To all Chrysler employees, dealers, suppliers and other stakeholders:

With this week’s announcement of our nonbinding agreement for a strategic alliance with Fiat, I want to update you on where we stand in our continuing efforts to manage our business through the current economic downturn and put Chrysler on a path to long-term success.

This potential alliance has the opportunity to greatly benefit America by preserving American jobs, stabilizing the economy including the important domestic auto industry and expanding the availability of small, fuel efficient automobiles. Throughout this process we will work with the U.S. government to ensure Chrysler meets all the terms of the U.S. Treasury loan agreement, including the submission of a restructuring plan that assures Chrysler’s long-term viability, timely loan repayment and energy efficiency. It is important to note that no U.S. taxpayer funds would go to Fiat.

Our Vision, Mission and Strategic Framework Continues

One year ago, we began our first full year as an independent company with a three-part strategic framework to help focus our efforts and align our resources toward our goal of returning to profitability. The framework is comprised of three basic principles:

Enhance our core: invest in product enhancements; strengthen our customer focus; improve our relationship with our dealers; and recommit the entire organization to a new level of quality.

Extend our business: develop or establish partnerships to provide new products; build off of existing products to extend into new segments; explore new and adjacent market opportunities; and accelerate new technologies and innovation.

Expand our market: pursue global alliances to fill gaps in our product portfolio and open new geographic opportunities; increase global sales by building from our existing dealer network; and invest closer to our global customers by enhancing regional business operations and global engineering centers.

As the economy declined through 2008, Chrysler responded quickly and aggressively by making further reductions in manufacturing schedules to keep production and dealer inventory aligned with shrinking U.S. market demand. The extensive restructuring, cost reduction and productivity enhancements served to support our competitive position in the continuing economic downturn.

By executing our business plan, reducing our fixed costs and working to continually improve our operational performance, we were ahead of our targets to return to profitability through the first half of 2008. But in the second half of the year, our nation’s financial meltdown and a freeze in credit led to a devastating automotive industry depression. On a Seasonally Adjusted Annual Rate (SAAR) basis, vehicle sales fell to their lowest level in 26 years.

Bridge Loan Required for Short-term Viability due to Economic Factors

As a result, we went before the U.S. Congress last November to testify for the need for a $7 billion bridge loan to sustain our business. We presented data showing the likely devastating effect of a domestic automaker bankruptcy to the overall economy. We explained how the freezing of credit markets prevented average hard-working Americans from getting access to competitive vehicle financing and reduced our dealers’ ability to get market competitive funding to place wholesale orders. Those factors combined to constrict cash inflows to auto manufacturers including Chrysler. In fact, 20 percent of our revenue disappeared overnight when our finance company was unable to offer leases to our customers.

In December, we returned to Washington, D.C., and presented a plan for viability and accountability to the U.S. Senate, House of Representatives and the Treasury Department. We reiterated our request for a $7 billion bridge loan from the federal government. Our plan was supported by extensive financial data laying out a clear case on how Chrysler would manage through the current global credit crisis and generate adequate cash to begin repayment of the loan in 2012. We also shared our long-term product plan, which is central to our return to sustainable profitability.
The U.S. Treasury granted us the first $4 billion of our request, signaling its confidence in our plan as well as recognizing the importance of the automotive industry to our national economy. The bridge loan supports our operations as we continue our process of restructuring and transformation, and we are working hard to meet all requirements for the receipt of the balance of $3 billion, for a total of $7 billion – the amount of our original request.

**Aggressive Restructuring Already Showing Positive Results**

So far in our restructuring efforts, we have reduced fixed costs by more than $3.4 billion, have taken out 1.2 million units or 30 percent of our production capacity and stopped building four models to simplify our product line.

We’ve made significant enhancements in our products and, in the last 12 months, we achieved the lowest warranty claim rate in our company’s history – a 30 percent improvement compared with the prior year. Reflecting the Company’s focus on designing and building in quality from the beginning, Chrysler had the industry’s lowest number of recalls in 2008 as reported by NHTSA – a total of 360,000 units, down from 2.2 million units in 2007. For the 2009 model year, over 88 percent of Chrysler’s vehicles achieved five stars for frontal crash tests, 86 percent achieved the highest rating for side-impact protection and 73 percent of our product line up offers improved fuel economy compared with last year’s models. Altogether, we are leaner, more nimble and focused on customer first and quality period.

We continue to invest in new products, with 24 new-vehicle launches during the next 48 months. That means the Company will renew more than 60 percent of its total sales volume, including the next-generation Jeep® Grand Cherokee, Dodge Charger, Dodge Durango, Chrysler 300 and several exciting new small cars. We’ll continue to improve overall fuel economy with these new small-car entries and our all-new Phoenix V-6 engine.

Through our internal ENVI organization, we’re focused on electric as our primary clean-vehicle technology. Our product plan includes the introduction of a full-function electric-drive model in 2010, and three additional models by 2013. We focused our resources and funding on electrifying our existing models to achieve speed to market. We also selected this technology because it is the least disruptive to the existing infrastructure and the most consumer-friendly.

Our vision is to build cars and trucks people want to buy, will enjoy driving and will want to buy again. And we’re doing just that. Just this week, we earned two top honors at the annual Polk Automotive Loyalty Awards. The 2009 Chrysler Town & Country earned the “Automotive Loyalty Award – Minivan” for the eighth year in a row, and Jeep Grand Cherokee took “Automotive Loyalty Award – Mid-size SUV.”

The all new 2009 Dodge Ram truck is another prime example of the customer focus and innovation that’s part of the Chrysler DNA. In addition to overwhelmingly positive customer response, the all-new Ram already has earned nine industry awards including the 2009 International Truck of the Year, Truckin’ magazine’s Truck of the Year, Texas Auto Writer’s Association (TAWA) 2009 Full-Size Pickup Truck of Texas and Edmunds.com Inside Line Editors Most Wanted for 2009.

**Alliances Support Long-term Success in Local and Global Markets**

We are actively building on our strategy of alliances and partnerships in order to create value and enhance our ability to meet customer needs. Chrysler is currently engaged in more than two dozen alliances and partnerships around the world, including our joint-venture with GM, Daimler and BMW to develop two-mode hybrid powertrain technology, and our GEMA alliance with Hyundai and Mitsubishi, which produces the advanced technology, four-cylinder World Engine in Dundie, Mich. Our manufacturing agreements with Volkswagen and Nissan further illustrate our strategy of partnering to win.

This week, Cerberus, Chrysler and Fiat announced a preliminary nonbinding agreement to establish a long-term global strategic alliance. Upon completion of a due diligence process and meeting all of the U.S. Treasury requirements and required approvals, the agreement could be completed as early as April.
This alliance would further enhance the fuel-efficiency of our product portfolio, support our ability to build a long-term profitable enterprise and preserve American jobs. The alliance would give us access to substantially all Fiat group vehicle platforms, which would complement our current product lineup with fuel-efficient, environmentally friendly small cars and powertrain technology – including clean diesel. Using Fiat’s distribution system, we’d be able to greatly increase the global reach for the Chrysler, Dodge and Jeep brands in markets outside of North America.

Fiat would benefit from product and technology sharing, with access to our vehicle platforms and our manufacturing capabilities in North America. In addition, Chrysler would help Fiat bring its brands to the U.S. market.

Fiat has successfully executed its own restructuring during the past several years, and Chrysler could benefit from Fiat’s restructuring expertise.

**Fiat Alliance Consistent with all Government Loan Conditions**

The potential Fiat alliance is consistent both with our strategic plan and with the long-term viability plan required under the U.S. Treasury loan. The alliance would help us provide a return on investment for the American taxpayer by securing the long-term viability of Chrysler brands in the marketplace.

It’s important to note that no U.S. taxpayer funds would go to Fiat. The alliance is based on an exchange of equity for assets. Fiat would acquire an equity stake in Chrysler by giving us access to substantially all its vehicle platforms and technologies. This access is of high value to Chrysler, saving us significant costs and years of development time.

**Many Components Work Together to Make Chrysler Viable**

For Chrysler, this alliance is a key milestone on our path to viability. But it is just one piece. Our viability still depends on receiving the remaining $3 billion in government funding and concessions from each of our constituent groups: lenders, employees, unions, dealers and suppliers, so that we’re in position to benefit when the automotive market recovers.

A healthy Chrysler Financial is another important component of our recovery. Chrysler Financial recently qualified for $1.5 billion in federal Troubled Assets Relief Program (TARP) funds. This money will immediately be put to work assisting our customers in securing the credit they desperately need. We all understand the critical interdependence between Chrysler LLC and Chrysler Financial. Our success is linked with theirs. Our viability depends on customers having access to affordable credit for loans and our dealers having access to competitive credit to finance their floor plan costs.

Meanwhile, we continue to meet with constituents as we seek to achieve shared sacrifice and required concessions to be included in our U.S. government long-term viability plan.

Let me be clear: we don’t underestimate the challenges before us. We also recognize that the financial crisis, which has brought hardship to Chrysler, has created similar challenges for our suppliers, dealers and other constituents. But we continue to make important strides toward restructuring our company, leveraging strategic partnerships and developing innovative new products. We are committed to working together to find ways to reduce costs while maintaining the business operations that will support our mutual and sustained viability for the long term. We are committed to work with all our company stakeholders, including our employees, unions, dealers, suppliers, lenders and owners to identify the concessions required as a condition of our loan.

We recognize we have a unique bond with the American public, and we are fully committed to meeting our obligations by developing high quality, fuel-efficient vehicles. I appreciate your continued support as we seek to return Chrysler to its rightful place as an industry leader.

Bob