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Declaration of Thomas W. LaSorda

Thomas W. LaSorda

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Proposed Attorneys for Debtors
and Debtors in Possession

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

-----X
In re : Chapter 11
Chrysler LLC, *et al.*, : Case No. 09-_____ ()
Debtors. : (Jointly Administered)
-----X

DECLARATION OF THOMAS W. LASORDA

I, Thomas W. LaSorda, make this Declaration under 28 U.S.C. § 1746 and state:

1. Since August 2007, I have served as the Vice Chairman and President of the Board of Managers for Chrysler. In those roles, I am responsible for Chrysler's global business development and alliances, procurement and supply, manufacturing, and employee relations.

2. In my capacity as Vice Chairman and President of the Board of Managers and due to my over 30 years in the automotive industry, I am familiar with all aspects of Chrysler's business, including the proposed transaction with Fiat, the negotiations leading up to that deal and the extended discussions Chrysler had with numerous other OEMs during the course of the last two years in an effort to find a viable way forward for Chrysler. Except as otherwise indicated, my testimony in this Declaration is based upon my personal knowledge, my review of business records or my first-hand experience and knowledge acquired in the ordinary and regular course of Chrysler's business as to the matters described in this Declaration. If I were called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

3. I have grown up in the automobile industry. My entire professional life has been spent working for American automobile manufacturers and their subsidiaries, beginning with General Motors Corporation. I worked for GM full-time from 1977 until 2000 in a variety of positions of increasing responsibility, including Director of Production, Vice-President for Production of a GM/Suzuki Joint Venture, President of the Opel Eisenach (Germany), and GM Vice-President for Quality, Reliability and Competitive Operations Implementation.

4. In 2000, I left GM to serve as Senior Vice President—Powertrain Operations at Chrysler. Over the course of five years, I was promoted three times, first to Executive Vice President—Manufacturing, then to Chief Operating Officer in 2004, and, finally to President and Chief Executive Officer of the Chrysler Group, Chrysler's corporate predecessor. I held that position until August 2007, when Chrysler Group was acquired by the private investment firm, Cerberus Capital Management, L.P. ("Cerberus").

5. I have received a number of awards that reflect my longevity and achievement within the automotive industry. In 2004, I was honored by the Automotive Hall of Fame with its

oldest award, the Distinguished Service Citation, which recognizes an individual who has significantly improved the automotive industry or his organization. I am also involved in a number of Michigan non-profit organizations through my work in the automotive industry.

Proposed Alliance with Fiat Automotive Group, S.p.A.

6. Chrysler is seeking approval from the Court to proceed with a sale to Fiat because an alliance of this type is the best and only way for Chrysler to survive and compete as an independent car company in the United States. The products, technology and international distribution that Fiat will provide solve strategic problems that Chrysler has been wrestling with for years. The core of the enterprise that emerges from this proceeding will possess the core of Chrysler's most profitable product portfolio, with not only an improved balance sheet and improved productivity, but a new ability to compete, especially against OEMs with smaller, more fuel-efficient vehicles, particularly abroad. The proposed Fiat transaction has been the subject of a process of intense negotiation and scrutiny among all of the stakeholders in Chrysler as well as Fiat and the U. S. Treasury for the past four months and it is something we have been exploring for longer than that.

7. Without approval of the proposed transaction with Fiat, Chrysler may be forced to liquidate. Should Chrysler liquidate, the reverberations throughout the American economy (and NAFTA economies generally) will be severe in both breadth and depth. A Chrysler bankruptcy would mean the immediate loss of 38,500 Chrysler jobs in the United States—including 27,600 union members—and 55,000 Chrysler jobs worldwide. Chrysler's workers and retirees and their surviving spouses will lose over \$9.8 billion in health care and other benefits as well as \$2 billion in annual pension payments. Chrysler's annual cash payments of nearly one billion dollars per year to over 106,000 retirees will disappear. Twenty-three Chrysler manufacturing facilities and 20 parts depots in the United States will close immediately. Chrysler's \$35 billion dollars in

annual automotive supplier payments will evaporate, bankrupting many of these suppliers. Indeed, over \$5.3 billion currently owed to automotive suppliers will go unpaid. The effects on dealers will be similarly far-reaching—over 3,200 dealers would close, taking with them 140,000 jobs—and the dealers' local communities will likely lose \$100 billion in annual sales. Moreover, the 31 million owners of Chrysler automobiles will see their vehicles lose their warranties, and their ability to get parts and service for the cars, which will translate to a significant loss in their value.

8. Not only Chrysler is at stake. The fate of GM and Ford is largely tied to Chrysler through their common supplier base, and many if not most of those suppliers are not financially stable enough to withstand the shutdown of one of the Big Three. Ninety-six of Chrysler's top 100 suppliers are used by at least one of the other big three American automobile companies; eighty-four of the top 100 are used by all three companies.

9. According to the Center for Automotive Research ("CAR"), if at least one of the three major American automakers fails in 2009, the United States economy could see the loss of nearly 2.5 million jobs this year – about 239,000 direct jobs at the three OEMs, nearly 800,000 supplier/indirect jobs and over 1.4 million spin-off (that is, expenditure-induced) jobs.¹ The effect in those cities where the automotive industry is centered (the Great Lakes region and the Southern U.S.) will be particularly devastating. In metropolitan Detroit nearly one out of every seven jobs is in the auto and auto parts industries.² But the effect will not be localized. Should

¹ David Cole & Sean McAlinden & Kristin Dzikczek & Debra Maranger, CAR Research Memorandum: The Impact on the U.S. Economy of a Major Contraction of the Detroit Three Automakers, Center for Automotive Research, Nov. 4, 2008.

² Howard Wial, How a Metro Nation Would Feel the Loss of the Detroit Three Automakers, Metropolitan Policy Program at Brookings, http://www.econ.wayne.edu/agoodman/7500/functions/automakers_wial.pdf

the industry collapse, it is estimated that during the first three years following the collapse, \$65 billion in personal income taxes and \$55 billion of social security receipts will be lost.

10. The strategic value of the Fiat transaction is clear. Chrysler's primary challenges are its restricted product mix, limited geographic reach, and relatively small size. Over the past several years, Chrysler has become increasingly reliant on the success of its larger vehicle lines, such as the Dodge Ram pickup truck and Chrysler Town & Country minivan. While these vehicles are some of our most profitable lines, they present many challenges in terms of fuel economy. Both in the marketplace and in the current regulatory environment, Chrysler needs more fuel efficient vehicles. Over the past two years, Congress and the National Highway, Traffic and Safety Administration have established more stringent emissions standards for automobiles, known as Corporate Average Fuel Economy ("CAFE") standards. These new standards are driving OEMs to aggressively seek ways to increase the fuel efficiency of their automobiles to meet these standards. The new, tougher CAFE standards will apply to light trucks, SUVs and passenger vehicles. Because Chrysler's product mix and corresponding technological expertise is concentrated in the larger vehicle categories, I have believed for some time that the company needs a partner with expertise in smaller, fuel efficient vehicles to have a cost-effective, long-term approach to these challenges.

11. The automobile industry is now global, but Chrysler has a very limited dealer and distribution network outside of North America. Ninety percent of Chrysler sales are in North America, with 72% in the United States. By contrast, in Europe, South America, and Asia, Chrysler's market share is less than 1.0%. This U.S.-centric approach to our business makes the company particularly vulnerable to fluctuations in this nation's economy. As events in recent

months have shown, Chrysler has little in the way of non-domestic sales to fall back on when the United States economy goes into recession. We need to expand into emerging markets.

12. Chrysler has maintained a relatively stable market share for some time based on the enduring appeal of its core product portfolios, but its relatively small size is a continuing challenge in competing with larger OEMs. Chrysler is currently the eleventh largest automobile manufacturer in the world, measured by 2008 annual unit sales. To put this in perspective, Chrysler sold 2 million automobiles in 2008, as compared with GM's 7.7 million and Toyota's 8.7 million.

13. This relatively low product volume affects the company's ability to succeed in three ways. First, Chrysler's significant costs of research and development, in which any OEM must invest, has to be spread only over a much smaller base than most of our competitors. This increases Chrysler's R&D costs per vehicle and cuts into its margins. Second and similarly, the capital and fixed costs borne by Chrysler must be recouped through a smaller number of sales than its competitors, thus resulting in lower margins. Third and finally, Chrysler's scale makes it a smaller player in the procurement area and compromises its ability to exert leverage on suppliers to reduce its cost of goods.

14. These challenges point strongly to collaboration with another OEM in a business alliance as a solution, and Chrysler began investigating and researching the possibility of creating such alliances in the Fall of 2007.

15. In March 2008, during a meeting with Sergio Marchionne, Fiat's CEO, and Alfredo Altavilla, Fiat's Senior VP of Business Development, I proposed that Fiat and Chrysler investigate the possibility of joint projects on small cars in the United States market. The companies' initial discussions focused on the manufacture and sale of Fiat's F500, a potential

joint venture allowing Chrysler dealers to sell Alfa Romeo vehicles, and other possible vehicle sharing agreements. By April 2008, our discussions with Fiat widened to include potential collaboration in the products, powertrain, markets, and manufacturing areas.

16. Beginning in the Summer of 2008, teams of Chrysler and Fiat personnel analyzed potential synergies in a Chrysler-Fiat partnership and in November 2008 produced their findings. The synergies analysis revealed the potential for operational synergies of over \$3.7 billion in cash flow (on a net present value basis) over an eight-year period. The study confirmed our qualitative judgment that the two companies were ideally matched. For instance, the companies' product offerings and international distribution networks have little overlap, thus offering complementary product and market portfolios.

17. Recognizing these realities and Chrysler's immediate needs, on December 23, 2008, Robert Nardelli, CEO of Chrysler, sent a letter to Mr. Marchionne, asking Fiat if it would be interested in engaging in a formal alliance with Chrysler as part of the viability plan Chrysler would be submitting to the United States Government and invited Fiat to submit a draft term sheet.

18. Fiat was interested and submitted a detailed proposal on December 30, 2008. The December proposal recognized that Chrysler would benefit by gaining access to small car platforms, fuel efficient technology, and cost savings in purchasing and other areas due to economies of scale and a global purchasing partnership. Fiat proposed that, in return, it should receive an initial 35% equity ownership interest in Chrysler on a fully diluted basis, with the ability to acquire an additional 20% fully diluted equity ownership interest provided certain business objectives were achieved over 3-5 years.

19. Weeks of intense negotiations ensued and Chrysler and Fiat eventually agreed to a term sheet in January 2009 that forms the basis for the current proposed transaction and the best hope for a new, fully competitive Chrysler. The Fiat Alliance would: (a) create the sixth largest global automaker by volume with combined vehicle sales in excess of 4 million; (b) dramatically enhance Chrysler's geographic footprint, specifically in Europe and South America, providing access to Fiat's 3,800 dealers; (c) provide sales volume benefits from leveraging geographic and product complementarity; (d) provide immediate cost savings from sharing technologies relating to, among others, small engines and powertrain; (e) immediately eliminate redundant capital and engineering spending; and (f) provide procurement and other scale-related savings. Fiat, in turn, would acquire an initial 20% stake in Chrysler, with rights to receive up to an additional 15% equity interest upon the attainment of certain performance targets related to technology sharing, distribution and fuel efficient cars. Fiat would also be granted an option to acquire up to an additional 16% fully diluted equity interest, exercisable on or after January 1, 2013 and on or prior to June 30, 2016 if the UST loan exposure does not exceed \$3 billion at the time of exercise. If the full UST loan is paid off before January 1, 2013, Fiat would be able to exercise its option before that date, but in no case would Fiat hold 50% or more equity until the UST loan is paid in full. This proposal was reviewed by the U.S. Treasury, where negotiations began in March 2009 to adjust the terms of original term sheet.

20. Access to Fiat technology and platforms is a critical benefit of the alliance. Fiat would give Chrysler access to its 3.0 liter diesel engine and 1.4 liter gas engine technology, critical pieces for Chrysler to meet the new fuel economy standards. Chrysler would also be better able to meet its environmental regulation requirements through its access to Fiat's Multi-Air systems, which can increase engine power by 10% while reducing CO₂ emissions by a

quarter.³ Chrysler's proposed partner is a recognized leader in developing technologies to reduce emissions and increase fuel efficiency, including advances in engines, transmissions, electric power steering and lightweight technologies. Indeed, among the ten top selling brands in Europe, Fiat brand has the lowest level of CO₂ emissions.

21. The plans are concrete and specific. Chrysler and Fiat have identified four vehicle platforms and two engine and transmission families that can be used in the alliance. Among those platforms are Fiat's highly successful C-EVO platform, which Fiat and Chrysler have agreed to manufacture at one of Chrysler's U.S. plants, and Fiat's small car F500 and Fiat's hatchback. These shared platforms will result in substantial savings to Chrysler while accelerating an entry into the small car market. Without Fiat, it would cost approximately \$8 - \$10 billion and 4 - 5 years for Chrysler to develop four new platforms, two new engine families and two new transmission families. The Fiat alliance would result in access to the same number of new platforms and engine and transmission families at least two years earlier and would save Chrysler the approximately \$4 - 5 billion it would cost if Chrysler were to pursue and develop that technology on its own.

22. The purchasing power benefits would begin immediately. Together, as the sixth largest automotive company in the world, a Chrysler-Fiat alliance would purchase over \$46 billion per year in combined direct materials. Chrysler will profit from the cost savings that participation in Fiat group joint purchasing programs will bring.

23. Finally, the alliance will open the global marketplace to Chrysler. Chrysler will gain access, through Fiat's distribution network, to a number of markets in which Chrysler is minimally present. These markets, some of them emerging and potentially very profitable, are

³ Tony Lewin, *Fiat Does Detroit*, WALL ST. J., Apr. 2, 2009 available at <http://online.wsj.com/article/SB123862048645679781.html>.

Europe, Latin America, and Russia. Based on current data, Chrysler could achieve an approximate 8% share of the European market, and a 19% share in the South America.

No Other Viable Better Option

24. This proposed alliance with Fiat will not only maximize the value of Chrysler's business assets for the benefit of its stakeholders, it is Chrysler's last best hope. I know, because I have spent over two years looking for, talking to, and evaluating potential partners for Chrysler.

25. Despite continual efforts over the course of approximately two and a half years, no party except Fiat has emerged as a viable and willing alliance partner for us. Chrysler's efforts to form different alliances with Nissan, GM, Volkswagen, Tata Motors, Magna, GAZ, Hyundai, Honda, and Toyota have been determined and undertaken in good faith but have met uniformly without success. Similarly, Chrysler has attempted in recent weeks to sell product lines and other units to a number of Chinese companies, but these efforts too have been unsuccessful.

26. It is probable that the potential bankruptcies of Chrysler and GM – and the fact that Chrysler needs a partner to survive – have received as much media coverage and Executive Branch attention as any bankruptcy in the history of this country. Despite this extensive coverage of our situation over the past several months, no company has come forward to propose a better deal than the one we have worked so hard on with Fiat.

27. Furthermore, I am not aware of any financing available for any other deal. No party other than the United States Government is willing to provide the necessary DIP financing. Chrysler's cash situation is dire and it continues to function only because of the \$4 billion it has already received from the U.S. Government. Without the Government's support over the past four months, Chrysler would not have had the cash flow to continue and would already be in bankruptcy. And without the Government's support going forward, Chrysler will have no choice

but to liquidate. In short, no private party can come forward with a better deal for Chrysler and all of its constituencies because no bank or other private entity can provide the financing underpinning this deal at this time. The United States Government has been involved in the negotiations with Fiat for months and has made its continued financing—in the amount of \$6 billion—contingent on the consummation of this deal. That, in and of itself, makes this the best deal for Chrysler at this critical time.

Chrysler's Other Efforts to Find Alliance Partners

Potential Alliance with Nissan Motor Company

28. In Fall 2006, I first shared my concerns about the future viability of Chrysler and its need for some sort of business alliance with executives at DaimlerChrysler, which then owned Chrysler. When I suggested to Daimler executives that we should explore possible partnerships, they consented, and we began identifying and researching a number of potential partners, with a primary focus on Nissan-Renault, due to their global reach and product mix.

29. We began discussions with Nissan-Renault in Spring 2007, but Chrysler's sale to Cerberus delayed meaningful progress. In late June 2007, I contacted Nissan's Executive Vice President, Carlos Tavares, to introduce myself. That introduction led to several face-to-face meetings between Mr. Tavares and myself, which eventually resulted in an agreement to design, build and sell the Nissan Titan pick-up truck and the Dodge Hornet compact car.

30. Under the agreement between the two companies, Nissan agreed to build a fuel-efficient Dodge Hornet on a Nissan platform, that Chrysler would sell in North America and Europe. Chrysler, in turn, would build a full-size pick-up truck for Nissan, the Titan, on a Chrysler platform, which Nissan would then market and sell through its distribution network in North and South America. Nissan and Chrysler worked throughout 2008 to bring both of these

vehicles to market, but recent economic conditions and forecasts put the projects on hold earlier this year.

31. In August 2007, soon after Daimler sold Chrysler to Cerberus, Cerberus executives and Chrysler personnel, including myself, quickly came to the conclusion that we needed a partner in order to stay competitive in the marketplace. Cerberus executives encouraged me to pursue other OEMs to explore alliances or purchases of Chrysler assets, and I promptly reached out to other companies.

32. In early 2008, our talks with Nissan-Renault broadened to include discussions of a wide-ranging alliance. In February of last year, both Chrysler and Nissan assembled teams of executives, engineers, technicians and other personnel to analyze the synergies that would result from a merger across different areas. At this time, we formed a new division called Global Alliance Operations, and I asked Scott Garberding, then our Vice President for Supplier Quality, to head it up. The establishment of a Global Alliance Operations division reaffirmed Chrysler's institutional commitment to finding suitable business partners, and quickly.

33. The synergies team spent three months internally analyzing potential costs savings across a range of areas. In May 2008, the teams reported that a global alliance between Chrysler and Nissan could generate operational synergies on a gross cash basis of more than \$11.8 billion in cash flow for Chrysler only, and with both companies combined the synergies exceeded \$18 billion over an eight-year period.

34. With these healthy synergies in mind, the parties continued their dialogue, holding more than a half-dozen face-to-face meetings between top-level executives in Tokyo, Auburn Hills, Paris and New York City. There were also regular phone calls, usually on a weekly basis, in which I regularly participated. The companies exchanged term sheets in July

2008, but subsequently the discussions broke down due to the inability of Nissan's finance company to provide the needed support.

35. In September 2008, principals of both companies, including Nissan's Carlos Taveres and top executives from Cerberus, returned to the negotiating table and met in Paris for a full day of face-to-face negotiation, particularly centered on the financing arm. Negotiations in Paris were extensive, but no deal could be achieved. The parties continued to talk periodically after that, but in late October and November negotiations again broke down after Nissan, due to the changes in the economic environment, could not commit to providing financial services support for new vehicles and dealer floor planning.

36. After the U.S. government agreed to loan Chrysler \$4 billion in early January 2009, I again contacted Nissan at the request of our CEO, Robert Nardelli, regarding the proposed deal that had such attractive synergies. I inquired whether Nissan would be interested in restarting negotiations and, if they were, to submit a term sheet to us. Mr. Tavares responded that Nissan was not interested.

Potential Alliance with General Motors Corporation

37. In June 2008, at the same time that Chrysler was pursuing alliance talks with Nissan, we began to investigate a potential alliance with GM. I initiated these efforts with a phone call to GM Senior V.P. of Product Planning and Business Development, John Smith, whom I knew from my many years at GM. GM expressed interest and agreed to pursue a synergistic analysis of a possible alliance similar to the one we had just conducted with Nissan.

38. In early August 2008, Chrysler and GM executives, including Fritz Henderson, GM's then-President and COO, and myself, held a meeting to kick-off the synergy study. Similar to the Nissan talks, Chrysler and GM sought to identify synergies within a number of functional areas. Both GM and Chrysler appointed teams of executives, engineers and other

personnel who analyzed their areas and produced a final synergies report at the end of that month. It revealed that synergies could save the companies between \$26.3 billion and \$37.8 billion in gross cash flow over a six year period.

39. After the study was completed, the two companies continued to work towards an agreement, but no deal could be reached. In November 2008, as economic conditions in the United States worsened, GM suspended merger negotiations with Chrysler to focus on increasing its own liquidity.

40. In early January 2009, Mr. Nardelli called GM's CEO, Rick Wagoner, to suggest that the companies re-engage, but Mr. Wagoner said that GM was not interested. Since that time, GM has consistently remained uninterested in reopening the discussions about a potential merger.

Other Potential Partnerships

41. Throughout 2008, while we were involved with Nissan, GM and Fiat to varying degrees, I sought out a number of other OEMs and manufacturing suppliers to determine if any would be interested in partnering with Chrysler or buying Chrysler assets.

42. Chrysler reached out to Toyota in June 2008 when Jim Press, Chrysler's Vice Chairman and President and a former Toyota executive, and I submitted a formal request to discuss potential joint opportunities. We suggested in our letter that the opportunities could include using excess capacity in a Toyota or Chrysler plant to build new products, small vehicles, and/or trucks, as well as working to develop advanced technology such as hybrids and electric vehicles. In July 2008, Toyota rejected our request because of its need to remain focused on its own business, coupled with the existence of new leadership in its U.S. operations.

43. Chrysler engaged in discussions with Volkswagen throughout the first quarter of 2008. I met personally with the CEO of Volkswagen of America, Stefan Jacoby, in January and

with its Chairman, Martin Winterkorn during the March Geneva Auto Show. The parties committed to working together on a project to have Chrysler produce a minivan for sale by Volkswagen. Beyond that single project, Volkswagen expressed no interest in expanding the relationship.

44. Chrysler also spent three months in discussions with Tata Motors regarding a potential projects, including the licensing of Jeep and other Chrysler products to Tata in India. I traveled to Geneva between March and May 2008 to meet with Ratan Tata, Chairman of Tata Motors. I also was part of a team of Chrysler personnel who flew to India to discuss a deal with Tata's CEO and Managing Director. The discussions eventually failed because Tata was consumed with its purchase of Jaguar and Land Rover and its planned launch of the Tata Nano.

45. Also in the spring of 2008, we conducted discussions with Hyundai-Kia Automotive Group. Hyundai and Chrysler, along with Mitsubishi, were already partners in a joint venture called the Global Engine Manufacturing Alliance ("GEMA"). The GEMA facility in Dundee, Michigan was not being used to capacity in mid-2008 because of restrictions in the joint venture contract that barred Chrysler from selling the engine to third parties. After an unsuccessful effort to end the joint venture, Chrysler offered to sell its interest in the joint venture to Hyundai. Hyundai rejected the offer in November 2008, and no discussions about any type of potential collaboration have been undertaken since.

46. In 2008, Chrysler also commenced discussions with Kia, a company within the Hyundai-Kia Automotive Group, about a possible partnership involving compact and small cars, including the Kia Rio. We negotiated from June until September 2008, when Kia informed us that it was ending the partnership discussions because our proposals did not fit with their manufacturing plans and they were concerned with their own NAFTA Sales Group.

47. During the first half of 2008, Chrysler also discussed a possible alliance with Magna, a Canadian automobile parts manufacturer, and GAZ, a Russian automobile manufacturer to create a new car company in Russia. Chrysler would license GAZ to manufacture small cars and sell certain vehicles through their dealer network. We executed a memorandum of understanding with GAZ in August 2008, but the effort ended later in the year due to weaknesses in the Russian economy.

48. Magna separately submitted a proposal to Chrysler in November 2008. That proposal had several features, including an offer to buy GEMA, certain sales companies (owned by Chrysler in Russia), and the intellectual property rights of Chrysler's C-Platform products (Jeep Patriot, Dodge Caliber) for manufacture and sale in Russia. Magna also proposed an alliance involving the distribution of Chrysler vehicles in Russia and Eastern Europe. The parties sought to close the deal by end of 2008. No agreement was reached, however, again due to weaknesses in the Russian economy, which made the venture far less appealing.

49. At my insistence, Chrysler began discussions with Mitsubishi Motors in October 2008 that continued into December 2008. In January 2009, after the initial loan from the U.S. government, Mitsubishi and Chrysler resumed discussions for the purpose of obtaining small cars and purchasing the rights to distribute a small electric car with our own design, the "Peapod-Design Concept." Under the proposed agreement, Mitsubishi would design, develop, manufacture and sell the Peapod Mobility to a Chrysler subsidiary, Peapod Mobility LLC, which in turn would distribute the car through a separate network, under the Peapod brand name. Discussions continued through April, but Mitsubishi is waiting for decisions by the U.S. Treasury on Chrysler's fate.

50. On behalf of Chrysler, I reached out to the President of Honda Motor Company on December 10, 2008 and requested a meeting to explore the possibility that Honda could provide Chrysler with small and mid-size vehicle platforms and the use of the Honda group's supplier network. One day later, Honda Mr. Kimura responded by letter rejecting the request in light of the current business environment.

51. In February 2009, Chrysler sent letters to parties, primarily in China, whom we thought would be potentially interested in purchasing our assets. Over the next two months, several companies, including Beijing Automotive Industry Holding Co., Tempo International Group, Hawtai Automobiles, and Chery Automobile Co., expressed interest in purchasing specific vehicles, powertrains, intellectual property rights, distribution channels, and automotive brands.

52. To streamline this sale process, Chrysler hosted interested buyers at our Auburn Hills headquarters for a five-day presentation that was led by Joseph Chao, Chrysler's Vice President, Advanced Manufacturing Engineering & Supply, and me. A number of representatives from Chinese business interests attended. Chrysler offered to sell engines and transmissions; different lines of vehicles, including the PT Cruiser, Sebring, 300, Grand Cherokee, Commander, Durango, and Aspen; and Chrysler's Newark Paint Shop Facility. Though there were active discussions over the course of these five days, no final agreements were reached at that time or subsequently due to Chrysler's financial situation.

53. For almost two and a half years, I have pursued all manner of business transactions so as to secure Chrysler's future. Now, in the midst of worldwide economic problems unparalleled in my lifetime, and having fully considered the proposed transaction with Fiat, it is my judgment that this deal will provide Chrysler, its 55,000 employees, and the

hundreds of thousands of people who, in their work as suppliers, dealers or support personnel, substantially rely on Chrysler for their livelihood an opportunity to move forward.

54. The proposed deal is the only one I am aware of that can be accomplished. It has come about through hard-nose, determined negotiations, as well as the shared sacrifice of all of the company's employees, including members of the UAW and CAW, the company's owners Cerberus and Daimler, and the public at large, through the necessary support of the U.S. government. With Fiat, Chrysler has a way forward.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on: April 30, 2009

By: /s/ Thomas W. LaSorda
Thomas W. LaSorda