

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.