

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL



MIKE COX
ATTORNEY GENERAL

P.O. Box 30212
LANSING, MICHIGAN 48909

April 22, 2009

Robert L. Nardelli
Chairman and Chief Executive Officer
Chrysler LLC
P.O. Box 21-8004
Auburn Hills, MI 48321-8004

Dear Mr. Nardelli:

As Michigan's Attorney General, I represent the interests of the People of the State of Michigan. My department is also counsel for every state department, agency, board and commission as authorized by the Michigan Constitution and the Michigan Compiled Laws. Given Chrysler's long and proud tradition in the Great Lakes State, the State of Michigan is a creditor of Chrysler LLC in a myriad of ways, including everything from Michigan Business and Single Business Tax obligations, to workers' compensation claims, unemployment insurance and environmental settlements.

On March 31, 2009, President Obama spoke to the American people from the White House regarding the work of his Auto Task Force and the challenges facing the American automobile industry. The President particularly noted the impact of those challenges on Michigan when he stated, "More than one in 10 Michigan residents is out of work – the most of any state." Indeed, as you know, the impact of the domestic automobile industry in Michigan reaches far beyond the original equipment manufacturers (OEMs) like Chrysler, General Motors, and Ford. According to the Center for Automotive Research,¹ Tier One, Tier Two, and Tier Three auto suppliers have 130,656 Michigan citizens on their payrolls, while new car dealers employ another 35,921 Michiganders, and auto parts wholesalers employ 13,757. In other words, excluding the employees of the Big Three, some 180,334 Michigan citizens are employed by Michigan-based suppliers, wholesalers, and dealers. As President Obama correctly commented, "[t]his industry is like no other - - it's an emblem of the American spirit; a once and future symbol of America's success."

In the course of that same March 31st speech, President Obama raised the possibility of bankruptcy as a restructuring tool for Chrysler (and General Motors). He stated, "Now, while Chrysler and GM are very different companies with very different paths forward, both need a fresh start to implement the restructuring plan they develop. That may mean using our

¹ Detroit Free Press, December 2, 2008

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bankruptcy code as a mechanism to help them restructure quickly and emerge stronger." Later that same day, the White House posted on its website the "Obama Administration New Path to Viability for GM & Chrysler." In a section entitled "Requirements for Additional Government Support" the Administration wrote: "First, Chrysler must restructure its balance sheet so that it has a sustainable debt burden. This at a minimum will require extinguishing the vast majority of Chrysler's outstanding secured debt and all of its unsecured debt and equity..." The plan continued, "Finally, Chrysler needs a creditable plan to execute this restructuring. Given the magnitude of the concessions needed, the most effective way for Chrysler to emerge from this restructuring with a fresh start may be using an expedited bankruptcy process to extinguish liabilities." Since these public statements there has been a great deal of speculation in the national and local press regarding a possible bankruptcy filing by Chrysler LLC.

Recently, the media speculation has focused on a possible bankruptcy filing in New York or Delaware. Consequently, I write to request a meeting with you and your legal counsel to discuss the venue of any possible bankruptcy filing. As the legal counsel for numerous state agencies that are potential creditors – and, as importantly, the elected state constitutional officer duly authorized to represent the legal interests of the people of the State of Michigan – I am gravely concerned about the impact of any bankruptcy filing in a jurisdiction outside Michigan. Since Walter P. Chrysler formed the Chrysler Corporation in 1925, Michigan has been your home: the site of your corporate headquarters; most of your manufacturing facilities, hundreds of thousands of your active and retired employees; and home to the vast majority of your suppliers and their employees. The financial health of Chrysler and Michigan has been intertwined for decades. Accordingly, any potential filing outside the State of Michigan seems bizarre; more importantly, such a filing would inconvenience and unfairly impact the vast majority of your creditors who are located in Michigan. The costs for many of these creditors to participate in a New York or Delaware bankruptcy is overwhelming and would undoubtedly lead to unjust results. I am confident that you, as the leader of one of Michigan's most beloved institutions, would want to avoid that potential outcome.

Like President Obama – and millions of Michigan citizens – I support the goal of a stronger and more viable Chrysler. I respectfully ask that you and your representatives meet with me and attorneys from my office before any filing is made.

Please feel free to contact me at any time, day or night, to discuss this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mike Cox", written in a cursive style.

MIKE COX
Attorney General