role in these cases.

Preliminary Statement

1. For more than a century, factory workers, engineers, technicians, secretaries and others in the American auto industry have joined together to build cars and, more importantly, middle class lives and communities which have strengthened the American fabric. Now, in the midst of exceptional economic uncertainty, the automotive industry faces a crisis. The importance of this industry to the American economy and, indeed, the American way of life cannot be overstated. Recognizing this, the United States of America, through Treasury and its Presidential Task Force on the Auto Industry (the “Auto Task Force”),¹ has implemented unprecedented programs to support the domestic automotive industry through this difficult period, including credit support for receivables issued by certain major domestic vehicle manufacturers,² support for consumer warranties,³ and direct loans to manufacturers, including \$4 billion in loans to Chrysler.⁴

¹ The Auto Task Force is a cabinet-level group led by Treasury Secretary Timothy F. Geithner and National Economic Council Director Laurence H. Summers, which includes the Secretaries of Transportation, Commerce, Labor and Energy. It also includes the Chair of the President’s Council of Economic Advisors, the Director of the Office of Management and Budget, the Environmental Protection Agency Administrator and the Director of the White House Office of Energy and Climate Change. The members of the Auto Task Force, along with their official designees and the Auto Task Force’s advisors, are charged with advising the President of the United States on the state of, and support for, the domestic auto industry. See Press Release, The White House Office of the Press Secretary, Geithner, Summers Convene Official Designees to Presidential Task Force on Auto Industry (Feb. 20, 2009) http://www.whitehouse.gov/the_press_office/Geithner-Summers-Convene-Official-Designees-to-Presidential-Task-Force-on-the-Auto/.

² See Press Release, Auto Supplier Support Program: Stabilizing the Auto Industry at a Time of Crisis, http://www.treas.gov/press/releases/docs/supplier_support_program_3_18.pdf.

2. Treasury, however, has always been cognizant of the fact that these programs, while integral to supporting the domestic auto industry through this difficult economic period, do not alone provide a long term solution for the industry in general, and Chrysler in particular. Treasury is also aware that this long term solution does not exist absent significant concessions from all parties in interest, and that the American public cannot and should not be put in the position of funding indefinitely companies that have no realistic chance of being viable without public assistance. As the President has stated:

The situation at Chrysler is more challenging. It's with deep reluctance but also a clear-eyed recognition that we've determined, after careful review, that Chrysler needs a partner to remain viable. . . . Still, such a deal would require an additional investment of taxpayer dollars, and there are a number of hurdles that must be overcome to make it work. I'm committed to doing all I can to see if a deal can be struck in a way that upholds the interests of American taxpayers. . . . But if [Chrysler] and their stakeholders are unable to reach such an agreement . . . we will not be able to justify investing additional tax dollars to keep Chrysler in business.

Barack Obama, President of the U.S., Remarks by the President of the United States on the American Automotive Industry (Mar. 30, 2009), http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-the-American-Automotive-Industry-3/30/09/.

3. Accordingly, irrespective of how Chrysler came to this point, it, along with its employees, vendors, dealers, customers and the communities built around Chrysler's operations, now face two sharply divergent possibilities: Chrysler can liquidate, wind down its operations, and end its long history of building American cars; or Chrysler can consummate a

³ See <http://www.treas.gov/initiatives/eesa/AIFP/WarrantyCommitmentProgram.pdf>.

⁴ Pursuant to the Loan and Security Agreement dated December 31, 2008, by and between Chrysler Holding LLC and Treasury, Treasury loaned to Chrysler Holding LLC, the parent of Chrysler, \$4 billion.

sale within the next sixty days to an appropriate industry partner and embark on a course to reestablishing itself as a viable and successful business.

4. In its declarations, affidavits and filings in this case, Chrysler has painted a vivid picture of the negative consequences of a liquidation: directly and indirectly, hundreds of thousands of jobs may be lost, other businesses may fail and cities and towns across the country that have long relied on the automotive industry as a bedrock for their way of life will be changed forever. *See* Affidavit of Ronald E. Kolka In Support of First Day Pleadings at ¶ 4, *In re Chrysler Corp. LLC*, 09-50002 (AJG) (April 30, 2009, Bankr. S.D.N.Y.) (hereafter cited to as “Kolka Aff. at ¶ ____”). Chrysler has also, however, articulated the promise and potential of a new company, transformed through the bankruptcy process into a vital and growing business as part of a global alliance. As Chrysler makes clear, time is of the essence in order to achieve this future; the window on creating a viable Chrysler will rapidly disappear after sixty days, as the reputational, operational and other harms to Chrysler of the bankruptcy filing compound exponentially. Kolka Aff. at ¶¶ 90-92.

5. If Chrysler succeeds, the new Chrysler will preserve and create tens of thousands of jobs, continue to provide important benefits to workers and retirees, and be an innovator and leader in new automotive technologies. Hard choices and painful consequences may well result even from a sale of Chrysler to an appropriate partner within the next sixty days. However, the alternative is far worse.

6. Treasury has agreed to support Chrysler’s efforts to become viable through a sale to an appropriate partner, and Chrysler has made the most of that opportunity. With assistance from the Auto Task Force, Chrysler has convinced stakeholders – including the United Auto Workers, its network of dealers, a majority of its secured lenders and other

constituencies – to make meaningful concessions and to agree to shared sacrifices, and has driven a hard bargain with Fiat S.p.A. (“Fiat”), the company’s proposed global partner, for important technological and operational commitments and contributions to a revamped Chrysler.

7. As Chrysler has met the requirements set by the President for the receipt of additional federal funds, Treasury will participate in funding Chrysler’s chapter 11 case and its sale to Fiat or another appropriate partner.⁵ Treasury must be a careful and vigilant guardian of the public’s money, however, and accordingly its support for Chrysler’s revitalization must be limited. The President has made clear that the United States cannot commit to fund Chrysler if the company’s restructuring lacks a realistic probability of success. Treasury cannot and will not make an open-ended commitment to Chrysler for billions of dollars more, especially in light of the myriad other meritorious, competing demands for the public’s resources; its commitment to fund Chrysler’s bankruptcy must be contingent on Chrysler achieving the milestones necessary to close a sale in sixty days. Simply put, this time period for a sale is a necessary and critical condition to government funding.

**Relevant Statutory Authority
Pursuant to Which Treasury Is Acting**

8. Treasury is participating in these cases in its capacity as an existing lender to Chrysler, as a lender under a proposed debtor-in-possession financing agreement with Chrysler, as a partial owner of the stalking horse bidder (the “Stalking Horse”) in a proposed sale of substantially all of Chrysler’s assets pursuant to section 363 of the Bankruptcy Code (the “363”

⁵ Treasury’s postpetition loans to Chrysler will be made pursuant to the Troubled Asset Relief Program, established by the Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343, 122 Stat. 3765 (Oct. 8, 2008) (“Emergency Economic Stabilization Act” or “EESA”). Further, as explained more fully in the Kolka Affidavit, Treasury will make available to the new company the working capital necessary for it to operate after a successful restructuring as well as funding to ensure an orderly wind-down of Chrysler’s bankruptcy estate. Kolka Aff. at ¶ 12.

Sale”), and as a proposed lender to the new Chrysler (“New Chrysler”) if the Stalking Horse consummates the 363 Sale.

9. Treasury is acting pursuant to the following authority, promulgated in response to the current economic difficulties:

- Emergency Economic Stabilization Act of 2008 (EESA). Section 101 of the EESA generally provides for the purchase by the United States of “troubled assets,” see 12 U.S.C.A. § 5211 (West Supp. 2009), which is defined as “(A) residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, the purchase of which the Secretary determines promotes financial market stability; and (B) any other financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, but only upon transmittal of such determination, in writing, to the appropriate committees of Congress.” Pub. L. No. 110-343 § 3(9), 122 Stat. at 3767; 12 U.S.C.A. § 5202(9) (West Supp. 2009).
- Guidelines for Automotive Industry Financing Program. Treasury has promulgated guidelines pursuant to section 101(d) of the EESA, 12 U.S.C.A. § 5211(d) (West Supp. 2009), for allocation of resources under the EESA to “prevent a significant disruption of the American automotive industry that poses a systemic risk to financial market stability and will have a negative effect on the real economy of the United States.” See Guidelines for Automotive Industry Financing Program, http://www.financialstability.gov/docs/AIFP/AIFP_guidelines.pdf.
- Written Determination. On December 19, 2008, Treasury issued a written determination that certain holding companies engaged in the manufacturing of automotive vehicles were eligible for funding under the TARP Significant Failing Institutions Program. See Determination of the Secretary of the Treasury, Dec. 19, 2008 (attached hereto as Exhibit A). By letters dated December 23, 2008, to the Chairmen and Ranking Members of the Committees on Finance, the Budget, Banking, Housing & Urban Affairs and Appropriations of the United States Senate and the Chairmen and Ranking Members of the Committees on Appropriations, the Budget, Financial Services and Ways and Means of the United States House of Representatives, then-Secretary of Treasury, Henry M. Paulson, delivered a written notification of that determination pursuant to section 3(9)(B) of the EESA, 12 U.S.C.A. § 5202(9)(B) (West Supp. 2009). See Exhibit A. On April 29, 2009, the Secretary of the Treasury issued a written determination that has the effect of providing notice that the postpetition financing to be provided by Treasury to Chrysler, and the working capital financing to be provided by Treasury to New Chrysler, each satisfies the requirements of the EESA for use of funds authorized by that statute. See

Determination of the Secretary of the Treasury, Apr. 29, 2009 (attached hereto as Exhibit B).

Treasury's Role In These Cases

10. On December 2, 2008, Chrysler submitted to the United States Congress a Plan for Short-Term and Long-Term Viability, as part of its request for a \$7 billion working capital loan from the United States government. On January 2, 2009, Chrysler Holding LLC received from Treasury \$4 billion pursuant to a Loan and Security Agreement dated December 31, 2008, by and between Chrysler Holding LLC and Treasury (the "LSA"). Pursuant to the LSA, Treasury holds claims against Chrysler, which are secured by substantially all of Chrysler's assets.

11. Additionally, Treasury intends to undertake the following roles with respect to these cases:

- Post-petition Lender. Treasury has agreed to provide to Chrysler, as co-lender with Export Development Canada ("EDC"), in excess of \$4 billion in post-petition financing, \$1.8 billion of which will be made available on an interim basis. The post-petition loan will provide for, among other things, events of default should Chrysler fail to (a) file a motion to approve the 363 Sale by May 4, 2009; (b) have held a hearing on the proposed bidding procedures for the 363 Sale by May 9, 2009; (c) have entered a final and non-appealable order approving bidding procedures with respect to the 363 Sale within 10 days after commencement of these cases; (d) accept all bids for parties participating in the in-court auction with respect to the 363 Sale by May 20, 2009; (e) have determined the lead bid for the in-court auction with respect to the 363 Sale by May 29, 2009; (f) have held a hearing to approve the 363 Sale on or before June 1, 2009; (g) have entered a final and non-appealable order approving the 363 Sale no later than June 15, 2009; and (h) close the 363 Sale on or before June 27, 2009.
- Partial Owner of Purchaser in 363 Sale. Chrysler has entered into a stalking horse agreement for the 363 Sale with the Stalking Horse, the membership interests of

which are expected to be allocated as follows: Fiat (35%), the existing Chrysler Voluntary Employee Benefit Association (55%), Treasury (8%) and EDC (2%).⁶

- New Chrysler Working Capital Facility. If Chrysler successfully consummates the 363 Sale with the Stalking Horse, Treasury will provide to New Chrysler a \$4.7 billion first lien working capital facility. It is anticipated that EDC will also provide to New Chrysler a first lien working capital facility (if the Stalking Horse consummates the 363 Sale with Chrysler).

Conclusion

12. Treasury recognizes that this is an extraordinary and unprecedented case.

Given the importance of Chrysler to the American economy, and the path to viability Chrysler has presented to Treasury, Treasury stands prepared to support Chrysler in this endeavor. Its support, however, is limited, and in the end it will be the actions of Chrysler and its constituents, and their willingness and ability to resolve their issues under the supervision of this Court, that will determine whether Chrysler survives.

⁶ Ownership percentages are approximations on a fully diluted basis. Fiat's initial ownership is 20% and will increase after certain conditions are met. In no event while Treasury is a lender or equity holder in the Stalking Horse will Fiat obtain a greater than 49% interest.

Dated: April 30, 2009
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