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Declaration In Re Chrysler LLC, et. al. Debtor vs. Indiana State Police Pension Trust, et al.

United States: Courts: Bankruptcy Court: Southern District of New York

Michael J. Keegan

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

-----X
In re : Chapter 11
Chrysler LLC, *et al.*, : Case No. 09- 50002 (AJG)
Debtors. : (Jointly Administered)
----- X

DECLARATION OF MICHAEL J. KEEGAN

I, Michael J. Keegan, make this Declaration under 28 U.S.C. § 1746 and state:

1. I am the Vice President for Volume Planning and Sales Operations at Chrysler, LLC, which is a corporation organized under the laws of the state of Delaware, and one of the above-captioned debtors and debtors in possession (collectively, the “Debtors” or

“Chrysler”). I have worked at Chrysler or an affiliate of Chrysler since 1990. I am older than 21 years of age and suffer no legal disability. I am competent to make this Declaration.

2. As Vice President for Volume Planning and Sales Operations, I am familiar with the network of Chrysler, Dodge and Jeep dealers that sell Chrysler’s vehicles in the United States (the “Domestic Dealer Network”) and Canada. I am responsible for volume and incentive planning and strategy, dealer and field training, customer call centers and service contracts. 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 received a Bachelor of Business Administration with a focus in Accounting from the University of Michigan in 1988. After receiving my bachelor degree, I received an MBA from Indiana University with a focus in Finance.

4. My career with Chrysler started in 1990, when I worked in the Finance Controller’s Office, working in the Sales and Marketing Department for one year. I worked in the Finance Treasurer’s Office from 1991 to 1994. While in the Controller’s office and Treasurer’s Office, I worked in various roles, including: Corporate Financial Analyst, Senior Analyst – International, among others.

5. I relocated to Boston Massachusetts in 1996 to become a Sales Operations Manager in the Philadelphia Business Center Region—a position I held for two years. After the Daimler-Chrysler merger, I became a Senior Manager for Post Merger Integration with

DaimlerChrysler Financial Services. I remained in this position for one year before becoming a Senior Manger for Strategic Planning with DaimlerChrysler Financial.

6. I left DaimlerChrysler Financial in 2000 to become the Senior Manager of eBusiness – Strategy and Finance. After two years working as a Senior eBusiness Manager, I became a Senior Manager for Marketing and Cost. I was then promoted in January 2005 to Director of U.S. Sales and Marketing Controlling; after one year, my responsibilities expanded to include sales and marketing for Canada. Then, in May 2007, I was promoted to my current position, Vice President for Volume Planning and Sales Operations.

Financing Chrysler's Operations

7. Prior to Chrysler's proposed agreement with GMAC, dealers and customers were provided wholesale and retail financing through an agreement with Chrysler Financial. This agreement required Chrysler to use Chrysler Financial exclusively for any consumer retail subvented rate financing when certain financing thresholds and targets were met. At the beginning of the fourth quarter of 2008, approximately 62% of Chrysler's dealers relied on Chrysler Financial to finance their wholesale floorplan and approximately 50% of all customers financed their vehicle purchases through Chrysler Financial. Beginning in December 2008, the level of financing provided by Chrysler Financial to Chrysler's dealers and consumers became severely restricted due to the continued global credit crisis.

8. In November 2008, Chrysler undertook an organized effort to obtain alternative financing for both its dealers and retail customers. Retail financing programs were established with JP Morgan Chase, US Bank and certain credit unions that allowed our dealers to obtain retail financing but these programs were unable to completely address our financing challenges and car sales suffered. Subsequent to Chrysler's bankruptcy filing, Chrysler Financial was required by its lenders to freeze its dealer wholesale financing lines and to limit its retail

financing to Chrysler's customers. This development has put Chrysler's dealerships in a perilous situation, because without wholesale financing, dealers are unable to order vehicles.

9. Dealers depend on receiving competitive wholesale and retail financing for the survival of their operations and sales. Without competitive financing, dealerships are unable to stock their inventory floorplans, purchase necessary parts, perform repair work for customers, provide incidental services to their customers, finance incentive and subvention programs, make payroll disbursements and otherwise operate their businesses. Moreover, without access to competitive retail financing, dealers are unable to sell cars. Chrysler's largest source of revenue comes from direct purchases of cars by its dealer network and without new car sales, Chrysler will lose its major source of income.

Financing Chrysler Vehicle Purchases through GMAC

10. I have reviewed the Chrysler-GMAC Master Financial Services Agreement ("GMAC MAFA") term sheet. I believe it is critical that this Court approve the GMAC MAFA deal. This agreement is the result of extended, intense, arms length negotiations between Chrysler, GMAC and the U.S. Treasury. Many long nights and countless conference calls produced a final term sheet on April 30, 2009. The GMAC MAFA will fill the capital void that currently exists with no dealer wholesale financing and limited retail financing at a time when alternative sources of credit are severely curtailed or, in some cases, nonexistent. This agreement represents the best and only option available to provide reliable, affordable and necessary financing required by dealers and customers. The consequences of not approving this agreement are dire—closed dealerships, lost jobs and a further reduction of Chrysler LLC's value to Fiat.

11. The GMAC MAFA is an exclusive, four-year agreement between Chrysler LLC and GMAC LLC. As specified separately in the Master Transaction Agreement, the GMAC MAFA will be assumed by NewCo. (Chrysler/Fiat alliance). The GMAC MAFA automatically renews for successive one year terms unless Chrysler or GMAC gives 12 months notice. Under the agreement, GMAC will finance all brands distributed through Chrysler's dealer network in the United States (including Puerto Rico), Canada, Mexico in addition to any other international markets agreed upon by Chrysler and GMAC in the future. GMAC will use commercially reasonable efforts (a) to offer standard retail financing and to put in place new interim dealer funding for new and used inventory as soon as reasonably practicable (with a target completion date of May 15, 2009) and (b) to offer subvented retail financing as soon as reasonably practicable (with a target completion date of June 1, 2009).

12. GMAC will also promptly conduct dealer credit assessments over the next 180 days to determine which dealers are eligible for a longer-term credit line with GMAC. Decisions will be made on a rolling basis during the 180-day review period. GMAC will use commercially reasonable efforts to provide sufficient advance notice to dealers that do not pass GMAC's credit assessment so that those dealers can seek alternative sources of wholesale financing.

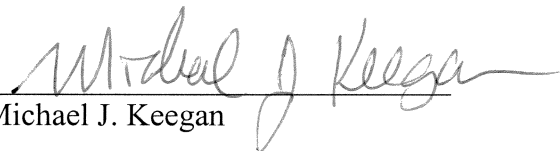
13. Once a relationship is established between GMAC and a dealership, GMAC will provide the dealership with the following financial services: (1) vehicle inventory financing for new and used vehicles; (2) capital loans; (3) equipment loans; (4) real estate loans; (5) dealer insurance products and services; (6) remarketing services; and (7) electronic cash and drafting settlement systems. GMAC will also provide the following retail financing services: (1) consumer retail; (2) commercial retail; and (3) fleet sales. Subject to dealer specific credit and

risk management evaluations, GMAC will provide financing at competitive rates for operations, wholesale purchases, retail sales and related products.

14. I believe that Chrysler LLC, its dealership network, and its customers are facing an unprecedented liquidity crisis. The GMAC credit facility is the only solution to provide immediate and necessary financing to dealers and consumers. The sustainability of Chrysler's dealer network now depends on quickly approving the GMAC MAFA.

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

Executed: May 5, 2009


Michael J. Keegan