



UAW CHRYSLER

Modifications to 2007 Agreement and Addendum to VEBA Agreement

April 2009

A Message to UAW Chrysler Workers

Dear Brothers and Sisters,

As we all know, Chrysler Corp. and the entire U.S. auto industry is engulfed in a severe crisis. Chrysler lost \$8 billion in 2008 and is projected to sustain unprecedented losses again in 2009. We as workers are fighting for our very existence.

After a lengthy process that included congressional hearings and petitioning the White House, Chrysler was granted an initial \$4 billion loan by the Bush administration on Dec. 19, 2008. However, in order to receive the additional federal loans Chrysler must have to survive, the company was required to provide the federal government with a restructuring plan demonstrating its long-term viability. Chrysler submitted its plan, which included proposed modifications to our labor agreement, to the U.S. Treasury Department on Feb. 17, 2009. On March 30, President Obama announced that the company's plan didn't go far enough in reducing costs and laying the groundwork for sustainability. He said Chrysler must form a partnership with Fiat or another automaker within 30 days to receive \$6 billion in additional loans. The Treasury Department's auto task force also required deeper concessions from UAW members, retirees and other company stakeholders.

In April 2009, Chrysler and Fiat reached a partnership agreement. In exchange for an initial 20 percent equity stake in Chrysler, Fiat has agreed to share all its product platforms with Chrysler and to manufacture a small car in one of Chrysler's U.S. facilities. Additionally, Fiat will make available to Chrysler its engine technology, provide managerial, sales and marketing services, and take a leading role in marketing and distributing Chrysler vehicles outside North America. Fiat's investment in Chrysler's operations and new U.S. jobs is expected to exceed \$8 billion.

Recognizing the dire situation and realizing that failing to meet government requirements would surely mean the end of Chrysler, your UAW negotiators painstakingly put together modifications to the Agreement that both meet the government's requirements and result in the least amount of pain to our members. Your bargaining committee worked hard and pushed for all stakeholders to share fairly in the sacrifices necessary to save Chrysler.

While we realize the proposed sacrifices for UAW members are painful, we fought to maintain our wages, our health care and our jobs. In the face of adversity we secured new product guarantees, and we negotiated new opportunities for UAW involvement in future business decisions. These modifications to our contract and the VEBA trust are essential to securing federal loans to keep Chrysler in business so that we can keep manufacturing jobs here in the United States and, more importantly, live to fight another day.

This document summarizes proposed modifications to the 2007 UAW-Chrysler National Agreement and an addendum to the agreement establishing the VEBA trust for retiree health care that meet the terms of the Loan Agreement imposed by our government. Considering the alternatives, we urge a yes vote for ratification.

In solidarity,

Ron Gettelfinger
President

General Holiefield, *Vice President
and Director, UAW Chrysler Department*

and the UAW Chrysler National Negotiating Committee

Settlement Agreement

The Settlement Agreement constitutes an addendum to the 2007 Chrysler LLC-UAW National Agreement.

Terms in the Settlement Agreement that address suspensions of compensation or benefits or other amendments to the existing agreement will last until the expiration of the 2007 National Agreement between the UAW and Chrysler LLC unless other expiration dates are specifically required by the Loan and Security Agreement between Chrysler LLC and the U.S. Treasury, or unless otherwise modified by the mutual agreement of the parties.

The provisions of the Settlement Agreement are subject to ratification by UAW membership.

In the event of any inconsistency or conflict between the provisions of the 2007 National Agreement, Local Agreements, past practices or understandings and this Settlement Agreement, the latter provisions will control.

Alternative Work Schedules

Following discussions with the local union the company can implement an Alternative Work Schedule that is currently agreed to in the Chrysler Agreement with a minimum of a 14-day notification and approval by the National Chrysler Department. The local parties may develop an AWS to address unique operating issues with approval of the National parties.

Overtime

The time-and-a-half rate will be paid after 40 compensated hours in the work week. Credit toward the 40 compensated hours will be provided for verified hours on an approved Union Leave of Absence. Premium payments will be paid for time worked on Saturday or Sunday provided the employee has otherwise worked at least 40 compensated hours during the work week in which the Saturday and/or Sunday occurs.

Relief Time

A total of five minutes relief time per hour will be provided to direct labor employees in assembly plants, and three minutes per hour to indirect labor employees, on a standard eight-hour shift. For each additional hour worked in excess of eight hours, five minutes and three minutes respectively of relief time will be provided. This reduction from 46 minutes to 40 minutes relief time per eight-hour shift also applies to the assembly areas within the Powertrain Division.

Paid Holiday Plan

To help offset health care costs, negotiators agreed to suspend the Easter Mon-

day holiday in each of the remaining years of the current agreement. The holiday scheduled for Monday, April 5, 2010 and Monday, April 25, 2011 will be suspended.

COLA

The cost-of-living allowance will be suspended for the term of the modified agreement.

Performance Bonus

The parties agreed to suspend payment of performance bonuses scheduled for 2009 and 2010 to help offset health care costs.

Christmas Bonus

The parties agreed to suspend payment of Christmas bonuses scheduled for 2009 and 2010 to help offset health care costs.

Vacation Replacements

The union agreed in conjunction with the current contract language to review situations that may arise that would exist for vacation replacements to be utilized outside the scope of the intent of Letter 185 and Section 45 (a) of the P, M and P Agreement. Any deviations from the current language are subject to the approval of the UAW Vice President.

Temporary Part-Time Employees

To enhance operational efficiency, the union and company have agreed that the use of Temporary Part-Time (TPT) employees may be extended beyond the usual Mondays, Fridays and premium time, to address special circumstances as they arise.

In addition, to meet the cost savings required by the terms of federal loans to Chrysler, the parties agreed that future TPT hires will be at the TPT Team Member Support (TMS) 2 rate in effect on January 5, 2009. Wage formula increases will be frozen for the duration of the 2007 UAW Chrysler National Agreement. TPT employees will not be eligible for a performance bonus or any vacation entitlement.

Any deviations from the current language are subject to the approval of the UAW Vice President.

Entry Level Employment

Performance Bonuses will be suspended for Entry Level workers for the remainder of the 2007 National Collective Bargaining Agreement.

All Entry Level wage formula increases currently provided in the 2007 National Production, Maintenance and Parts Agreement will be frozen for the duration of the 2007 UAW-Chrysler National Agreement.

All new production employees hired through the Sept. 14, 2015 expiration of the National Collective Bargaining Agreement will be hired as Entry Level employees and governed by the terms of the UAW-Chrysler Entry Level Wage and Benefit Agreement M-13. No Entry Level employee will transition to Traditional Employee status during this period.

There shall be no cap on the number of Entry Level employees hired through September 14, 2015. As of September 14, 2015, the number of Entry Level employees shall be capped as the lesser of 25% or the existing Entry Level percentage; and those Entry Level employees by seniority above the cap, if any, shall be transitioned to Traditional Employee status.

Sourcing, Product and Investment Commitments

Sourcing

The UAW strengthened our involvement in early product sourcing decisions. Annually, the company will review its five-year global assembly and powertrain cycle plan with the union.

In addition, sourcing-related activities have been identified in which the UAW will participate to accomplish early and direct involvement for our members.

Current and Future Product Commitment and Future Insourcing Opportunities

The 2007 Product Commitment and Investment Letter reflects the company's plans. It is understood that additional confidential dialogue has been exchanged with respect to the favorable effect of a Chrysler/Fiat alliance on Chrysler's operations. The effect could result in incremental product loading in the company's assembly and powertrain operations.

Union Involvement and Supplier Relations

The UAW and Chrysler agree that there are ways in which a seat supplier and its union can achieve a competitive labor cost structure that enables the supplier to provide a competitive bid to the company.

To advance those opportunities the union will explore a variety of means to ensure a competitive, fully fringed labor rate.

During these negotiations the UAW and Chrysler agreed that a fully fringed labor rate of \$35 per hour for seat assembly when the work is being done at a supplier is considered by the company to be competitive.

Supplier Meetings

The parties will continue ongoing dialogue to review the supply base and review opportunities to improve the company's supplier base. Discussions will include the quarterly Distressed Supplier Roundtable meetings with senior management from Procurement and Supply, Union Relations and the National Committee, and UAW Chrysler Department leadership.

Fiat Investment and Product Commitment

Your UAW leadership has been in intense negotiations with representatives of Fiat and Chrysler over the past several months to arrive at a partnership arrangement that will secure Chrysler's long-term viability. As a result of these discussions, the term sheet establishing the Chrysler/Fiat alliance includes a commitment from Fiat to manufacture a small car in one of Chrysler's U.S. facilities.

In addition, Fiat will share key technology with Chrysler, (such as the 3.0 liter diesel and 1.4 liter gas engines) and all its product platforms. This is equivalent to an investment by Fiat amounting to more than \$8 billion and will create approximately 4,000 new UAW jobs in the United States.

Product Loading Review

The UAW and Chrysler LLC will meet to review vehicle plans for assembly, stamping, powertrain and components operations in the United States, Canada and Mexico. The meetings also provide an opportunity to discuss long-term plans for the company.

Sourcing Addendum

As stipulated in the 2007 CBA, the current Roundtable and Powertrain meetings will continue to provide an avenue for union involvement in the Chrysler product decision-making process.

Roundtable Meeting

- The UAW-Chrysler Roundtable Meeting will continue on an annual basis and will include comprehensive vehicle plans for the United States, Canada and Mexico assembly, stamping, powertrain and components.

Powertrain Meeting

- The UAW-Chrysler Powertrain meeting will continue each year and include a comprehensive review of the United States, Canada and Mexico Powertrain Long Range Plan and Powertrain Plant product loading.

The UAW will continue to participate in the Product Team Sourcing, Pre-Program Start and Program Start meetings, giving us the opportunity to focus on information provided throughout the Chrysler Development System process and Supplier Selection Period. The National and Local

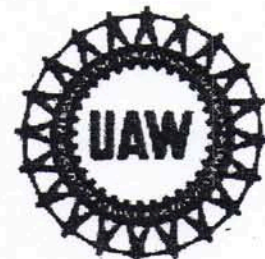
Job Security Operational Effectiveness and Sourcing Committees provide an additional avenue for UAW input on sourcing decisions.

UAW, Chrysler and Supplier Partnerships

The company has agreed to a quarterly meeting between the UAW Vice President and Director of the UAW Chrysler Department and Chrysler Purchasing Directors for commodities and supplied parts, to foster partnership between the UAW, Chrysler and key suppliers.

Twinsburg Stamping Plant

During these discussions the company agreed to review the long-term utilization plan for the Twinsburg Stamping Plant and to share those plans with the UAW. The company will consider investment costs and current market demand in determining the plant's suitability for placing non-stamping work in the facility, at tier-II rates, to keep TSP viable.



Standardized Vacation Shutdown

Under the terms of the modification of the 2007 Collective Bargaining Agreement Chrysler employees will be required to utilize two weeks of their vacation entitlement for a mandatory shutdown. The corporation will schedule two weeks between June 1 and September 1 as vacation shutdown. Employees will not be eligible for unemployment or SUB during this time.

The 2009 vacation election window will be extended to May 29, 2009 to accommodate this change.

Modifications Apply to Salaried Members

The modifications to the 2007 National Agreement described in this summary apply to UAW Chrysler salaried employees.

Provisions of the Salaried Workers Employment Security System of the 2007 agreement, and any related contract language that limits or prohibits the company's right to lay off salaried employees will be suspended for the duration of the 2007 agreement.

Local Job Security Operational Effectiveness and Sourcing committees will continue to meet on a monthly basis, with salaried workers represented by the Local Union President and Unit Chairperson.

Equity of Sacrifice

UAW and Chrysler negotiators agreed that all company stakeholders must participate in the modifications necessary to maintain business operations and become fully competitive.

The company agreed to provide a quarterly update on the level of sacrifice contributed by various Chrysler stakeholders including executives, CEOs, dealers, suppliers and other constituents.

Job Security Program Suspended

The parties agreed to suspend certain provisions of the Job Security Program that place employees in Protected Status for the remainder of the agreement. All employees that were in Protected Status were placed on layoff on Jan. 26, 2009 and employees henceforth eligible for Protected Status also will be placed on layoff and will be eligible for the SUB and TAP benefits outlined below.

SUB Modified, Transitional Assistance Established

The proposed agreement modifies the Supplemental Unemployment Benefit (SUB) and establishes a new Transitional Assistance (TA) for traditional employees according to the following schedule:

SENIORITY	SUB	TA
20-plus years	52 weeks	52 weeks
10-20 years	39 weeks	39 weeks
1-10 years	26 weeks	26 weeks

Transitional Assistance pays 50 percent of the employee's gross base pay for a 40-hour work week. No carve-out of any earnings except state systems benefits will be taken from TA payments.

Members may choose to opt out of the TA and will receive the remaining TA liability and \$10,000. If the member chooses this option, he or she will forfeit all recall rights but their remaining allotment of health care coverage continues.

SUB for Entry-Level Employees

The schedule for entry-level employees is as follows:

SENIORITY	SUB
3-plus years	26 weeks
1-3 years	13 weeks

Entry-level employees with less than one year seniority are not eligible for SUB payments. No carve-out of any earnings except state system benefits will apply.

SUB Health Care Benefit

The health care benefit under SUB remains unchanged from the 2007 National Agreement. Coverage is based on years of employment, according to the following schedule.

Years of service on date layoff begins	Coverage duration
Less than 1	0 months
1 but less than 2	3 months
2 but less than 3	5 months
3 but less than 4	7 months
4 but less than 5	9 months
5 but less than 10	12 months
10 and over	24 months

One Out-of-Labor Market Area Placement

After the existing hierarchy is completed, employees on layoff have two options:

- A) accept an out-of-LMA placement (except Mopar);
- B) be dropped from pay and benefits with recall rights only.

In Labor Market Area Placement, no changes have been made to LMA Placement except that low-seniority skilled employees on layoff after the hierarchy is exhausted for non-skilled openings in-LMA may be forced to accept the non-skilled opportunity in-LMA or be dropped from the rolls with recall rights only.

Skilled trades employees placed on the non-skilled opening will be paid at their appropriate skilled trades rate.

Skilled trades employees placed into production jobs shall retain their applicable rights to return to skilled trades jobs for which they are qualified (by previously held skilled trades classifications).

Fiat's World Class Manufacturing System and Chrysler's Workplace Organization Model (WOM)

The alliance between Chrysler and Fiat recognizes that adoption of Fiat's World Class Manufacturing processes and acceleration of the full implementation of the Chrysler Workplace Organization Model (WOM) is key elements in the development of a robust and profitable automotive manufacturing company.

This approach will enable us to achieve, with speed and precision, the following objectives:

- a) World class operational efficiencies in all North American facilities;
- b) World class leading edge work practices that will result in further efficiencies, including team-based overtime equalization;
- c) Future capital investment in North American manufacturing based on a sound business case;
- d) Targeted training and investment that improves skills and capability in the manufacturing workforce;
- e) A profitable enterprise with aligned goals among all stakeholders

Consistent with existing WOM provisions, non-skilled direct and indirect labor classifications shall be consolidated and moved to a strict team based structure, through utilization of team members/leaders. Consistent with this environment, full team rotation will be implemented and future open positions will be bid to a team and not to a specific job station.

New Attendance Procedure

The union and company agreed on a new attendance procedure. When an employee misses time at work due to tardiness or absence, it will be considered an occurrence.

The new procedure is a seven-step process in which absence and failure to call in are considered an occurrence. Tardiness of less than one hour is considered half an occurrence; tardiness of more than one hour will be considered a full occurrence.

Employees who are in or beyond the correction action step of the procedure will not be able to post on a job until fully recovered.

A total of seven occurrences will result in discharge.

Upon implementation of this attendance procedure, previous occurrences will not be considered under the new procedure.

Elected and Appointed Representation

Consistent with efforts to meet the terms of federal loans to Chrysler, the union and the company have agreed to reduce the number of elected and appointed positions to core representation levels.

TAP Suspended

The parties agreed to suspend the Tuition Assistance Program for the duration

of the 2007 National Agreement and have been working to significantly reduce other joint activities program costs.

Binding Arbitration

Upon expiration of the 2007 Agreement, the parties will enter into a new National Collective Bargaining Agreement which will continue in full force and effect until September 14, 2015. Unresolved issues remaining at the end of negotiations on the 2011 renewal of the 2007 Agreement shall be resolved through binding arbitration with wage and benefit improvements to be based upon Chrysler maintaining an all-in hourly labor cost comparable to its U.S. competitors, including transplant automotive manufacturers.

Salaried Bargaining Unit (SBU) Utilization

The UAW and the company will continue discussions regarding salaried bargaining unit employees and the need to develop competitive work practices in line with the introduction of new innovative technologies.

The UAW is proposing a comprehensive plan that will detail innovative, competitive, flexible work practices for the salaried bargaining unit. Along with this plan, the company will discuss the potential use of SBU employees in areas such as advanced technology vehicles in order to maximize the utilization of SBU employees.

Direct Deposit

Unless prohibited by state law, all employee compensation will be paid by direct deposit. In the event it is not possible to do direct deposit, checks will be mailed to the employee's last home address on record.

Debt Restructuring

The parties have been focused on the need to improve the overall competitiveness of the company in order to preserve its long-term viability. As part of that increased viability, quarterly submissions must be made in accordance with the U.S. Department of Treasury Loan and Security Agreement terms. The company will share a copy of the initial and subsequent quarterly submissions, which include the status of the company's progress with all stakeholders, with the top union leadership.

Agreement Expiration

The 2007 National Agreements between the UAW and Chrysler along with the understandings contained or referenced herein shall continue in full force and effect until 11:59 P.M., September 14, 2011.

Skilled Trades Rationalization

In order to meet the requirements of federal loans to Chrysler, the company and the union have agreed to a consolidated skilled trades structure with two (2) skilled classifications.

No lines of demarcation will exist within the respective classifications. Skilled employees will only be assigned to job assignments that they can safely perform.

The **Electrical Technician** will consist of the following trades:

Electrician and Repairer – Welder Equipment.

The **Mechanical Technician** will consist of the following trades:

- Millwright
- Millwright/Welder
- Sheet Metal Worker
- Welder-Maintenance
- Pipefitter
- Pipefitter-Plumber
- Pipefitter/Spray Gun Repair
- Machine Repair
- Die Maker
- Die Maker-Die Cast
- Machine Operator-Tool, Die & Maintenance
- Repair-Mechanical Handling Equipment
- Tool/Fixture/Machine Repair Technician
- Tool Maker
- Tool Maker-Jig Fixture Builder
- Tool Maker-Tool & Gage Inspection
- Welder-Tool & Die
- Carpenter
- Painter
- Cutter Grinder
- Keller Machine Operator
- CNC Machine Technician
- Furnace Repair

In addition, all other skilled trade classifications in other activities will be eliminated by December 31, 2009.

The two (2) classifications will assume the responsibilities of both the consolidated and reduced classifications and training will be adjusted accordingly. Until employees are trained, layoff and recall will be by the current classification structure after which the two (2) core classifications will be considered distinct stand-alone classifications for all seniority purposes.

Classifications Not Impacted by this Agreement

The following classifications are not impacted by this agreement and remain separate and distinct:

- #5703 Boiler Repair
- #5706 Repair – Compressor
- #5905 Boiler Operator
- #5920 Compressor Operator
- #5927 Engineer – Steam
- #5929 Energy Center Operator
- #5942 Sewage Disposal Plant Operator
- #5654 Mechanic – Refrigeration & Air Conditioning (employees in this classification who are not associated with the Energy Center will be classified into “other mechanical” classifications groupings)
- #5693 Powerhouse & Maintenance
- #5714 Mechanic – Gas & Electric Jitney
- #5717 Mechanic – Gas & Electric Jitney
- #5718 Mechanic – Gas & Electric Jitney
- #5719 Mechanic – Gas & Electric Jitney
- #5721 Mechanic – Gas & Electric Jitney
- #5728 Mechanic – Gas & Electric Jitney
- #5759 Mechanic – Truck-Tractor

To qualify, new entrants to either the Electrical Technician or Mechanical Technician classification must possess eight (8) years of experience in a recognized trade or have graduated from a bona fide apprentice program.

Skilled Classifications Not Listed in this Summary

Those employees classified in skilled classifications not listed above will be transferred to other classifications, as determined by the national parties, and their current rate of pay will be red circled.

Third Party Sourcing

All other ancillary skilled trades functions are beyond the new scope of work (i.e., construction, high voltage projects) and will be sourced to a third party and all provisions or past practices regarding contractor matching are eliminated in these cases. As part of the existing contractor review process, similarly skilled work that is contracted out will not exceed the one-for-one match.

Addendum to Voluntary Employee Beneficiary Association (VEBA) Agreement:

New funding structure aids company viability

Background

Retiree medical benefits were one of the most significant issues addressed in 2007 bargaining. The 2007 National UAW-Chrysler Agreement established a new Trust Fund (called a "Voluntary Employee Beneficiary Association" or "VEBA"), which is responsible for retiree medical benefits retirees starting on January 1, 2010. The 2007 Agreement established a series of cash contributions by the Company to the VEBA, beginning on January 1, 2010.

As described in the letter at the front of this summary, Chrysler today stands at the very brink of bankruptcy. Without government financial assistance, Chrysler would certainly fail, with devastating consequences including massive plant closures and a likely liquidation of the company. In a liquidation, the VEBA funding would likely have been completely eliminated, which would have meant an immediate and permanent termination of all retiree medical coverage. In a liquidation, the pension plan would also certainly have been terminated, which would have meant dramatic and painful reductions in pension benefits for many thousands of Chrysler retirees.

In order for Chrysler to receive the new \$6 billion government loan which will allow the company to continue operations into the future, we were required to support a series of changes to the retiree medical and VEBA agreements.

In this difficult situation, we were able to preserve the core medical benefits for retirees. These were hard fought issues and the changes described below are certainly painful. But if we had not agreed to support these changes, the U.S. Government would not have provided the additional loans to Chrysler, which would have led to immediate liquidation of the company.

Tentative Agreement Restructures Future VEBA Funding Obligations

New \$4.587 Billion Note. Under the new funding structure, the VEBA will receive a new Note, payable in cash, with a Principal Amount of \$4.587 billion. Annual cash payments under the new Note start at \$300 million per year for 2010 and 2011, and increase to \$400 million in 2012 and \$600 million in 2013. These payments then increase to \$650 million per year for 2014 through 2017, and to \$823 million per year for years 2019 through 2023. In compliance with the requirements of the government loan agreement, the value of this new Note represents one-half of the value to be received by the VEBA.

VEBA to own Significant Chrysler Stock. Another requirement of the Treasury Department loans was that half of the value received by the VEBA be in the form of stock. To meet that requirement, the VEBA will receive 55 percent of the stock in the restructured Chrysler. Fiat will eventually own 35 percent of the stock. The remaining 10 percent will be allocated between the secured lenders to Chrysler and the U.S. Government.

Since Chrysler is not a publicly-traded company, the new VEBA agreement includes mechanisms for the VEBA to sell the Chrysler stock under certain conditions to other parties. Once Chrysler stock becomes publicly traded, the VEBA will be able to sell its stock to the public in accordance with a Registration Rights Agreement.

The VEBA will have the right to designate a member of Chrysler's Board of Directors, with UAW consent. The VEBA will be required to vote its Chrysler shares in accordance with the direction of the Independent Directors on Chrysler Board.

If the VEBA sells Chrysler stock for more than \$4.25 billion (increasing at 9% each year starting on January 1, 2010), any further stock still held by the VEBA will be transferred to the U.S. Government, as part of its consideration for the \$6 billion in new government loans.

Existing Internal VEBA Assets Transferred on January 1, 2010. Along with this new payment structure, on January 1, 2010 the VEBA will receive the assets of an internal trust fund maintained at Chrysler (called the "Internal VEBA"). The approximate value of the assets in that fund is currently \$1.5 billion. This amount is significantly less than had been projected during 2007 bargaining, because these assets have been invested by Chrysler on the VEBA's behalf since January 1, 2008 and have been negatively impacted by conditions in the investment market. Chrysler will continue to invest these assets during the balance of 2009 and those assets will be transferred to the new VEBA on January 1, 2010.

Pension Pass Through Eliminated. One funding mechanism under the 2007 Agreement was called the "Pension Pass Through." Under that arrangement, the new VEBA was scheduled to impose an additional monthly contribution requirement, and the Chrysler pension benefits were to increase in a corresponding amount. This mechanism has been eliminated and its value is instead reflected in the new Note described above.

VEBA Committee can adjust benefits beginning in 2010: As under the 2007 Agreement, the VEBA will be governed by an 11-member Committee, including 5 members appointed by the UAW and 6 Independent Members. Under the 2007 Agreement, that Committee had the authority, starting on January 1, 2012, to adjust benefits so that benefit levels could be kept consistent with the assets in the Trust. Under the tentative agreement, the Committee will be allowed to make necessary benefit adjustments beginning when the VEBA assumes responsibility on January 1, 2010.

Addendum to Voluntary Employee Beneficiary Association (VEBA) Agreement: *New funding structure aids company viability (cont.)*

Immediate Changes in Benefit Levels Required

Under the 2007 Agreement, Chrysler remained responsible for providing retiree medical benefits through the end of 2009, with the new VEBA taking over responsibility on January 1, 2010. In the discussions over the last several weeks, the company sought an "early implementation" of this transition. Had we agreed to that approach, the assets of the VEBA would have been depleted to pay benefits for the remainder of 2009.

We succeeded in avoiding this depletion of the VEBA's assets during 2009, and Chrysler will therefore continue to provide retiree medical benefits for the balance of 2009 until the VEBA takes over responsibility. In exchange, however, the Treasury Department insisted that the benefits be immediately reduced to reflect Chrysler's difficult financial situation. In order to maintain the support of the U.S. Government, therefore, we were required to agree to the following changes in benefits. These changes will be effective on July 1, 2009 (or later if court approval is delayed beyond that date).

Benefit	Change
Prescription Drug Co-Pays	Retail (34 day supply) -\$10 Generic -\$25 Brand Mail Order (90 day supply) -\$20 Generic -\$50 Brand
Catastrophic Plan for retirees and surviving spouses who fail to pay required monthly contributions	No longer offered. Retirees and surviving spouses currently in Catastrophic Plan will be given opportunity to join regular plan.
Coverage for Erectile Dysfunction (ED) medications (e.g. Viagra, Cialis, Levitra)	No longer offered, except in prior authorized cases of Pulmonary Arterial Hypertension
Coverage for the Proton Pump Inhibitor drug class (e.g. omeprazole, Prilosec, Zegerid, Nexium, Achiphex, Prevacid, Protonix)	No longer offered, except in prior authorized cases of Barrett's Esophagitis and Zollinger-Ellison Syndrome
Vision Program	No longer offered
Dental Program	No longer offered
Emergency Room Co-Pay	\$100 (waived if admitted)
Medicare Part B Special Benefit (\$76.20 per month for retirees enrolled in Medicare)	No longer offered by health plan. This modification is not applicable to approximately 8,800 retirees and surviving spouses who retired or began receiving surviving spouse benefits before October 1979, and whose benefit is provided through the pension trust. The payments will continue for these pre-1979 retirees and surviving spouses.
"Low Income Retirees" (less than \$8,000 annual pension and monthly basic benefit rate of less than \$33.33)	Monthly contribution requirement of \$11 (flat rate regardless of family status) In all other respects, these retirees and surviving spouses will be included in same plan as other retirees and surviving spouses.
Monthly Contribution Requirements (General Retirees)	No Change (currently \$11/single and \$23/ family)
Deductible and Co-Pay Requirements (General Retirees)	No Change (currently \$164 annual deductible and \$273 annual (single) out-of-pocket maximum)

Addendum to Voluntary Employee Beneficiary Association (VEBA) Agreement:

New funding structure aids company viability (cont.)

The Future Outlook

In the early years of the VEBA's existence, it is unlikely that the VEBA will be able to sell the Chrysler stock. The new VEBA will therefore be required to use the \$1.5 billion in immediate contributions from the Internal VEBA at Chrysler, plus the annual \$300 million cash contributions due in 2010 and 2011, to provide retiree medical benefits.

Because of the uncertainty regarding the long-term value of the Chrysler stock, the Committee will likely be required to make further adjustments in the benefit levels for 2010 and 2011. The extent of those future adjustments will depend on many factors, including investment returns in the Internal VEBA during the remaining months of 2009.

If the Chrysler stock can be sold in 2012 or thereafter for significant value, the Committee will be able to take that new value into account and restore some or all of the benefits that are being reduced under these arrangements.

In other words, if the current restructuring efforts are successful and the company returns to viability, the UAW retirees stand to reap the benefit of that recovery through the VEBA's significant stock ownership. If the restructuring succeeds, this mechanism will assure that UAW retirees are repaid for the sacrifices they are being forced to make today.

Pension Plan Maintained

At various points in the process, the Company, the Government and other creditor groups argued that the pension plan covering UAW retirees should be terminated. The Plan's funding status has been negatively impacted by conditions in the stock and bond market, and Chrysler's UAW Pension Plan is currently underfunded.

A pension termination would have been devastating on UAW retirees, since the government's pension insurance program does not guarantee full benefits. In particular, early retirees who are receiving the Social Security supplemental benefits would have seen very dramatic reductions in their pensions.

We successfully fought these efforts to terminate the pension plan for UAW retirees. The agreement requires that Chrysler maintain the UAW pension plan, which means that retirees will continue to receive benefits at their current levels without interruption or reduction.