An Open Letter From Bob Nardelli

To Chrysler employees and other stakeholders:

We have received news that U.S. Treasury Secretary Henry Paulson will provide $4 billion of initial funding to Chrysler LLC from the TARP (Troubled Assets Relief Program) as a loan to help bridge the current financial crisis. We appreciate the Administration’s confidence in Chrysler.

As outlined in our submission to Congress, we intend to be accountable for this loan, including meeting the specific requirements set forth by the government, and will continue to implement our plan for long-term viability. The receipt of this loan means Chrysler can continue to pursue its vision to build the fuel-efficient, high-quality cars and trucks people want to buy, will enjoy driving and will want to buy again.

For Chrysler to succeed in its mission to return to profitability, we need the continued support of our many business partners. Terms associated with the bridge loan include Chrysler’s commitment to work with key constituents — including our owners, lenders, suppliers, dealers, management and employees – to identify and achieve the cost-savings concessions we need to build a long-term viable enterprise. These concessions discussions will happen quickly, as a full governmental review and approval of our plan is expected by March 31, 2009.

We are meeting with our suppliers, mindful that they are going through a difficult period as well. But we must cooperatively find ways to further reduce our costs while maintaining normal operations. We will ask our suppliers to maintain their commitment to reasonable trade terms and normal fulfillment of orders for as long as the federal loan is outstanding. This will assure that neither Chrysler, nor our suppliers would suffer the substantial losses caused by the plant/production shutdowns that result from stop shipments or other disruptions.

We will seek continued dealer cooperation to improve our cash position and consolidate our U.S. network. Project Genesis is on the path to aligning our product portfolio with a smaller, healthier tri-branded dealer network based on the realities of our business environment. Because strong, healthy dealers are essential to our success, we are also working with our dealers to keep dealer inventories in line with the marketplace, focusing on how they can support their business despite the falloff in sales through sales of used vehicles, service and parts.

As a condition of the bridge loan, we have committed to work with our lenders to seek their participation in concessions as well.

Cerberus has already agreed to forgo any benefit from the upside that would, in part, be created from the bridge loan and any other government assistance that the Company may obtain.

All employees have and will continue to help support Chrysler’s recovery. We have also partnered with the UAW to find new opportunities to increase our competitiveness. The Company has already undertaken and will continue to undertake significant cost reduction actions related to salaried workers also.

The bridge loan allows us to meet cash needs, pay our suppliers, continue developing great products and move forward with the restructuring and streamlining of our organization that we began in 2007. This restructuring will reduce the number of personnel layers while increasing managers’ span of control, enabling us to reduce costs, make faster decisions and do our jobs effectively with fewer resources.

In our drive to profitability, we will not slow down on plans to provide the cars and trucks that people in markets around the world want to buy. We have 24 major launches in our plan from 2009 through 2012, with a key feature of this future product strategy being our capability as an electric vehicle company. Building on our status as the largest producer of electric-drive vehicles in the United States today with our GEM unit, we are focusing on electric as our primary clean-vehicle technology.
Combined with our new products from our ENVI group, we expect that 500,000 Chrysler electric-drive vehicles will be on the road by 2013.

It is essential that we continue to promote our lineup of current and future products so that our customers understand the profound changes taking place at Chrysler. With that in mind, we will be revealing several important new products at the upcoming North American International Auto Show. We also sought the support of our local Detroit area dealers for the auto show, and I want to express my appreciation to all those that have provided assistance to help fund our exhibit.

While promoting our products, we will also appropriately scale back some of our presence at the auto show because of current business conditions. We have conserved costs in our press event with vehicle reveals that are product-focused and straightforward, and a simplified product display.

As we draw to the end of this very eventful and difficult year, I want to extend my thanks to all who contributed to Chrysler this year, including our many colleagues who have moved on. Against the difficult conditions of a global recession, you have once again shown the resilience that is the hallmark of Chrysler people. In recent weeks, I have received hundreds of letters of support from those in the extended Chrysler family, confirming that there is great enthusiasm to restore our company to success.

With the holidays upon us, I hope you can take time to enjoy the warmth and companionship of good friends and family. Please have a safe and joyous holiday season, and let’s all return in 2009 with a renewed commitment to making Chrysler the great company we all want it to be.

Bob Nardelli