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REPORT

OF THE

CHRYSLER CORPORATION LOAN GUARANTEE BOARD

JULY 15, 1980

SUBCOMMITTEE ON ECONOMIC STABILIZATION

OF THE

COMMITTEE ON

BANKING, FINANCE AND URBAN AFFAIRS

HOUSE OF REPRESENTATIVES

96th Congress, Second Session

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Committee on Banking, Finance and Urban Affairs

The report has not been officially adopted by the Subcommittee on Economic Stabilization and may not therefore necessarily reflect the views of its members.

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STAFF DIRECTOR

(202) 225-7145

July 17, 1980

Honorable Henry S. Reuss
Chairman
Committee on Banking, Finance
and Urban Affairs
Room 2129
Rayburn House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

Enclosed for your consideration is a copy of the report of the Chrysler Corporation Loan Guarantee Board of July 15, 1980, containing the Board's resolutions and determinations, together with detailed staff analyses supporting the determinations, for the issuance of additional guarantees of up to $300 million of loans to Chrysler Corporation within the next several weeks. The Guarantee Board's determinations are required by the provisions of the Chrysler Corporation Loan Guarantee Act of 1979 (Public Law 96-185). This could bring to $800 million the total guaranteed loans to Chrysler pursuant to the Guarantee Board's commitment to guarantee up to $1.5 billion.

Also enclosed is a copy of Chrysler's application for the additional guarantees.

Public Law 96-185 was signed by the President on January 7, 1980, following legislative activity initiated in the fall of 1979 by the Subcommittee on Economic Stabilization and the Committee on Banking, Finance and Urban Affairs. H.R. 5630 was introduced by Representative James J. Blanchard on October 18, 1979. The Subcommittee on Economic Stabilization held hearings on this legislation on October 18, 19, 23, 24, 26, and 30 and November 1, 1979. Similar legislation was introduced on November 5 at the Administration's request, and a hearing was held on this proposal November 7. The Subcommittee reported a bill to the full committee on November 8. Full committee action was taken on November 15, 1979, with favorable House floor action taken on December 18, 1979. Similar Senate action was taken on December 19, 1979. These legislative efforts culminated in the adoption of the Chrysler Corporation Loan Guarantee Act of 1979 on December 21, 1979.

The information contained in the report and Chrysler's application will be most helpful to the Members of the Subcommittee on Economic Stabilization in their oversight and legislative activities in connection with the Chrysler Corporation Loan Guarantee Act. Because of the importance of the information contained in these materials, it is suggested that the report be made available for the use of the Members of the Committee on Banking, Finance and Urban Affairs and Members of Congress.

With best regards,

Sincerely,

Bill

WILLIAM S. MOORHEAD
Chairman

Enclosures

Chrysler Corporation Loan Guarantee Board

c/o Department of the Treasury
Washington, D.C. 20220

Members

Secretary of the Treasury
Comptroller General of the United States
Chairman of the Board of Governors
of the Federal Reserve System

Ex Officio Members

Secretary of Labor
Secretary of Transportation

Established by PL 96-185

July 15, 1980

Dear Henry:

Today, the Chrysler Corporation Loan Guarantee Board made the determinations required by the Chrysler Corporation Loan Guarantee Act of 1979 to issue additional guarantees of up to $300 million of loans to Chrysler Corporation within the next several weeks. This could bring to $800 million the total guaranteed loans to Chrysler pursuant to the Guarantee Board's commitment to guarantee up to $1.5 billion.

Enclosed is a written report that includes the final resolutions adopted by the Board and detailed staff analyses in support of the Board's determinations. This report is submitted in satisfaction of the requirement of Sections 5 and 14(b) of the Guarantee Act for a report to the appropriate committees of the Congress containing details of the guarantees to be issued and the specific assurances received, and determinations made under Sections 4 and 5 of the Act. Also enclosed is a copy of Chrysler's applications for the additional guarantee in the amount of up to $300 million.

The Board will not issue any guarantees prior to 15 days of the date hereof.

Sincerely,

G. William Miller Elmer B. Staats Paul A. Volcker

The Honorable
Henry Reuss
Chairman
Committee on Banking, Finance,
and Urban Affairs
House of Representatives
Washington, D.C. 20515

Chrysler Corporation Loan Guarantee Board

c/o Department of the Treasury
Washington, D.C. 20220

Established by PL 96-185

Members

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Sincerely,

G. William Miller Elmer B. Staats Paul A. Volcker

The Honorable
William Proxmire
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

Pursuant to the requirements of Section 14(b) of the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act") this report contains:

1) the details of the loan guarantee proposed to be issued;

2) the specific assurances received by the Board under Sections 4 and 5 of the Act; and

3) the specific dterminations made by the Board under the provisions of Sections 4 and 5 of the Act.

The details of the proposed loan guarantee may be found in Chrysler's application for issuance of the guarantee, the staff memoranda related thereto, and the draft Guarantee Agreement and related documents.

The specific assurances received by the Board under Sections 4 and 5 of the Act are contained in Chrysler's current application, and in the Guarantee Board's May 10 and June 24 reports to the Congress. The analysis of Chrysler's application and the support for the determination are contained in the staff memoranda prepared in connection with the determinations.

The specific determinations made by the Board for the current issuance are included in the resolutions adopted by the Board on July 15, 1980. The Table of Resolutions on the following pages lists all such determinations and indicates the location of the staff memoranda supporting each such determination.

CHRYSLER CORPORATION LOAN GUARANTEE BOARD

DETERMINATIONS FOR GUARANTEE ISSUANCE JULY 15

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5(a)(3)	Reasonable interest rate
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5(a)(5)	Compliance with plans
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5(a)(7)	Agreement to update plans
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6(a)(1)	Concessions by unionized employees
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BOARD RESOLUTIONS ADOPTED JULY 15, 1980

Preliminary Statement

On June 24, 1980, the Chrysler Corporation Loan Guarantee Board (the "Board"), acting pursuant to the provisions of the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act"), issued a commitment to guarantee up to $1.5 billion aggregate principal amount of indebtedness of Chrysler Corporation ("Chrysler"). The terms and conditions of the Board's commitment to guarantee are contained in an Agreement to Guarantee, dated as of May 15, 1980 (the "Agreement to Guarantee"), between the Board and Chrysler.

Also on June 24, 1980, the Board issued guarantees of $500 million principal amount of indebtedness of Chrysler.

Chrysler has submitted to the Board a Guarantee Request, delivered on July 10, 1980, and an Amended and Restated Request, dated as of July 14, 1980 (the "Request"), for issuance of additional guarantees of up to $300 million principal amount of indebtedness pursuant to the Agreement to Guarantee. Chrysler proposes marketing such indebtedness on or about July 31, 1980. The Request, as required by Section 2.01 of the Agreement to Guarantee, contains detailed information regarding the indebtedness to be guaranteed, the manner of offering of such indebtedness and the use of the proceeds thereof, and also includes as Exhibits the forms of the instruments evidencing the indebtedness to be guaranteed and other documents relating thereto.

The Request also requests approval of modifications to Chrysler's Operating Plan and Financing Plan, both dated April 28, 1980, and previously approved by the Board (the "Original Operating Plan" and

"Original Financing Plan," respectively). Such modifications to the Original Operating Plan and Original Financing Plan are contained in a revised Operating Plan and a revised Financing Plan of Chrysler, both dated July 10, 1980 (the "Revised Operating Plan" and "Revised Financing Plan," respectively), which are included as Exhibits to the Request and which include information on risks identified by the staff of the Board. Approval by the Board of the modifications to the Original Operating Plan and Original Financing Plan contained in the Revised Operating Plan and Revised Financing Plan would cause the Revised Operating and Financing Plans (as modified in accordance with a letter from Chrysler's Board Chairman, Lee Iacocca, to the Board, dated July 14, 1980) to become the "Operating Plan" and "Financing Plan" of Chrysler for purposes of the requirements of the Act, the Agreement to Guarantee and the Memorandum of Operating and Financing Plan Procedures and Requirements, dated June 24, 1980 (the "Procedures Memorandum"), between Chrysler and the Board.

Also included as an Exhibit to the Request is a schedule showing the amount of nonfederally guaranteed assistance which will have accrued by the date the indebtedness to be guaranteed is issued.

The Request states that the indebtedness for which guarantees are requested is up to $300 million aggregate principal amount of ten-year notes of Chrysler (the "Notes"), with terms and conditions substantially similar to the terms and conditions of the notes of

Chrysler for which guarantees were issued by the Board on June 24, 1980. The guarantee of the United States of America (the "United States"), acting through the Board (the "Guarantee"), will be endorsed on each Note.

Under the Act, the Board may issue guarantees only if it makes the determinations required under section 5 and certain other sections of the Act. In response to the Request, the staff of the Board has presented to the Board a written report in support of its recommendation that the Board (a) approve the modifications contained in the Revised Operating Plan and Revised Financing Plan, as modified in accordance with the letter from Lee Iacocca to the Board referred to above, (b) make the required determinations under the Act, and (c) authorize the issuance of the Guarantees of the Notes in the aggregate principal amount of $250 million, or such amount greater than $250 million (not to exceed $300 million) as the requirements of subsection 8(b) of the Act permit to be issued or an amount less than $250 million if the requirements of subsection 8(b) of the Act would not permit the issuance of such amount.

Together with its report to the Board, the staff has also presented to the Board copies of the Request and the Exhibits thereto, including the Revised Operating Plan, the Revised Financing Plan, and the following documents pertaining to the proposed issuance of guarantees:

1. Guarantee Agreement, dated as of July __, 1980, (the "Guarantee Agreement"), between the United States, acting through the Board, and Chrysler (proof of July 9, 1980).

2. Fiscal Agency Agreement (the "Fiscal Agency Agreement"), dated as of July __, 1980, between the United States, acting through the Board, and United States Trust Company of New York (the "Fiscal Agent") (proof of July 9, 1980).

3. Form of Offering Circular relating to the Notes (the "Offering Circular") (proof of July 9, 1980).

4. Form of Agreement Among Underwriters, Underwriting Agreement, and Selling Agreement (proof of July 9, 1980).

5. Form of Note (including the form of Guarantee to be endorsed thereon).

Approval of Revised Operating Plan and Revised Financing Plan

RESOLVED, that on the basis of the recommendations of the staff and the record otherwise before it, the Board hereby adopts the recommendations of the staff with respect to modifications of the Original Operating Plan and Original Financing Plan and approves, pursuant to the Agreement to Guarantee and the Procedures Memorandum, the modifications to the Original Operating Plan and Original Financing Plan contained in the Revised Operating Plan and the Revised Financing Plan (as modified in accordance with a letter from Chrysler's Board Chairman, Lee Iacocca, to the Board, dated July 14, 1980) and such Revised Operating Plan and Revised Financing Plan (modified as described above) shall hereafter, for purposes of the Act, the Agreement to Guarantee, and the Procedures Memorandum,

be the Operating Plan and Financing Plan of Chrysler (and are hereafter in these Resolutions referred to as such), until approval of a new Operating Plan and Financing Plan pursuant to the Agreement to Guarantee and the Procedures Memorandum.

Determinations Required for Issuance of Guarantees

FURTHER RESOLVED, that on the basis of the Request, the written report of the staff presented to the Board and the record otherwise before it, but subject to the satisfaction of the conditions set forth in Annex A hereto (which the Board believes can reasonably be expected to be satisfied), the Board finds, as required by the Act, that:

1. Credit is not otherwise available to Chrysler, its subsidiaries and affiliates (collectively, the "Corporation") under reasonable terms and conditions sufficient to meet the Corporation's financing needs as reflected in the Financing Plan.

2. The prospective earning power of the Corporation, together with the character and value of the security pledged, furnish reasonable assurance of repayment of the Notes in accordance with their terms.

3. The Notes bear interest at a reasonable rate taking into account the current average yield on outstanding obligations of the United States with remaining periods to maturity (giving appropriate effect to the call provisions of the Notes) comparable to those of the Notes.

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4. The Operating Plan and the Financing Plan meet the requirements of section 4 of the Act.

5. The Corporation is in compliance with the Operating Plan and the Financing Plan.

6. In Sections 6.06 and 6.07 of the Agreement to Guarantee. Chrysler has agreed to prepare, deliver and submit to the Board those documents with respect to the Operating Plan and the Financing Plan which are required by the provisions of subsections 5(a)(7)(A) and 5(a)(7)(B) of the Act so long as any guarantee issued under the Act is outstanding.

7. There is no substantial likelihood that Chrysler will be absorbed by or merged into any foreign entity.

8. Chrysler is in compliance with the terms and conditions of the Agreement to Guarantee except to the extent that such terms and conditions have been modified, amended or waived by the Board in such respects as in the judgment of the Board are consistent with the Act and will not materially and adversely affect the position of the United States.

9. The guarantee fee to be paid by Chrysler to the United States pursuant to Section 2.02 of the Agreement to Guarantee will be sufficient to compensate the United States for all of its administrative expenses related to its guarantee of the Notes.

10. To the maximum extent feasible, the amounts payable and the warrants to purchase shares of common stock of Chrysler delivered

and to be delivered to the United States by Chrysler pursuant to the Agreement to Guarantee will adequately compensate the United States for the risk assumed in making guarantees under the Act.

11. Collective bargaining agreements entered into by the Corporation after September 14, 1979, with labor organizations representing employees of the Corporation which govern the payment of wages and benefits (as such term is defined in subsection 2(10) of the Act) to such employees from September 14, 1979, to September 14, 1982, have been modified so that the cost to the Corporation of such wages and benefits is reduced by a total amount of at least $462.5 million for the three-year period ending on September 14, 1982, below the cost of such wages and benefits which the Corporation would otherwise have been obligataed to incur during such period, except that such dollar amount includes $203 million in wage and benefits (as such term is defined in subsection 2(10)of the Act) to be foregone pursuant to the master collective bargaining agreement entered into on October 25, 1979, between the Corporation and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America.

12. The Corporation has put into effect a plan for achieving at least $125 million in concessions (as such term is defined in subsection 4(b)(1)(B) of the Act) from employees not represented by a labor organization.

13. In Section 6.31 of the Agreement to Guarantee Chrysler has agreed to (i) establish a trust which forms part of an employee

stock ownership plan meeting the requirements of subsection 7(c) of the Act, (ii) make employer contributions to such trust in accordance with such plan, and (iii) issue additional shares of qualified common stock at such times as such shares are required to be contributed to such trust; and, as required under subsection 7(b) of the Act, Chrysler has established a trust which forms part of an employee stock ownership plan meeting the requirements of subsection 7(c) of the Act.

14. After giving effect to the issuance of the Guarantees, the total principal amount of outstanding loans to Chrysler which are guaranteed by the United States under the Act does not exceed the aggregate amount of non-federally guaranteed assistance under subsection 4(a) of the Act which has accrued to the Corporation plus the aggregatae amount of concessions and contributions under section 6 of the Act which have accrued to the Corporation.

15. The Corporation has agreed in writing to allow the General Accounting Office (the "GAO") to make such audits as may be deemed appropriate by the Comptroller General of the United States of all accounts, books, records, memoranda, correspondence, and other documents and transactions of each of such companies.

16. No sale or undertaking of a sale by the Corporation of any asset having a value of $5 million or more which is listed in Part I of Annex B hereto has either impaired the ability or capacity of the Corporation to repay as scheduled the loans guaranteed under the Act or impaired the ability of the Corporation to continue

as a going concern (as such term is defined in subsection 2(b) of the Act) or to meet the other tests of viability prescribed by the Board. The determination contained in this paragraph is specifically made applicable to all periodic sales of receivables made and to be made pursuant to the agreements referred to in Part I of Annex B to these resolutions, provided that such sales are made substantially in accordance with the terms of such agreements as in effect on the date hereof.

17. With respect to each contract having an aggregate value of $10 million or more entered into by the Corporation which is listed in Part II of Annex B hereto, the performance by the Corporation of its obligations under each such contract will not reduce the ability of the Corporation to repay as scheduled the loans guaranteed under the Act, will not conflict with the Operating Plan or Financing Plan, and will not impair the ability of the Corporation to continue as a going concern (as such term is defined in subsection 2(6) of the Act) or to meet the other tests of viability prescribed by the Board.

18. The income from the Notes is not excluded from gross income for purposes of Chapter 1 of the Internal Revenue Code of 1954, as amended, nor does the guarantee of such Notes provide significant collateral or security to other obligations, the income of which is so excluded.

19. In examining and evaluating the Operating Plan and the Financing Plan, the Board took into account the draft report of the Department of Transportation dated April 29, 1980, and updated on-June 24, 1980.

Approval of Issuance of Guarantees; Approval of Document

FURTHER RESOLVED, that the issuance of Guarantees, in the aggregate principal amount of $250 million, or such greater amount (not to exceed $300 million) as the requirements of subsection 8(b) of the Act permit to be issued, or an amount less than $250 million if the requirements of subsection 8(b) of the Act would not permit the issuance of such amount, is hereby authorized, subject to satisfaction of the conditions specified in Annex A hereto, and the forms of Guarantee Agreement, Fiscal Agency Agreement, and Notes (including the form of Guarantee to be endorsed thereon) presented to the Board are satisfactory to the Board, subject to final approval by the Board of such documents (and any other documents contemplated therein) at a future meeting.

Report to the Congress

FURTHER RESOLVED, that a written report be transmitted to the appropriate committees of the Congress pursuant to subsections 5(b) and 14(b) of the Act, which report shall include (i) the Request, (ii) the report of the staff with respect thereto, (iii) the text of the foregoing resolutions and (iv) the details of the guarantee of the Notes.

Waiver of Certain Requirements of Section 6.40 of the Agreement to Guarantee

FURTHER RESOLVED, that the Board hereby waives the provisions of Section 6.40 of the Agreement to Guarantee which require that by November 15, 1980 Chrysler will take steps necessary for consideration at a meeting of the holders of its capital stock of an amendement to Chrysler's Certificate of Incorporation to increase the authorized number of shares of its common stock to 170,000,000, on the condition that Chrysler take the steps required by said Section 6.40 in connection with the next annual meeting of its shareholders, which meeting shall be held on or about the same date as annual meetings have customarily been held in the past.

FURTHER RESOLVED, that the Executive Director is hereby authorized and directed to execute and deliver any necessary documentation to evidence the foregoing waiver.

Appointment of Mexican Attorneys-in-Fact

FURTHER RESOLVED, that the Board hereby appoints Carlos R. Grimm and Jaime F. Malagon, partners in the law firm which serves as Chrysler's Mexican legal counsel, as its attorneys-in-fact in connection with the registration of the pledge of Chrysler's shares of Chrysler de Mexico S.A. and Productos Electricos Diversificados, S.A. de C.V., with the National Registry of Foreign Investments of the United States of Mexico.

FURTHER RESOLVED, that the Executive Director is hereby authorized and directed to execute and deliver a power of attorney, substantially in the form attached as Annex C to these resolutions, to evidence the appointment of said attorneys-in-fact, and any other documents which may be required in connection therewith.

ANNEX A

Conditions to Issuance by the Board of the Requested Guarantees With Respect to up to $300 million of Notes.

1. Accrual to Chrysler of an amount of nonfederally guaranteed assistance under subsection 4(a) of the Act and an amount of concessions and contributions under section 6 of the Act which aggregate at least $500 million plus the principal amount of the Notes and receipt by the Board of documentation and confirmation of such accruals that is satisfactory to the Board.

2. An interest rate on the Notes of not greater than 125 basis points above the current average yield on outstanding direct obligations of the United States Treasury with remaining maturities (giving appropriate effect to the call provisions of the Notes) comparable to those of the Notes.

3. Satisfaction of all the conditions contained in Article 4 of the Agreement to Guarantee.

4. Formation of a separate Wholly-Owned Subsidiary (as defined in the Agreement to Guarantee) to own and operate Chrysler's defense business, perfection of the lien of the Indenture on all the shares of such Subsidiary, and delivery by such Subsidiary of the Consent to audits by GAO required under Section 6.11 of the Agreement to Guarantee and subsection 10(b) of the Act and such other documents or agreements as may be required under the Agreement to Guarantee.

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5. Receipt by the Board of adequate assurances pursuant to subsections 4(a)(5) and 5(a)(4) of the Act as to the availability of each item of nonfederally guaranteed assistance now included in the Financing Plan which was not included in the Original Financing Plan.

6. Receipt of all other documentation, including resolutions, certificates and opinions, which the Board may require.

Each of the foregoing conditions is subject to waiver by the Board to the extent that the Board determines that such waiver is consistent with the Act, not material to the Board's findings with respect to the matters affected thereby and will not materially and adversely affect the position of the United States.

ANNEX B

I. Transactions Subject to Subsection 11(b) of the Act (sales of or undertakings to sell assets having a value in excess of $5,000,000).

1. The Amended and Restated Purchase Agreement dated as of May 15, 1980, amending and restating the Purchase Agreement dated as of July 1, 1978, as amended as of May 15, 1979, among Manufacturers Hanover Trust Company ("MHTCo"), Chrysler Credit Corporation ("Chrysler Credit") and Chrysler Financial Corporation ("CFC").

2. The Amended and Restated Supplemental Purchase Agreement dated as of May 15, 1980, amending and restating the Supplemental Purchase Agreement dated as of May 15, 1979, among MHTCo, Chrysler Credit and CFC.

3. The Retail Standby Purchase Agreement dated as of May 15, 1980, among MHTCo, Chrysler Credit and CFC.

4. Second Amended and Restated Purchase Agreement entered into as of April 16, 1980, dated as of August 15, 1979 among Household Finance Corporation ("HFC"), Chrysler Credit, and CFC and amendment thereto by letter agreement dated as of June 18, 1980.

II. Transactions Subject to Subsection 11(c) of the Act (contracts having a value in excess of $10,000,000).

1. Second Amended and Restated Purchase Agreement entered into as of April 16, 1980, dated as of August 15, 1979 among HFC, Chrysler Credit, and CFC and amendment thereto by letter agreement dated as of June 18, 1980.

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2. Agreement dated 27th June 1980 by and between Chrysler and Intercontinental Automotive, Inc. relating to the marketing of Dodge Class "A" and Class "C" Motor Home Chassis.

3. Supply Agreement to be entered into between Chrysler and Automobiles Talbot (a subsidiary of PSA Peugeot-Citroen) for the purchase of four cylinder engines.

4. Supply Agreement to be entered into between Chrysler and Teksid S.p.A. (a member of the Fiat Group) for the purchase of aluminum engine cylinder heads.

ANNEX C

July 15, 1980

Chrysler Corporation Loan
Guarantee Board

Pursuant to our telephone conversation of today, I include a draft power of attorney to be granted by the Chrysler Corporation Loan Guarantee Board in favor of two members of Bufete Sepulveda for purposes of effectuating the registration of the pledged shares before the Mexican Government.

July 15, 1980

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each of the undersigned does hereby constitute and appoint Carlos R. Grimm and Jaime F. Malagon, and each of them individually, as their true and lawful attorneys and agents to take any and all actions and to execute any and all instruments which said attorneys and agents deem necessary or advisable in connection with the registration with the Mexican National Registry of Foreign Investments of the pledge, made pursuant to the Indenture of Mortgage and Deed of Trust dated as of June 2, 1980 among Chrysler Corporation and Manufacturers National Bank of Detroit and Donald E. Black, trustees, of shares of Chrysler de Mexico S.A. and

Productos Electricos Diversificados, S.A. de C.V.; and each of the undersigned hereby ratifies and confirms all that said attorneys and agents shall do or cause to be done by virtue hereof.

UNITED STATES OF AMERICA ACTING
BY AND THROUGH THE CHRYSLER
CORPORATION LOAN GUARANTEE BOARD

By_____

MANUFACTURERS NATIONAL BANK
OF DETROIT, as Trustee

By_____

Donald E. Black, as Trustee

Please arrange the execution of this power as of July 15, 1980 and send it by messenger service to Bufete Sepulveda at the following address:

Jaime F. Malagon, Esq.
Bufete Sepulveda
Plaza Comermex-Piso 9
Blvd. M. Avila Camacho No. 1
Mexico 10, D. F. Mexico

Teofilo G. Berdeja Prieto

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Request for Issuance of Guarantees for the Second Takedown

Chrysler has submitted a Guarantee Request dated as of July 14 (the "July Request") in which it has requested an additional takedown in late July (the "Closing") of up to $300 million in guaranteed loans (the "Second Takedown") pursuant to the Agreement to Guarantee dated as of May 15, 1980, and entered on June 24, 1980 (the "Agreement to Guarantee"). If adequate non-guaranteed finding has not accrued pursuant to Section 8(b) of the Act, then the company proposes two takedowns based on the financing accrued.

The takedown (or takedowns) would be on substantially the same basis as the initial takedown of June 24 approved by the Guarantee Board on May 10. The loans will be issued in the form of 10-year notes of $5000 minimum denomination and integral multiples thereof (the "Notes") The Notes will sold in an underwritten public offering (or perhaps a private placement) by a syndicate led by Salomon Brothers, Merrill Lynch, White Weld Capital Markets Group, The First Boston Corp., E. F. Hutton & Co. and Warburg Paribus Becker & Co.. The Notes are protected against call for three years; thereafter, they are subject to early redemption at par (1) out of mandatory sinking fund payments from specifically defined cash flow and (2) otherwise at the option of the Chrysler. The sinking fund provision of the draft Guarantee Agreement for the Notes is identical to that of the Notes involved in the initial takedown. [It would require Chrysler to redeem annually beginning April 30, 1984, guaranteed notes in an amount equal to 75 percent of the "Available Prepayment Funds" (as defined in Section 1.01 of the Agreement to Guarantee) based on operating results from the previous calendar year.] The Board can waive this requirement within 45 to 60 days prior to the sinking fund redemption date each year. The Notes may be purchased (in whole) by the Board at any time upon a default by Chrysler under the terms of the Agreement to Guarantee. The draft Guarantee Agreement, Indenture, and Offering Circular with respect to the loans to be guaranteed in the Second Takedown are at Tabs 5, 6, and 7.

The Notes will pay interest semiannually. The interest rate will be determined shortly before the Notes are offered, but as proposed below would not exceed 100 basis points over U.S. Treasury securities of comparable maturity. This is a lower range than that approved for the first takedown, since an appropriation of funds to pay principal and interest on the full $1.5 billion principal amount authorized has been made by Congress.

Chrysler would appear capable of repaying these Notes, as well as the initial takedown pursuant to their terms based on the current staff analysis reflected in the Base Case as updated ("Base Case II," as discussed in the supporting analysis for the Section 5(a)(4) determination). Table 1 indicates that the available prepayment funds result in repayment of substantially all of the guaranteed borrowings projected under Base Case II in 1986. This result is consistent with the Base Case II analysis of the Financing Plan for the Section 5(a)(4) determination, which assumes more rapid discretionary repayment as also indicated in Table 1. Since the Base Case II projections of cash flow are lower than the company's July Operating Plan achievement of the company's Operating Plan would result in more rapid repayment of guaranteed loans under the sinking fund provision and would permit greater discretionary support.

TABLE 1

Projected Repayment of Federally Guaranteed Loans
($ in millions, at year end)

	1980	1981	1982	1983	1984	1985	1986
Base Case II Analysis:							
Fed. guar. Loans outstanding	$1000	$1200	$1100	$950	$650	-	-
Repayments: Annual	-	-	100	150	300	$650	-
Cumulative	-	-	-	250	550	1200	$1200
Sinking Fund Requirements: Annual	-	-	-	13	77	197	860
Cumulative	-	-	-	13	90	287	1147

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: New Issuance Determinations

Chrysler's July Request contains information as of the proposed Closing for the Second Takedown and updates the information contained in Chrysler's April 29 applications for a guarantee commitment and the initial takedown and in its June 16 Guarantee Request, for the developments summarized below since the Board's June 24 affirmation of its May 10 determinations.

This and the following memoranda provide the staff analyses in support of the determinations required by the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act") for the Board to issue additional guarantees for the Second Takedown pursuant to the Agreement to Guarantee. These memoranda recommend that the Board determine that each requirement of the Act is met with respect to the Second Takedown. The staff recommends that the Board make these determinations for up to $300 million in loans, to the extent that adequate non-guaranteed financing has accrued pursuant to Section 8(b) of the Act as of the Closing.

Chrysler has submitted a modified Operating Plan and Financing Plan (the July Operating Plan and the July Financing Plan) that it proposes the Board approve as the applicable plan pursuant to the Operating Plan and Financing Plan. Procedures Memorandum entered on June 24 (the "Procedures Memorandum").

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MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEED BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(1): No Credit Elsewhere

Section 5(a)(1) of the Act requires that the Board determine, at the time of the issuance of any loan guarantee, that:

> "... credit is not otherwise available to the Corporation under reasonable terms and conditions sufficient to meet its financing needs as reflected in the financing plan."

The reasons set forth below support a determination by the Board that this requirement will be met on the Closing for the Second Takedown for up to an aggregate $300 million principal amount of loans pursuant to Chrysler's July Request. The staff recommends that the Board make this determination.

DISCUSSION

Chrysler's July Request includes the certificate of Chrysler's officers and directors that substantial amounts of additional credit are not available to Chrysler on reasonable terms and conditions, and that this includes the amounts now requested to be guaranteed. Pursuant to the requirements of the Agreement to Guarantee, as a condition to issuance of the guarantees for the Second Takedown, Chrysler's officers and directors will be required to certify to the effect that Section 5(a)(1) is met at the Closing for the Second Takedown.

The July Request also includes the form of opinion to be delivered at the Closing by Chrysler's financial advisor, Salomon Brothers, that Chrysler cannot now borrow more than an insignificant portion of the credit represented by the loans to be guaranteed on reasonable terms and conditions except through loan guarantees which may be issued by the Board.

These opinions and certifications are consistent with the analysis of the staff as discussed in the analyses that follow in support of the Section 5(a)(4) determination, as well as the Board's May 10 determinations and June 24 confirmation thereof. Chrysler's new Financing Plan, dated July 10, 1980 and the staff's analyses indicate that Chrysler will have funding needs of $900 million during 1980, net of $1,070 million of non-guaranteed funding sources available to Chrysler during the period (in large

part from parties with an existing economic interest in Chrysler). The staff analysis indicates operating needs of up to $2.2 billion by the end of the third quarter of 1980 of which $1.4 million would be financed from non-guaranteed sources and cash balances, resulting in a need for guaranteed financing of $500 million during the rest of 1980 under Base Case II. As indicated in the Section 5(a)(4) analysis Chrysler may be able to minimize these by cash management; but additional risks persist.

The only potential source for financing most of this shortfall on reasonable terms and conditions at the time of issuance of the loans of up to $300 million requested for the Second Takedown would appear to be guaranteed loans:

- The unguaranteed funding provided for in the Financing Plan for 1980 substantially exhausts Chrysler's sources of credit available at this time and will continue to do so at the time of the issuance of the Second Takedown.

- The staff's involvement with Chrysler during the last eleven months indicates that it has been extremely difficult for Chrysler to procure even the amounts of nonfederally guaranteed financing required by the Financing Plan on reasonable terms and conditions, much less procure any additional credit.

- Even though the nonguaranteed funding required by the Financing Plan is to be largely provided by those who, arguably, should be the most eager to extend credit to Chrysler (those with an existing interest in Chrysler who stand to suffer the most in the event of a Chrysler financial failure) such funding was, in substantial part, made contingent upon the issuance of guarantees under the Act.

Recommendation: That the Board determine that the requirements of Section 5(a)(1) have been met with respect to the Second Takedown.

MEMORANDUM FOR: Chrysler Corporation Loan Guarantee Board

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(2) Determination
(Reasonable Assurance of Repayment)

Section 5(a)(2) of the Act provides that the Board may issue loan guarantees under the Act only if at the time of issuance the Board determines that:

> ". . . the prospective earning power of the Corporation, together with the character and value of the security pledged, furnish reasonable assurance of repayment of the loan to be guaranteed in accordance with its terms..."

The reasons set forth below, as more fully described in the following pages and attachments hereto, support a Board determination that the requirements of Section 5(a)(2) are met with respect to the issuance of loan guarantees pursuant to Chrysler's July Request for the Second Takedown. The staff recommends that the Board so determine.

Earning Power

The Company's profit projections included in its July Operating Plan (as submitted to the Board and considered in the analyses in support of the Board's determination under Section 5(a)(4)) as well as the lower profit projections contained in the Base Case II staff analysis for that determination, continue to indicate that there should be available adequate cash flow during the 1980-83 period to make the required debt service payments on the loans to be guaranteed and on all other indebtedness of Chrysler. Review of the ultimate viability of the corporation includes analyses of the ability of the corporation to provide for self-financing after 1983. This analysis is included in the staff analysis supporting a determination under Section 5(a)(4) of the Guarantee Act. Although the determination has become increasingly closer, the analysis continues to demonstrate a reasonable prospect for the ability of Chrysler to continue operations as a going concern in the automobile business and to continue such operations after December 31, 1983, without additional loan guarantees or other Federal financing. Implicit in the foregoing is the continued ability of the Corporation to repay its debts (including the loans to be guaranteed) as they become due in the years after 1983 and to raise capital in the private market to meet all its capital requirements.

Additional analysis of the company's ability to repay pursuant to the sinking fund provision of the Notes is included in the introductory memorandum describing the Notes at Tab 3.

Assets Pledged

The value of the assets placed in the collateral pool implemented in connection with the closing of the June 24 takedown was estimated at $2.1 billion based on the liquidation valuation prepared by the staff with the assistance of the Detroit Regional Office of the General Accounting Office (GAO). This was based largely upon the company's books as audited as of December 31, 1979. This was $300 million less than the $2.4 billion net liquidation value of the assets contemplated as being pledged by the Board on May 10. Nonetheless, the Board determined there was sufficient collateral in the pool to provide adequate security for the $500 milion in loans under the first takedown. The pool was still more than four times the amount of aggregate guaranteed loans that would be outstanding.

Furthermore, the staff indicated that the pool would be increased for several reasons. First, $101 million in company cars added to the pool in the coming months. In addition, investments in capital expenditures for plant and equipment of $970 million would be made during 1981 and $3.127 billion during the plan period, that will be subject to the lien of the Indenture. Finally, Section 6.44 of the Agreement to Guarantee provides the Board the unilateral right to add back to the pool certain other excluded items after the June 24 Closing.

The same considerations that applied to the First Takedown should apply to the Second Takedown. GAO's updated valuation of the assets in the collateral pool indicates a value of $2.0 billion using May 31, 1980, unaudited book values. Attachment I describes the change in the valuations. The $2.0 billion would represent approximately 2 1/2 to 3 times the aggregate amount of guaranteed loans that would be outstanding with the Second Takedown.

Finally, Chrysler has delivered a certificate in which the company and its officers and directors certify their belief that Section 5(a)(2) is met. Pursuant to Section 4.01(b) of the Agreement to Guarantee, Chrysler and its directors and officers will again make the Certification at the Closing for the Second Takedown. Pursuant to Section 4.01(i) it will also confirm its representation in the Agreement

to Guarantee that the value of the collateral provided is at least $2.4 billion as required by Section 4.11 of the Agreement to Guarantee. At the Closing, it will also provide supporting appraisals from American Appraisal and Touche Ross & Co.. The staff has requested that Chrysler update these appraisals through at least June 30, 1980 and recommend that adequate progress toward providing additional collateral be made conditions to the Second Takedown.

Recommendation: That the Board determine that the requirements of Section 5(a)(2) have been met with respect to the Second Takedown.

Attachment I

Current Value of Collateral Pool
(Millions of dollars)

Description of Asset	Staff Analyses of Liquidation Value: Current (as of May 31, 1980*)	Staff Analyses of Liquidation Value: June 24 (as of March 31, 1980*)	Current Value over (under) June 24	Reason
Cash, Time Deposits, and Marketable Securities	$30.0	$30.0	$	1
Inventory	547.8	620.0	(72.2)	2
Accounts Receivable	91.9	129.0	(37.1)	3
Property, Plant and Equipment	926.3	926.3	-	4
Investments & Advances & Equity in Subsidiaries	431.5	395.2	36.3	5
Total before assets added to pool since June 24	$2027.5	$2100.5	$(73.0)	

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* Respectively certified by Chrysler as the value of the collateral pool as of the Closing, and as of the initial takedown, June 24, 1980.

1. Funds deposited with banks as part of set-off agreements will, in the event of an insolvency, be set-off to the benefit of the United States. At least $30 million likely would be available for seizure from dormant accounts depostied in banks in which Chrysler does not have sufficient float in active accounts to cover required compensating balances.
2. Touche Ross & Co. will provide its estimate, which provides some confirmation of the methodology at the Closing.
3. The staff used a similar methodology that resulted in a reduction in net accounts receivable from $500.4 million. Touche Ross & Co. will provide its estimate at the Closing. The change reflects primarily elimination of the assumption that receivables will increase by $30 million, increases in amount of receivables for U.S. government defense contracts which would be offset in case of defaults and, therefore, be noncollectible ($37.5 million), reduction in amount of receivables from U.S. employees which are travel advances and assumed non-collectibles. ($8.5 million) and elimination of provision for non-recurring receivables ($45.4 million).
4. This amount remains unchanged. American Appraisal's previous estimate will affirmed, providing some confirmation of this amount.
5. Reflects increase in investment in Chrysler Financial ($49.5 million); decrease in investment in Sigma Motor Co. ($6.5 million); increase in investment in New Process Gear ($4.2 million); and decrease in investment in the Overseas Operating Group ($10.3 million).

UNITED STATES GOVERNMENT GENERAL ACCOUNTING OFFICE

Memorandum

July 7, 1980

TO : Associate Director, PAD - Allan I. Mendelowitz

FROM : Assistant Regional Manager, Detroit - Milo L. Halstock, Jr.

SUBJECT: Assessment of Selected Chrysler Corporation Assets and Equity in Consolidated Domestic and Foreign Subsidiaries (Code 971891)

Using the May 31, 1980, unaudited Chrysler Corporation book value of various accounts and a mixture of assumptions--ours, Chrysler Corporations, and firms hired by them--we have reduced the total estimated collateral of $2,100.5 million by $73.0 million to arrive at an adjusted value of $2,027.5 million. The following schedule shows the various adjustments made. How we arrived at these adjustments is discussed below.

Item	Estimated Collateral Value (in millions) June 16 1/	Adjustment	Adjusted value
Time deposits and marketable securities	$ 30.0	$ 0.0	$ 30.0
Accounts receivable	129.0	(37.1)	91.9
Inventories	620.0	(72.2)	547.8
Investments and other assets	148.9	43.0	191.9
Property, plant and equipment	926.3	0.0	926.3
Equity in consolidated U.S. subsidiaries	98.4	3.6	102.0
Equity in consolidated foreign subsidiaries	147.9	(10.3)	137.6
Total	$2,100.5	$(73.0)	$2,027.5

1/ Estimated collateral value shown in our June 16, 1980 memorandum.

A discussion about the various adjustments follow.

ACCOUNTS RECEIVABLE

In its Consolidated Balance Sheet dated May 31, 1980, Chrysler Corporation reported net accounts receivable totaling $500.4 million. After analyzing their composition, using the same methodology as contained in

our April 24, 1980 report, we believe these receivables have a collateral value of $91.9 million for the Federal Loan Guarantee.

Determining parent company accounts receivable

To identify the receivables available as collateral for the Federal Loan Guarantee, we first determined the amount of receivables associated with the parent company. We reduced the Consolidated Balance Sheet total of $500.4 million on May 31, 1980, by $156 million for subsidiaries located outside the United States and another $15.9 million for subsidiaries located within the United States. Receivables for the subsidiaries were eliminated because we made a separate analysis of their equity for collateral purposes. As a result we found $328.5 million of the $500.4 million total receivables belonged to the parent company.

The value of the parent company receivable was further reduced to $147.5 million. The adjustment was based on 2 of the 3 Chrysler assumptions discussed in our April report. Specifically, we deducted $123 million for an Accounts Payable offset and $58 million as a provision for those receivables not collectible in the short term. These amounts are slightly less than those used by Chrysler officials because we eliminated that portion belonging to New Process Gear which became a subsidiary on January 1, 1980.

We did not include the third assumption of a $30 million increase in Accounts Receivable. This assumption was predicated on the basis that Chrysler officials believed Accounts Receivable reported on December 31 of each year were normally lower than other months. This is because Chrysler plants are routinely closed between Christmas and New Years. Since, Accounts Receivable would not be offered for collateral until April 1980, Chrysler officials estimated that Accounts Receivable available for collateral would increase by $30 million. We have eliminated this assumption because Chrysler's financial statements now reflect a return to normal business.

Computing collateral value

In analyzing receivables associated with the parent company, we identified two types of receivables which may not be collectible if Chrysler should cease operations. Chrysler advanced its U.S. employees $4.4 million which primarily represents travel advances. If Chrysler should cease operations, the $4.4 million, in our opinion, would probably be uncollectible because the employees would be unemployed and, therefore, unable to repay these advances. We also identified $51.2 million in receivables directly associated with the production and sale of the M60 and XM1 tanks to the U.S. Government under defense contracts. If Chrysler defaults on these contracts, they are liable for additional costs incurred by the Government to complete

contracts. The Government could collect on these claims by offsetting these accounts against the amounts it owes Chrysler under the contracts.

Adjusting the parent company receivable of $147.5 million by the total value of travel advances and defense receivables, we estimate that the accounts receivable available for collateral is $91.9 million. This amount was computed as follows:

		In millions
Parent company accounts receivable		$147.5
Less:		
Travel advances	4.4	
Defense receivables	51.2	
		55.6
Total		$91.9

INVENTORY

In its May 31, 1980 Balance Sheet, Chrysler (Parent Company) reported inventory of $1.3 billion. However, for collateral purposes we estimate this inventory has a value of $548 million. Using data from Chrysler and Touche Ross and Co., we arrived at this amount by computing the expected net book value for the various categories of inventory and applying various assumptions to arrive at the collateral value of inventory.

Computing collateral value
by type of inventory

Using Chrysler's 5/31/80 financial statements, we determined the net book value for four major categories of the parent company inventory: finished goods, work in process, raw materials and non-productive materials. We adjusted these values by excluding inventory Chrysler is not pledging and by adjusting for trends in certain inventory levels. We arrived at collateral value by applying what in our opinion were the most realistic collateral value factors available, based on information supplied by Chrysler and Touche Ross and Company.

The following table summarizes our determination of collateral value for each type of inventory. As the table shows, Chrysler's inventory for collateral value is about $548 million. A discussion of the valuation assumptions follows the table.

ESTIMATED COLLATERAL VALUE OF PARENT INVENTORY
BY TYPE FOR FEDERAL LOAN GUARANTEE
($ Millions)

Category of Inventory	Net book value of parent 5/31/80	Estimated collateral value
FINISHED GOODS		
New Vehicles	$ 250	$ 54
Knock-down Vehicles for Export	32	15
Company Vehicles	123	-0- 1/
Service Parts	208	208
Other Civilian Goods	6	5
Total Finished Goods	$ 619	$282
WORK IN PROCESS		
Civilian	$ 479	$167
Defense	42	-0- 1/
Total in Process	$ 521	$167
RAW MATERIALS	$ 111	$ 86
NON-PRODUCTIVE MATERIALS	$ 37	$ 13
TOTAL INVENTORY VALUE	$1,288	$548

1/ Assets not pledged by Chrysler Corporation.

Adjustments made to determine collateral value

The table below summarizes the assumptions we used to reduce net book value of the parent ($1,288 million) to the collateral value of $548 million.

SUMMARY OF ASSUMPTIONS
USED TO DETERMINE
COLLATERAL VALUE
OF INVENTORY

TYPE OF INVENTORY FINISHED GOODS	ASSUMPTIONS Available inventory: Net book value used	Valuation Factor to Compute Collateral
New Vehicles:	Chrysler inventory during 1980 estimated at 11,200 units, has total value of $57.0 million. Additional $2.9 million new cars financed by Chrysler Financial Corporation will not be pledged.	100 percent factor used.
Knock-down Vehicles:	No adjustment	46 percent factor used based on combined percentage from manufacturing Inventories.
Service Parts:	No adjustment	100 percent factor used based on high degree of market-ability.
Other Civilian Goods:	No adjustment	87 percent factor used.
WORK IN PROCESS		
Civilian	No adjustment	20 percent value factor applied to in process inventory remaining after transfer of $88 million to parts division.
RAW MATERIALS	No adjustment	78 percent value factor based on degree of market-ability.
NON-PRODUCTIVE MATERIALS	No adjustment	41 percent value factor based on obtaining full value for coal and fuel oil and minimal value for remaining items less handling costs.

INVESTMENT AND OTHER ASSETS

For collateral purposes, the value of ths account increased from $148.9 million to $191.9 million. The $43 million net increase in this account ($191.9 - $148.9 = $43.0) was caused by three items as follows:

	In millions
Increase in book value of investment in Chrysler Financial	$49.5
Less:	
Decrease in investment in Sigma Motor Co. and other minor investments	(6.5)
Total Net Increase	$43.0

The Chrysler Corporation book value of the investment in Chrysler Financial Corporation increased by $23.8 million between December 31, 1979 and May 31, 1980. Further, the reductions made to this investment for purposes of estimating collateral value has decreased by $25.7 million. Using our previous assumptions and May 31, 1980 book values, the estimated loss on the sale of wholesale notes receivable and the deferred losses on notes receivable will be less than that previously estimated.

U.S. SUBSIDIARIES - CHANGE IN EQUITY

The equity, in U.S. Subsidiaries, available for collateral purposes increased by $3.6 million from $98.4 million to $102.0 million. We computed the available equity using the same assumptions used to compute prior values. The increase is a net amount caused by minor up and down shifts in subsidiaries' equities and Chrysler debts to the subsidiaries. The largest change was a $4.2 million net increase for New Process Gear resulting from a decrease in equity and an Increase in its debt to Chrysler. The changes for New Process Gear are shown below.

	Millions	
Adjusted equity 12/31/79	$85.5	
Adjusted equity 5 /31/80	-78.1	
Decrease in equity		($ 7.4)
Chrysler debt to sub. 12/31/79	$ 2.1	
Chrysler debt from sub.5/31/80	13.7	
Increase to available equity		$11.6
Net increase		$ 4.2

FOREIGN SUBSIDIARIES - CHANGE IN EQUITY

We adjusted our June 16, 1980 equity in foreign subsidiaries of $147.9 million to $137.6 million or a decrease of $10.3 million. Of the six foreign subsidiaries, the Overseas Operating Group had the most significant change in equity.

As a result of two transactions the Overseas Operating Group's debt with the parent company decreased significantly causing a parallel drop in the subsidiaries' shareholder investment. In 1979, CISA-Geneva--part of the Overseas Operating Group--loaned the parent company about $204 million creating a receivable on the subsidiaries books. In March 1980, CISA-Geneva declared a like-kind dividend of about $204 million to the parent company creating a payable on the subsidiaries books. At the time of the dividend declaration, CISA-Geneva advised the parent company it was offsetting the receivable and payable on its books and in effect, cancelling the parent debt of about $204 million. Due to these transactions the Overseas Operating Group debt with the parent company decreased to $1.1 million.

These transactions also caused, in part, the shareholders investment for the Overseas Operating Group to decrease from $364.5 million to $119.4 million or a drop of $245.1 million. A reduction in current assets, including cash, receivables, and inventories, also contributed to the significant decrease in shareholders investment.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(3): Reasonable Interest Rate Finding

Section 5(a)(3) of the Act provides that the Loan Guarantee Board may issue a loan guarantee only if:

> "the loan to be guaranteed bears interest at a rate determined by the Board to be reasonable taking into account the current average yield on outstanding obligations of the United States with remaining periods to maturity comparable to the maturity of such loans;".

The staff recommends that the Board determine for the reasons stated below, that interest rates within the limits stated above are reasonable within the meaning of Section 5(a)(3).

DISCUSSION

The Debt Management staff of the Treasury Department has advised in the attached memorandum that the interest rate on the Second Takedown should be between 50 and 75 basis points above comparable Treasury issues of approximately 10-year maturities; but that this spread could increase to as high as 125 basis points if current market conditions deteriorate significantly. Chrysler has submitted in the July Request the opinion of financial advisors Salomon Brothers, that a spread of up to 125 basis points would be reasonable.

This spread is lower than that approved by the Board for the first takedown. This is partially the result of Congress' enactment of a one-time appropriation of funds to assure timely payment of principal and interest in the full $1.5 billion principal amount of authorized guarantees and partially the result of improved market conditions. The May 10 and June 24 staff analysis in support of the Section 5(a)(3) determination in connection with the initial takedown delivered an interest rate not to exceed 250 basis points above comparable Treasury securities as reasonable based on staff analyses of premiums normal and the special circumstances of Chrysler loans to guaranteed loans; would be reduced to 125 basis points above comparable Treasury issues if a one-time appropriation of principal and interest were enacted. The June 24 staff analysis recommended a spread not to exceed 100 basis points, based upon preliminary pricing commitments received by Chrysler. Chrysler sold the first $500 million in guaranteed notes at 76 basis points above the rate on 10-year Treasury securities.

Chrysler's July Request includes as certificate in which the company and its directors and officers express their opinion that the requirements of Section 5(a)(3) would be met in connection with this takedown. It also includes a form of opinion to this effect of Chrysler's financial advisors Salomon Brothers. Neither opinion, however, indicates the spread involved.

Section 4.01(d) of the Agreement to Guarantee requires Chrysler and its officers and directors to certify at the Closing to the effect that Section 5(a)(3) of the Act is met. Salomon Brothers will deliver an opinion at the Closing that the rate on the loans is reasonable.

Recommendation: That the Board determine that Section 5(a)(3) has been met with respect to the Second Takedown for rates within the limit described above.

Attachment I

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

DEPUTY ASSISTANT SECRETARY

July 11, 1980

MEMORANDUM FOR BRIAN FREEMAN

FROM: John Schmidt

SUBJ: Government-Guaranteed Chrysler Offering

You have asked for an update on the yield spread over comparable Treasury securities that I would expect on a Chrysler issue of approximately $250 million and a maturity similar to the initial issue (10-year maturity, callable in three years). This update takes into account the fact that Congress has appropriated funds to insure timely payment of any Chrysler-guaranteed notes.

The initial Chrysler issue was priced 75 basis points over a comparable Treasury issue. Chrysler was fortunate on the timing of this issue as the market prices fell rather sharply within two days of the sale. Federal agency securities in the 5 to 10 year maturity range are currently trading 45 to 50 basis points above comparable Treasury issues. However, the supply of new agency issues has been fairly heavy particularly in the 5-year sector.

I see no reason why the next Chrysler issue should come at a yield spread to Treasury issues significantly higher than the Federal agencies. While market conditions can change over the next two weeks and the corporate calendar is likely to remain heavy with new issues, I would expect the yield spread to be between 50 and 75 basis points above the comparable Treasury rate depending on market conditions at the time of pricing. As of Friday, July 11, the comparable Treasury issue (10-3/4% notes due 11-15-89) yield about 10.20%. * The outstanding Chrysler issue (lacking the timely payment feature) is trading around 10.95% - 11%.

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A significant deterioration in current market conditions could increase the maximum spread from 75 basis points to as much as 125 basis points. While such a spread does not appear necessary at the present time, a maximum spread authorization of 125 basis points provides more than adequate flexibility for any market contingencies.

* Given the positive slope of the Treasury yield curve, the appropriate Treasury issue for comparative pricing of the Chrysler note is one with a maturity of approximately ten years as opposed to three years.

cc: Mr. Altman
Mr. Cook

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(4): Determination that the Operating Plan and Financing Plan Continue to Meet the Requirements of Section 4 of the Act

The Act provides that the Board may only issue a loan guarantee if in connection with the issuance thereof, the Board determines that:

> ". . .the operating plan and the financing plan of the Corporation continue to meet the requirements of Section 4 and appropriate revisions to such plans (including extensions of such plans to cover the then current four-year period) have been submitted to the Board to meet such requirements."

The relevant requirements of the Act are those concerning the Operating Plan and the Financing Plan found in Sections 4(a)(3)(A), 4(a)(4), 4(a)(5), and 4(c) of the Act, and the additional requirements of Sections 4(a)(1), 4(a)(2), 4(a)(6), 4(a)(7) and 4(a)(8). Sections 4(a)(3)(B) and 4(a)(6) require adequate assurances from others covering the Operating and Financing Plans that are addressed by the staff analysis in support of the Board determination under Section 5(a)(6).

The reasons set forth below support a determination by the Board that the requirements of Section 5(a)(4) are met in connection with the loans requested to be guaranteed pursuant to Chrysler's July Request for a Second Takedown.

I. Operating and Financing Plans

Chrysler has submitted a revised Operating Plan and a revised Financing Plan both dated July 10, 1980 (the "July Operating Plan" and the "July Financing Plan," together the "July Plans"). These are the applicable plans for the present analysis, and have been submitted as modifications to the April 28 Plans pursuant to the Memorandum of Operating and Financing Plan Procedures.

A. The Operating Plan - Section 4(a)(3)(A)

The Act requires that:

"...the Corporation has submitted to the Board a satisfactory Operating Plan ... for the 1980 fiscal year and three next fiscal years demonstrating the ability of the Corporation to continue as a going concern in the automobile business, and after December 31, 1983, to continue without additional guarantees or other Federal assistance ...."

Other sections of the Act and its legislative history further define the Operating Plan and its contents.

Section 4(a)(3)(A) calls for a reasonable prospect of viability, not that it be assured or guaranteed. Congress clearly viewed Chrysler as a turnaround situation as to which normal credit standards applicable to the private sector were not to be used exclusively.

On May 10, the Guarantee Board determined that Chrysler's April 28 Operating Plan, as adjusted to the Base Case dated May 10, 1980, prepared by the Board's staff and consultants ("Base Case I"), satisfied the requirement of the Act. This determination reflected a staff analysis that emphasized that the judgment was a very close one. Chrysler was expected to be only marginally profitable over the 1981-1983 period. Having considered the substantial risks identified, the Board determined that the statutory test was met.

On June 24, the Board affirmed this determination in connection with the Closing for the first takedown, although it recognized that, as a consequence of reduced domestic vehicle sales and other developments in the weeks since May 10, the risk that Chrysler would not attain the Base Case I projections had increased since the Base Case I analysis. The staff noted that while Chrysler had initiated a series of measures designed to accommodate lower sales levels and other adverse developments, there was an increased risk that Chrysler would need to use some part of the contingent financial reserves (excess cash plus unused guaranteed loan authority) provided for in Base Case I. However, the staff noted that these reserves were adequate to compensate for the increased risk and still provide some margin for unfavorable future contingencies. The increased risk was viewed as a magnitude that did not require reversal of the May 10 determination.

These are still the staff's views, but it must be noted that the judgment is now a much closer and more marginal one.

Since May 10, certain of the risks previously identified have materialized, additional risks have been identified, and projected earnings and financial reserves have decreased. These are reflected in a revised Base Case ("Base Case II"), prepared by the Board's staff and consultants with the assistance of the latter's computer model (Attachment I).

I. Recent Developments

A. Revised Chrysler Plan

On July 10, Chrysler submitted a new Operating Plan and a new Financing Plan to the Board. The primary differences between these plans and the April plans relate to the Operating Plan:

1. Chrysler's own estimate of its earnings projections for 1980 loss has increased to $1,039 million; and profit projections for 1981-1983 also have been lowered. These reductions reflect recent estimates of further weaknesses in the size of the auto and truck markets and Chrysler's share of those markets. These reduced Chrysler projections are also consistent with the supplement to Chrysler's May 15 Prospectus for its subordinated debenture offering and the report delivered by Booz Allen at the June 24 closing. It also effectively accepts substantially all of the adjustments to Chrysler's operating plan projections that were included in the staff's Base Case I.

2. Revised estimates by the staff of the value of Chrysler's loss reduction actions described in the company's June 20 letter to the Board's staff.

3. Acceleration of the 1980 introduction of its K-cars by two weeks. Also, Chrysler's preliminary intention to accelerate production at a third K-car plant and to accelerate elimination of rear wheel drive production.

4. A write-off of facilities, reflecting obsolescence of equipment, resulting in non-cash losses of $51 million in 1980.

5. Reduction in projected 1980 pension costs of $16 million.

6. The Operating Plan also includes the positive earnings effects of revisions in Chrysler's Financing Plan that are discussed below. These are primarily interest cost reductions which increase 1980 earnings a net $57 million, and have greater effects in later year.

2. Continued Lower Industry Volumes

Recent sales for the automobile industry have been running at an annualized rate below the projections assumed in the May 10 Base Case.

Furthermore, independent economic forecasters project lower sales for the next three years than they were assuming on May 10, or even as recently as June 24. During the past two weeks, the median projection of 1980 automobile sales by four major independent econometric forecasters has dropped from 9.0 million units to 8.8 million units. Forecasters have been steadily decreasing their estimates of 1980 automobile sales from 9.8 million in May to 8.8 million now, a decrease of 10 percent. The forecasts of truck sales have been reduced 23 percent during the May to July period. Table I shows how these forecasts have changed.

Table I
Annualized Sales Rates
(million units)

	Forecast Available On May 10			Most Recent Forecast*		
	1980	1981	1982	1980	1981	1982
Car Sales						
Chrysler Plan	9.8	11.0	12.1	8.8	11.0	12.1
DRI	10.0	10.1	11.0	8.7	9.5	10.9
Chase	9.8	10.6	10.8	8.9	9.2	10.3
Townsend-Greenspan	-	-	-	9.0	9.9	-
Wharton	9.6	9.7	10.4	8.8	8.9	10.1
Average/indep.	9.8	10.1	10.7	8.8	9.4	10.4
Percentage reduction				(10%)	(7%)	(3%)
Truck Sales						
Chrysler Plan	3.3	3.7	4.5	2.8	3.7	4.5
DRI	3.0	3.6	3.9	2.0	2.5	3.0
Chase (light)	-	-	-	2.3	2.6	3.2
Townsend-Greenspan	-	-	-	2.6	3.1	-
Merrill-Lynch	3.0	3.2	4.1	-	-	-
Average indep.	3.0	3.4	4.0	2.3	2.7	3.1
Percentage reduction				(23%)	(21%)	(23%)

* Townsend-Greenspan forecast is as of May 2, 1980; all other forecasts are as of late June and are the most recent available. Each forecast assumes a tax cut in the range of $15-30 billion effective in the fourth quarter of 1980 or the first quarter of 1981.

c. Chrysler Results to Date

Probable June results are now better defined and indicate an increased loss during the first half of approximately $150 million as compared with the April 28 Operating Plan. This increased loss is largely due to a smaller share for Chrysler in a smaller market. Chrysler's recent market share has continued to fall short of the Base Case I projections for cars although it has been within the Base Case for trucks.

Table II
Market Share Experience

	Cars		Trucks	
	Industry Size (million units annualized)	Market Share	Industry Size (million units annualized)	Market Share
Base Case	9.8	9.5%	3.3	9.7%
Actuals:				
First Quarter	10.7	9.5%	2.9	10.7%
Second Quarter	7.5	7.9%	2.3	9.6%

Despite this lower market share, Chrysler's results generally paralleled Base Case I through May. This was primarily because factory sales did not decline as quickly as retail sales in April and May, due to dealer incentive programs during March and April. These programs, however, have merely accelerated sales for later months, and may be reflected in the results for the third quarter.

The expected June variance from Base Case I ($148 million) shown below reflects lower factory sales resulting from drastically reduced dealer orders in June as dealers attempted to control their inventories of unsold units.

Table III
Earnings Experience

Net Income (loss) after tax	May 10 Base Case I (Dollars in millions)	Actual Results	Difference
1st Quarter	$(451)	$(449)	$2
2nd Quarter			
April	$(210)	$(202)	$8
May	$(134)	$(142)	$(8)
June	(76)	$(224)*	$(148)*
Total Second Quarter	$(420)	$(568)*	$(148)*
Estimated Six Month	(871)	(1017)*	(146)*

* Preliminary estimate of actual.

d. Omni-Horizon Sales

A new risk has appeared: market demand for Chrysler's Omni-Horizon line has weakened and the inventory levels of these cars have increased. Base Case I assumed that Chrysler could continue to sell this line at full production capacity. April and May actual sales, and June estimated sales, were less than 60% of those for the first quarter.

e. Review of Key Chrysler Programs and Loss Reduction Actions

The Board's staff and consultants explicitly reviewed Chrysler's progress to date against the April 28 Operating Plan goals and Base Case I adjustments in key areas. They also reviewed the loss reduction actions identified in Chrysler's June 20 letter to the Board. The July Plans reflect those adjustments and actions.

f. Additional Loss Reduction Actions

Chrysler has advised the Board that it is planning to undertake additional loss reduction and restructuring actions that should result in substantial benefit in 1980 and thereafter. An internal task force, working with Chrysler's consultants, Booz Allen & Hamilton, is preparing recommendations for Chrysler management and Board. These plans and their projected results will be included in the Operating Plan and Financing Plan scheduled to be delivered to the Board on September 1. Chrysler Chairman Lee A. Iacocca's letter to the Board of July 14, 1980, concerning these is at Attachment II.

g. Booz Allen Opinion

Chrysler's consultants, Booz Allen & Hamilton, have provided in the Guarantee Request a form of opinion that will be delivered at the Closing that updates its April 29 and June 24 letters. This draft is dated July 14. This draft discusses the continued sales decline in the auto industry and other developments, and indicates a potential 1980 loss of $1.0-1.2 billion. However, it also identifies additional risks, which could increase this loss to the $1.2-1.3 billion range.

In its draft opinion, Booz Allen has questioned Chrysler's future viability in the absence of the major further restructuring of Chrysler's operations noted above that Chrysler has indicated it is undertaking. In its earlier opinions, Booz Allen indicated that Chrysler could reasonably expect to achieve viability on its current plans. The key conclusion of its July 14 draft opinion follows:

> In summary, assuming recovery in the market and in Chrysler's penetration, the present Operating Plan could give the Company a reasonable prospect of viability. The risks that industry sales and Chrysler's market share in 1980 and 1981 will not recover are considerable. To take account of those,

> the Company is preparing a plan for a substantial restructuring of its operations. In our judgment, the high level of these risks make it essential, and in our view it is feasible, that the restructuring plan be in place and ready to implement by September 1. We are informed that Chrysler will reflect appropriate contingency actions in its September 1 submission of the Operating Plan. We will be in a position to comment more specifically on the restructuring plan when more details are available.

As indicated, at Attachment II is a letter dated July 14, 1980, from Lee A. Iacocca, Chairman of Chrysler, pledging a restructuring along the lines outlined by Booz Allen.

h. Financing Plan Developments

There have been favorable developments concerning the financing plan of May 10. Except for these, Chrysler's July Financing Plan is identical to its April 28 plan. These are reviewed in the analysis below for the Section 4(a)(4) requirement:

- Reduced interest rates on guaranteed borrowings and reduced earnings on temporary cash investments. The Base Case I assumed a 15% rate on guaranteed borrowings, but market rates have declined in the interim, and are now estimated to average 12%.

- The interest rate on the first $500 million of guaranteed borrowings was 10.35%. This indicates a total borrowing cost of 11.35%, when the 1% guarantee fee is included.

- Likewise, the average assumed rate on guaranteed borrowings in excess of the $500 million has been reduced to 12%.

- The cash flow benefits of the final terms of the debt restructuring, which reduce the cash interest paid through 1983 and also benefit the post-1983 period.

However, additional risks have been identified. First, Chrysler has advised the Board that the lack of progress in reaching an agreement with Mitsibushi Motors Corporation (MMC) for vehicle import financing could result in its need to pay cash for such vehicles, at least on an interim

basis during the third quarter after its current financing agreement with MMC expires on July 31. This could increase the needs up to $150 million by the end of September. Chrysler has sought an extension of this financing, and is seeking financing over the longer term from other sources. Second, the staff analysis indicates the potential for higher income maintenance payments from Chrysler to Chrysler Financial Corporation, as well as other lesser risks.

II. Analysis

As indicated, the Board's staff and consultants analyzed these developments and prepared a Base Case II based on their adjustments to Chrysler's plans and the consultant's computer model. The report of the Board's consultants on the adjustments and computer projections are included in Attachment I. Base Case II adjustments to the Financing Plan and Chrysler's need for guaranteed loans are included in the Tables below.

Base Case II included the following primary adjustments to Chrysler's July Plans.

1. Lower Industry Volume

Base Case II computed the potential additional loss resulting from a shortfall in industry volume comparable to the levels now predicted by the economic forecasters and computed the additional loss from a lower Chrysler market share. These resulted in an increase of $123 million in the 1980 loss largely due to assumed shortfalls in sales of rear-wheel drive vehicles. Adjustments to later years projections were smaller, largely because of Chrysler's assumed ability to accelerate K-car production.

2. Other Sales Risks

Base Case II also included a major adjustment for the volume risk identified in the Omni-Horizon line. For similar risks, Base Case II also revises downward the projections for Chrysler's new pickup truck. These produced a 1980 adjustment of $60 million, and adjustment on a similar basis in the later years of the plan.

3. Loss Reduction Actions

To the extent that further analysis confirmed that the loss reduction actions identified by Chrysler in its June

20 letter to the Board have a benefit, and to that extent, they were included in Base Case II. However, some of that benefit was offset by related costs and risks and by the risk of additional weaknesses that have been identified and also included.

4. Other

Base Case II included the pension plan cost reduction, and write-off noted above.

5. Financing Plan Changes

Base Case II included adjustments to reflect the effects of lower interest rates on guaranteed loans and the final terms of the debt restructuring and for the earnings adjustments noted above. These are detailed below in the discussion of the Financing Plan. In addition, Base Case II included the adjustments to Chrysler's projected receipt of non-guaranteed financing and other items detailed in the May 10 Base Case analysis.

Summary and Conclusion

The following table indicates the changes in net income, need for guaranteed debt, and financial margins between the Base Case I and the Base Case II analyses. The financial reserves include excess cash (which is defined as cash in excess of $150 million per year) plus unused guaranteed loans. It should be emphasized that the data are yearend numbers and within any year the amounts of guaranteed financing actually available would be less than those amounts indicated.

Table IV
Base Case II Relative to Base Case I

	Estimates as of December 31 of Each Year					
	1980	1981	1982	1983	1984	1985
	millions $					
Base Case II						
Earnings	(1225)	78	508	21	482	1025
Guaranteed loans	1000*	1200*	1100	950	650	-
Reserves						
Excess Cash	254	365	428	543	536	1288
Unused guarantees	500*	300*	400	550	850	1500
Total	754*	665*	828	1093	1386	2788
Base Case I						
Earnings	(1051)	82	383	114	735	1325
Guaranteed loans	800	1100	1100	950	650	-
Reserves						
Excess Cash	184	239	213	340	446	830
Unused guarantees	700	400	400	550	850	1500
Total	884	639	613	890	1296	2330
Variance						
Earnings	(174)	(4)	125	(93)	(253)	(300)
Guaranteed loans	200	100	-	-	-	-
Reserves	(130)	26	215	203	90	458

* As discussed in the text below, aggregate guaranteed loans and reserves are limited pursuant to the Section 8(b) matching requirement and year-end numbers may not be the same as amounts available at all dates in a year.

The financial reserves (as shown in Table IV) indicated by Base Case II are approximately the same as those of Base Case I. Despite the larger projected losses, various changes in Chrysler's July Plans should permit the company to generate cash in excess of the amounts projected in Base Case I. Thus, the financial reserves can still be viewed by the Board as providing adequate margins for some unfavorable future contingencies. However, the reserves in Table IV do not accurately display peak risk periods.

Section 8(b) of Loan Guarantee Act in effect limits the issuance of guarantees to an amount equal to non-guaranteed financing obtained by Chrysler from other sources. Base Case II shows available financial reserves on December 31, 1980 as $254 million and on December 31, 1981 as $665 million. However,

Chrysler's peak financing need in 1980 is expected to be around September 30 and in 1981 around March 31. The staff projects that because of the expected limiting effect of Section 8(b) the projected financial reserves available (above the $150 million normal cash balances) to Chrysler are approximately $45 million on September 30, 1980 and a somewhat higher figure on March 31, 1981. While these levels of reserves do not provide significant room for unexpected adversity, they could and undoubtedly would, be augmented by actions available to Chrysler. Such actions include deferral of certain planned capital expenditures, cash management techniques designed to conserve cash during the peak periods, sales of assets or obtaining financing from other sources. Hence, the reserves should be adequate.

One risk discussed earlier is that present financing from Mitsubishi Motor Corporation for up to $150 million may terminate on July 31. Negotiations are underway between Chrysler and MMC and other financing institutions, and the staff believes there is a reasonable basis for concluding that either the financing will be renewed or additional financing can be obtained.

The staff concludes on the basis of this analysis that the Base Case II indicated reserves remain adequate to support a viability finding under Section 4(a)(3)(A).

Nonetheless, it should be emphasized that the margins available are narrow. Base Case II indicates that the period of greatest risk is the third and fourth quarters of 1980 while the company is incurring substantial expenditures to launch the new K-car and during which sales of its rear wheel drive vehicles are expected to continue to be weak. However, introduction of the K-car this fall should mean improved operating results for Chrysler at that time and thereafter. Another period of great risk is early 1981. The Section 8(b) limitation could prove a constraint during the third quarter of 1980 and early 1981. Similarly, if substantively all of projected profitability for the remainder of 1980 and early 1981 is not achieved, available guaranteed loans and reserves may prove inadequate. It should also be recognized that the restructuring pledged by Chrysler's Chairman in his July 14, 1980, letter to the Board could make up for some portion of the cash needs that might arise from unexpectedly poor conditions in 1980 and 1981.

It should be recognized that risks beyond those assumed in the Base Case exist and could render Chrysler not viable. Most importantly, it is doubtful that Chrysler could survive within

the authorized level of guaranteed loans if current depressed auto industry conditions persist through the plan period and perhaps beyond the early part of 1981. However, no independent forecaster has projected these to persist.

Accordingly, although Chrysler's situation has worsened since May 10, there is a rational basis on which the Board may conclude that the company still has a reasonable prospect of continuing as a going concern in the automobile business. That conclusion assumes that conditions in the industry will improve as generally forecast and that the company will take additional drastic actions to cut costs as required.

Reconciliation of May 10 Base Case Analysis with July 15 Base Case II

(Dollars in millions)

Net Income:	1980	1981	1982	1983	1984	1985	Total
May 10 Base Case	$(1051)	$82	$383	$114	$735	$1062	$1325
Risks now Incorporated:							
° Impact of sales and manufacturing cost changes	(183)	15	152	(64)	(197)	(22)	(299)
° Write-off of assets	(51)	-	-	-	-	-	(51)
° Lower Interest cost	57	(13)	(21)	(23)	(53)	(15)	(68)
° Lower Pension expense	16	-	-	-	-	-	16
° Other incentive programs and costs	(13)	(6)	(6)	(6)	(3)	-	(34)
Base Case II Net Income	$(1225)	$ 78	$508	$21	$482	$1025	$889
Guaranteed Loans - Need (Repayment):							
May 10 Base Case	800	300	-	(150)	(300)	(650)	0
Risks now Incorporated:							
° Impact of sales and manufacturing cost changes	183	(15)	(152)	64	197	22	299
° Cash impact of interest changes	(64)	(2)	4	3	42	15	(2)
° Other incentive programs and costs	13	6	6	6	3	-	34
° Deferral of Canadian Principal Payments	-	-	-	-	(36)	(36)	(72)
° Projected deferrals of other loans from May 10 Base Case	-	-	-	-	(3)	(145)	(148)
° Lower capital expenditures	(55)	-	-	-	-	-	(55)
° Other risk	100						
° Other changes	23	(89)	42	(73)	(203)	144	(56)
July 15 Base Case II	1000	200	(100)	(150)	(300)	(650)	-

* Needs include peak seasonal needs of $100 million - $200 million, that represents an additional cash cushion throughout to meet variations or reduce guaranteed loans.

** While net income impact of final debt restructuring is unfavorable, the cash flow impact is positive because greater interest is accrued and deferred.

B. Satisfactory Financing Plan - Section 4(a)(4)

Section 4(a)(4) of the Act states that the Board may act only if at the time of the action the Board determines among other things, that:

> "the Corporation has submitted to the Board a satisfactory financing plan which meets the financing needs of the Corporation as reflected in the operating plan for the period covered by the plan..."

Section 2(4) of the Act defines Financing Plan as:

> "...a plan designed to meet the financing needs of the corporation as reflected in the operating plan and indicating in accordance with the requirements of Section 8 the amounts to be provided at dates specified (for each year of the plan) from internally generated sources (including earnings and cost reduction measures), from loans guaranteed under this Act, and from nonfederally guaranteed assistance as required pursuant to Section 4(a)(4)...."

Background

The Board's May 10 determination and June 24 affirmation that Chrysler's April 28 Financing Plan met the requirements of the Act was based upon a staff analysis with respect to the plan that:

-- Its financial forecasts reasonably project the corporation's cash flow and financing needs.

-- It meets the needs of the Operating Plan if the non-federal financing is available as planned (as adjusted to the Base Case).

-- When coupled with $1.5 billion in federal guarantees, it provides sufficient flexibility to meet reasonable downside risks.

Changes

The changes from the interest concessions and deferrals contained in the April Financing Plan submitted to the Board previously were reflected in the June 24 analysis Section II (F)(2) of Chrysler's Guarantee Request includes revised schedules reflecting actual debt restructuring agreements dated May 15, 1980. While there is a negative impact on net income, there is a positive cash flow impact beginning in 1980, but becoming especially significant in 1984 and 1985, as in the Table on the next page. The Plan meets the financing needs of the Corporation as reflected in the Base Case II

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and contains adequate resources to provide for additional potential risks. As indicated above, there are additional risks of cash requirements for imports but these can reasonably be expected to be manageable.

Recommendation: That the Board determine that the requirements of Section 4(a)(4) have been met as of the Second Takedown.

Base Case II Financing Plan
Changes in Net Income and Cash Flow From May 10
Base Case Forecast to July 15 Analysis due to
Final Terms of Restructured Loans,
Lower Interest Rates and Changes in Funding Needs
(Dollars in millions)

	Favorable (unfavorable)						
	1980	1981	1982	1983	1984	1985	Total
Net Income Impacts:							
° Reduced interest exp. due to lower rates (12% vs. 15%) and change in outstanding loans	$62	$(2)	$(8)	$(7)	$(39)	$(10)	$(4)
° Increased Canadian[1] interest expense:	(5)	(11)	(13)	(16)	(9)	-	(54)
° Increased European[2] interest expense:	-	-	-	-	(5)	$(5)	(10)
Total favorable/ (unfavorable) impact on net income:/3	$(57)	$(13)	$(21)	$(23)	$(53)	$(15)	$(68)
Cash Flow Impacts:							
° Add back Canadian interest expense paid by issuing additional deferred interest notes:	7	15	17	20	11	-	70
° Improved cash flow over May 10 Base Case from final interest terms:	$64	$2	$(4)	$(3)	$(42)	$(15)	$2
° Deferral of Canadian principal repayments:	-	-	-	-	36	36	72
° Projected deferrals of other loans from May 10 Base Case assumptions:	-	-	-	-	3	145	148
Net impact on cash flow:/3	$64	$2	$(4)	$(3)	$(3)	$166	$222

1 Interest expense increased from 7.5% (cash) to 12.5% (5.5% cash and 7.0% deferred interest)
2 Interest expense increased by 1.5% (cash interest concession)
3 Impact from reduced supplier/dealer debenture subscription is insignificant for interest expense.

C. Adequate Assurances of the Availability of Financing - Sections 4(a)(4), 4(a)(5), and 4(c)

The Act requires the Board to determine that:

> "the Corporation has submitted to the Board a satisfactory financing plan which . . . includes an aggregate amount of nonfederally guaranteed assistance of at least $1,430,000 ..."

and that:

> "the Board has received adequate assurances regarding the availability of all financing contemplated by the financing plan and that such financing is adequate (taking into account the amount of [guaranteed loans and wage concessions] to meet all the Corporation's projected financing needs during the period covered by the Financing Plan."

The Board's May 10 determination and June 24 affirmation were based on the assurances furnished by Chrysler, and the receipt of certain additional assurances with respect to some of the participants in the financing plan.

Each of the additional assurances required by the Board was specified in the conditions to execution of the commitment included as Annex A to the Board's May 10 resolutions. As discussed in detail in the June 24 staff memorandum regarding satisfaction of these conditions, the analyses supported the determination that the conditions were satisfied. The changes which have occurred since June 24 are reflected in the following tables.

Recommendation: That the Board determine that the requirements have been met as of the Second Takedown.

Table 1 reflects Chrysler's July Financing Plan and the amounts the staff believes are adequately assured for inclusion toward the statutory targets. Table 2 reflects the changes from the Plan since the Board's June 24 approval.

Table 1
Summary of Non-federal Assistance to Meet Statutory Targets
($ in millions)

Assistance	Target	Chrysler Plan of 7/10	Adequately Assured	(Under) Target
Lender assistance	650	655	655	5
Interest concessions	100	100	100	
Extended maturities	n/a	154	154	
Deferrals of interest	n/a	320	320	
Def. of def. interest	n/a	81	81	
Asset sales	300	730	630	330
Chrysler Argentina		36	36	
Chrysler Australia		58	56	
Brazilian notes		14	14	
Real estate		196	171	
Peugeot		100	100	
Chrys.Financial Corp.(51%)		320	250 2/	
Chrysler Boat		2	-	
Surplus Equipment		4	3 1/	
Suppliers and dealers	180	150	72	(108)
Debentures		78	52	
Deferred payables		72	20 1/	
State, local, and other governments	250	361	357	107
Michigan		150	150	
Delaware		5	5	
Indiana		32	32	
Canada		170	170	
Province of Ontario		4	-	
Equity	50	-	-	(50)
Other:				
Pension Deferrals	-	342	342 3/	342 3/
Subtotal	1430	2238	2056	626
Plus: Pre-existing commitments	227	-	-	(227)
Domestic banks	159			
Canadian banks	68			
Grand Total	1657	2238	2056	399

1/ Adequate assurances of these amounts required for closing.
2/ Excludes $70 which the staff believes is not adequately assured for inclusion toward the targets.
3/ Amount excludes $100 line of credit from Treasury Department and related $14 imputed interest.

Table 2

Summary of Changes in Non-federal Assistance to Meet Statutory Targets Since June 24*
($ in millions)

Assistance	Changes in Chrysler Plan	Potential Changes in Adequately Assured	(Over/Under) Target Changes	Target Level
Lender assistance	-	-		5
Interest concessions	-	-		
Extended maturities	-	-		
Deferrals of interest	-	-		
Def. of def. interest	-	-		
Asset sales:	6	3	3	330
Surplus Equipment	4			
Chrysler Australia	2			
Suppliers and dealers	-	20	20	(108)
Debentures	(22)	-	-	
Deferred payables	20 1/	20	20	
State, local, and other governments	-	-	-	107
Canada	-	-		
Province of Ontario	-	-	-	
Equity	-	-	-	(50)
Pension Deferrals	(114)	-	-	342
Subtotal	(108)	23	23	626
Plus: Pre-existing commitments	-	-	-	(227)
Grand Total	(108)	23	23	399

1/ Closing conditioned on receipt of adequate assurances for these amounts.
2/ Reflects LGB exclusion of $114 pbgc line of credit at the U.S. Treasury and related imputed interest.

II. Other Section 4 Requirements

Other portions of Section 4 are also relevant. This section reviews these briefly.

A. The Energy Savings Plan - Section 4(a)(1)

The Act provides that the Board shall prior to action determine that:

"(1) There exists an energy savings plan which --

(A) is satisfactory to the Board;
(B) is developed in consultation with other appropriate Federal agencies;
(C) focuses on the national need to lessen United States dependence on petroleum; and
(D) can be carried out by the borrowers."

The Board's May 10 determination and June 24 affirmation that this requirement is met by Chrysler's March 6 plan, as amended on April 17, was based on staff analysis and the fact that those plans, as well as earlier versions, had been favorably reviewed by the appropriate federal agencies. Chrysler was responsive to the comments of those agencies. Furthermore, pursuant to Section 4.01 (g) of the Agreement to Guarantee, Chrysler's Board and officers certified at the Closing for the first takedown that:

"The Energy Savings Plan, dated March 6 and April 17, 1980, of the Company is being and can be carried out by the Company and its subsidiaries in accordance with the terms thereof."

Pursuant to the Agreement to Guarantee, this certificate will also be received as a condition to the Closing for the second takedown.

Recommendation: That the Board determine that Section 4(a)(1) is met now and at the Closing with respect to the second Takedown.

B. Impact of Failure - Section 4(a)(2)

The Act requires the board to determine that:

"The commitment is needed to enable the Corporation to continue to furnish goods and services, and failure meet such needs would adversely and seriously affect the economy of, or employment in, the United States or any region thereof . . ."

The Board's May 10 determination and June 24 affirmation was based upon a staff analysis that:

-- The guarantee commitment for the full $1.5 billion and the loans to be guaranteed pursuant thereto are necessary elements of, and preconditions to, achieving the Operating and Financing Plans. The net financing from operations and financing from other sources available to Chrysler, absent the loan guarantees, will not be sufficient to meet the financing needs of the Operating Plan. Without such financing the company could not continue to operate at all or at the levels included in the Operating Plan. This role of the guaranteed loans is reviewed in the staff's analysis in support of the determinations required under Sections 4(a)(3)(A) and (4)(a)(4) of the Act.

-- There is no alternative source of financing available to Chrysler to meet the full financing needs indicated by its Operating Plan, or any substantial part thereof, beyond that already ascribed to private financing as indicated by the staff's analysis in support of the determination under Section 5 (a)(1) of the Act.

-- Without the commitment and the loans thereunder as contemplated by the Financing Plan, it is doubtful that Chrysler would be able to continue to operate without seeking protection under Chapter 11 of Chapter 7 of the Bankruptcy Code, without substantially reducing its planned levels of production of goods and services. Even with such a reduction, the company's continued solvency would be questionable.

-- There is substantial doubt that Chrysler would be able to reorganize successfully in a bankruptcy proceeding. The risks of failure appear sufficient to justify issuing the commitments provided in the Guarantee Act.

-- A failure of Chrysler would result in a substantial deterioration of its production, and would adversely affect the level of GNP and employment in the United States, and in specific regions, especially Detroit.

These same considerations continue to be applicable. No change would follow merely because Chrysler has submitted the July Plans.

Recommendation: That the Board determine that Section 4(a)(2) is met now and at the Closing with Respect to the Second Takedown.

respect to Chrysler's July Plan. Nothing has come to the staff's attention to indicate that the determination should not continue to be made.

C. Certification of Waiver of Defaults by Existing Creditors - Section 4(a)(6)

The Act requires the Board to determine that:

". . . the Corporation's existing creditors have certified to the Board that they will waive their rights to recover under any prior credit commitment which may be in default unless the Board determines that the exercise of the rights would not adversely affect the operating plan . . . or the financing plan . . ."

The Board's May 10 determination was based on the steps described by Chrysler in its Application for a Commitment dated April 29, 1980. It conditioned issuance of a commitment on the following:

All creditors listed in Annexes A-F of the U.S. bank term sheet must provide term sheets, commitment letters, or comparable assurances which include ". . . the waivers contemplated by Section 4(a)(6) of the Act."

The Board's June 24 affirmation was based on the assumption that the new credit agreements entered at the closing for the first takedown by existing creditors provide that only very serious defaults (bankruptcy, large and continuing payment defaults or large cumulative losses) will trigger rights to accelerate. These provisions effectively provide the waivers required under Section 4(a)(6) and in fact go beyond the Section 4(a)(6) requirements in limiting the creditors rights to trigger default and acceleration. Pursuant to the Agreement to Guarantee, Chrysler at the Closing for the first takedown represented to the Board that it and its separate Subsidiaries were not in default under any agreements governing outstanding debt, except as specifically stated in a Schedule to such Agreement.

Chrysler will make the certification at the closing for the second takedown pursuant to Section 4.01 of the Agreement to Guarantee.

Recommendation: That the Board determine that the requirements of Section 4(a)(6) have been met with respect to the Second Takedown.

D. No Conversion of Unguaranteed Loans - Section 4(a)(7)

The Act requires the Board to determine with respect to any commitment to guarantee that:

". . . no credit extended or committed on a non-guaranteed basis prior to October 17, 1979, is being converted to a guaranteed basis pursuant to the Act . . ."

The Board's May 10 determination and June 24 affirmation was based on the staff's analyses that Chrysler's Financing Plan provided that all federal guarantees would be issued only in connection with new financing and Chrysler's representation in the Application that no credit extended or committed prior to October 17, 1979, is being converted to a guaranteed basis. Pursuant to section 3.36 of the Agreement to Guarantee Chrysler represented and warranted at the Closing that "no Commitment Outstanding as of October 17, 1979, has been or is being converted to Guaranteed Indebtedness."

Pursuant to Section 4.01(h) of the Agreement to Guarantee, Chrysler and its directors and officers will confirm the Section 3.36 representation as a condition to the second takedown.

Recommendation: That the Board determine that Section 4(a)(7) is met now and at the Closing with respect to the Scond Takedown.

E. Domestic Economic Viability - Section 4(a)(8)

The Board must determine that:

". . . the financing plan . . . provides that expenditures under such financing plan will contribute to the domestic economic viability of the Corporation."

The Board's May 10 determination and June 24 affirmation that this requirement was met based upon the staff analysis which concluded that:

-- The expenditures in the Operating and Financing Plans are necessary for the company's continued operations.

-- Chrysler's operations are concentrated in the United States, with approximately 58 percent of capital expenditures during the planning period made domestically.

-- Chrysler's foreign operations contribute to the company's domestic viability by permitting increased economies of scale.

The staff analysis was based upon the Company's April 28 Operating Plan and Financing Plan, certification in the Application, and certification required at the Closing and each takedown by the

Agreement to Guarantee, and the opinions of third parties.

At the closing for the First Takedown Chrysler covenanted pursuant to the Agreement to Guarantee that:
that:

> ". . . the proceeds of guaranteed indebtedness shall be used only for investments and capital expenditures which contribute to the domestic viability of the company in the automotive business." [Section 6.27]

The same considerations continue to apply. Chrysler's July Operating Plan and July Financing Plan include no change that is material to the analyses. Furthermore, as a condition to the second takedown and all other guaranteed loans, Chrysler will be required to certify its continued compliance with all provisions of the Agreement. [Section 4.01]

> Recommendation: That the Board determine that the requirements of Section 4(a)(8) have been met with respect to the Second Takedown.

Base Case II Profit and Loss Statements
With Adjustments for Likely Financing Shortfalls
(Dollars in millions)

	1979	1980	1981	1982	1983	1984	1985
Net Sales	$12,002	$10,288	$15,934	$19,166	$20,763	$23,805	$27,170
Equity in Earnings of Unconsolidated Subsidiaries	2	(44)	(28)	(23)	(17)	(8)	(1)
Sub-Total	$12,004	$10,244	$15,906	$19,143	$20,746	$23,797	$27,169
Cost Other than Items Below	$12,224	$10,305	$14,331	$16,961	$18,849	$21,255	$24,005
Depreciation & Amortization	401	481	566	669	797	870	913
Pension Plans	261	316	381	439	484	534	589
Interest expense, net	215	335	525	513	536	582	422
Sub-total	13,101	11,437	15,803	18,582	20,666	23,241	25,929
Earnings before Taxes and Minority Interest	$(1,097)	$(1,193)	$103	$561	$80	$556	$1,240
Taxes on Income (Credit) and Minority Interest	—	32	25	53	59	74	215
Net Earnings (Loss)	$(1,097)	$(1,225)	$78	$508	$21	$482	$1,025

Appendix II

Base Case II Forecast of Chrysler Corporation Balance Sheets 1979 - 1985
Adjusted to Reflect Likely Financing Shortfalls as of 7/15/80
($ Millions)

	With No Debt Conversion into Equity							Pro Forma Assuming 12/31/85 Conversion $614 million Interest Notes into Equity
	1979	1980	1981	1982	1983	1984	1985	1985
Assets:								
Cash in Excess of Minimum Need	--	$254	$365	$428	$543	$536	$1,288	$1,288
Minimum Cash Need	$474	150	150	150	150	150	150	150
Accounts Receivable	610	581	745	908	969	1,135	1,276	1,276
Inventories	1,874	1,499	1,932	2,099	2,328	2,477	2,612	1,612
Other	162	163	175	175	175	175	175	175
Total Current Assets	3,120	2,647	3,367	3,760	4,165	4,473	5,501	5,501
Investments	1,184	1,182	1,137	1,146	910	929	952	952
Property, Plant & Equipment	2,349	2,720	2,936	3,433	3,765	3,910	3,476	3,476
Total Assets	$6,653	$6,549	$7,440	$8,339	$8,840	$9,312	$9,929	$9,929
Liabilities & Net Worth:								
Accounts Payable	$2,338	$2,050	$2,530	$2,974	$3,166	$3,332	$3,488	$3,488
Short-Term Debt:								
U.S. and Canada	570	--	--	--	--	--	--	--
International	31	10	10	10	10	10	10	10
Long-Term Debt	276	46	32	32	126	157	355	355
Other	17	14	14	14	14	14	43	43
Total Current Liabilities	3,232	2,120	2,586	2,930	3,316	3,513	3,896	3,896
Other Noncurrent Liabilities	605	579	573	563	554	550	550	550
Long-Term Debt	992	2,251	2,335	2,422	2,587	2,583	2,382	1,763
Guaranteed Loans	--	1,000*	1,200*	1,100	950	650	—	--
Net Worth	1,824	599	746	1,324	1,433	2,016	3,101	3,720
Financing Contingency	—	—	—	—	—	—	—	—
Total Liabilities & Net Worth	$6,653	$6,549	$7,440	$8,339	$8,840	$9,312	$ 9,929	$9,929
Working Capital	$(112)	$527	$781	$830	$849	$960	$1,605	$1,605
Current Ratio	.97	1.25	1.30	1.28	1.26	1.27	1.41	1.41
Total Debt (including Guaranteed Loans) to Net Worth	1.02	5.50	4.79	2.69	2.49	1.69	.88	.57

* With reasonable cash management, Chrysler can keep the need for Guaranteed debt to the May 10 Base Case levels of $800 million in 1980 and $1.1 billion in 1981. The Section 8(b) requirement that Guaranteed debt be matched by non-guaranteed financing may limit Guarantees to $982 million in 1980.

Appendix III

Summary Cash Sources* From Base Case II Forecast
(Dollars in millions)

	1980	1981	1982	1983	1984	1985	1980-85 Totals $	1980-85 Totals %
Net Income (Loss) Base Case II -	$(1225)	$ 78	$ 508	$ 21	$ 482	$1025	$889	10%
Plus: Depreciation and Amortization	481	566	669	797	870	913	4296	48%
Cash Flow from Operations	(744)	644	1177	818	1352	1938	5185	58%
Add: non-cash charge for employee stock	-	40	40	40	67	25	212	2%
non-cash charge for interest paid with convertible notes	78	95	107	121	139	160	700	8%
Cash Flows including effect of deferred interest notes	(666)	779	1324	979	1558	2123	6097	68%
Plus, Other Sources of Cash:								
° Deferred Pension Contrib.	291	32	52	38	42	46	501	6%
° Asset Sales	159	162	(15)	235	(15)	165	691	7%
° State/Local Gov't. Loans	187	-	-	-	-	-	187	2%
° Supplier/Dealer Securities	25	19	13	-	-	-	57	1%
° Canadian Gov't. Guar. Loans	-	-	-	170	(26)	(34)	110	1%
° Loan Secured by PSA Shares	100	-	-	-	-	-	100	1%
Other Sources of Cash Subtotal	762	213	50	443	1	177	1646	18%
Total Non-Guaranteed Sources	$96	$992	$1374	$1422	$1559	$2300	$7743	86%
Plus: Estimated Guaranteed Loans	1000	200	-	-	-	-	1200	14%
Total Sources	$1096	$1192	$1374	$1422	$1559	$2300	$8943	100%

* Cash sources excludes gross receipts from sales except to the extent that sales generate positive cash flow from operations.

Appendix IV

Major Base Case II Cash Requirements*
(Dollars in millions)

	1980	1981	1982	1983	1984	1985	1980-1985 Totals $	%
Property, Plant & Equipment	$936	$ 902	$1,166	$1,129	$1,015	$ 659	$5,807	65%
Debt Repayments (Non-Guaranteed	45	46	32	32	126	157	438	5%
Debt Repayments (Guaranteed)	-	-	100	150	300	650	1,200	13%
Working Capital and Other, Net Use or (Source)	115	244	76	111	118	834	1,498	17%
Total Cash Requirements	$1096	$1,192	$1,374	$1,422	$1,559	$2,300	$8,943	100%

*Other than operating expenses.

Office of Chrysler Finance
U.S. Treasury Department
July 15, 1980

SUMMARY REPORT ON

REVIEW OF CHRYSLER CORPORATION'S

JULY 10, 1980 OPERATING PLAN

JULY 15, 1980

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July 15, 1980

INTRODUCTION

On July 10, 1980 Chrysler Corporation Management issued revised Operating and Financing Plans in support of its application for an additional $300 million of Federally guaranteed funds pursuant to the Chrysler Corporation Loan Guarantee Act. Chrysler's updated plans indicate that management made a relatively detailed reassessment of operations for the year ending December 31, 1980, and only did minor updating for the years 1981-83. This report covers a brief review of Chrysler Corporation's July 10 Operating Plan and should not be construed as a comprehensive analysis of Chrysler's current Operating Plan. Since the revised Operating Plan represents merely selected updating of the Company's April 28 Plan, rather than a comprehensive reevaluation, the scope of this review was necessarily limited. The depth and scope of this review were also limited by the time constraints under which the review was conducted.

This summary report has been prepared by the Treasury staff, assisted by Treasury's consultants Ernst & Whinney, for the exclusive use of Treasury and the Chrysler Loan Guarantee Board and is not to be relied upon by others. Because this report covers only a limited review of Chrysler's Operating Plan, it should be read in conjunction with the Treasury staff's May 9 report entitled "Report on Review of Chrysler Corporation's April 28, 1980 Operating Plan." The May 9 Treasury staff report describes a review of Chrysler's April 28 Operating Plan and certain adjustments which were made to the Plan as a result of that review. Unless otherwise stated in this summary report, the effect of the adjustments made as a result of the May 9 review have been included

in the projected financial information included herein. It is important to note that the scope of this review did not include a comprehensive updating of the work originally performed in connection with Treasury's May 9 review.

All sections of the May 9 report as well as this summary report should be read carefully in order to understand the scope of the review, how it was approached, and the results and attendant limitations of the review. In addition, it is necessary that this report be read in conjunction with Chrysler's July 10 Operating and Financing Plans.

This review resulted in projected financial information which is referred to as the "Adjusted Base Case." The Adjusted Base Case includes adjustments to Chrysler's July 10 Operating Plan and results in projected financial information. The adjusted projected financial information (Adjusted Base Case) is included in the tables in this report. It is important to note that the projections included herein do not represent a forecast of Chrysler's future operations, nor do they represent a revised plan. The review scope was insufficient to provide a fully developed foundation for a revised plan. In particular, no detailed analysis was conducted of the assumptions behind adjustments made by the Company since it developed its April 28 Operating Plan.

Also, a detailed review of computations underlying The Plan was not conducted, nor did the review include an examination of technical considerations as to manufacturing and product design and other related factors. The Adjusted Base Case also does not represent a revised plan since management's response to the more adverse results of the Adjusted

Base Case, compared to the July 10 Plan, has not been defined by management and is, therefore, not incorporated herein. It is important to note, however, that the latitude of actions available to management to respond to adversity has been reduced substantially by actions already taken.

The projections included in this report are based upon assumptions developed by Chrysler management of future events which are subject to future developments, and, therefore, should not be construed as statements of fact. Because the scope of this review did not include a comprehensive evaluation of the assumptions underlying the projections, Ernst & Whinney is unable to comment on the reasonableness of the assumptions as a basis for the projections. Of course, the assumptions may be affected favorably or unfavorably by future events, and, therefore, the actual results achieved during the projection period extending to December 31, 1983 may vary significantly from the projections.

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U.S. Treasury Department
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SIGNIFICANT CHANGES

Since Chrysler's April 28 Operating Plan, and Treasury's May 9 review, several major changes in conditions have occurred. In general, auto industry sales have declined substantially and the overall economic outlook has not improved. In addition, Chrysler's well publicized difficulties and management's response to the adversities have affected several areas which are addressed in this review:

(1) Chrysler Volume Decline - Both retail sales and dealer inventories have declined to below Plan levels. While declines have been primarily in RWD cars and trucks, retail sales of Chrysler's FWD "L" cars have also declined. Independent forecasters foresee the current industry decline as extending at least into 1981 with partial recovery in 1982. Current U.S. car market forecasts for 1980 are about 90 percent of previous projections. Forecasts for 1981 and 1982 have been reduced significantly. Truck projections have likewise been reduced significantly. The average independent forecast of the 1980 U.S. industry truck market has been reduced by approximately 25 percent between April and June 1980 with similar reductions forecast in 1981 and 1982.

The industry-wide volume reduction has also affected other volume sensitive areas, such as component sales to other auto manufacturers, parts and service sales, vehicle option take rates, and sales mix.

Further, loss of dealers at Chrysler has accelerated from about 50 net per month to double that amount, thus reducing the Corporation's product outlets at a critical time. And, the ratio of unprofitable dealers to total dealers has increased to about 66 percent.

(2) Volume Improvement Actions - Management has initiated several actions to improve or maintain volume. Most important is to increase the volume of "K" car production. In 1980 production has been increased through a two weeks production advancement and additional overtime scheduling. For 1981-1983

component availability and assembly plant rearrangements are being evaluated which, if implemented, could increase "K" car output during the period by several hundred thousand units.

(3) Other Business Fluctuations - A variety of cost and revenue items have been more, or less, favorable in 1980 than was anticipated in the Company's April 28 Operating Plan. They include parts sales to other auto manufacturers, service parts sales and marketing costs.

(4) Loss Reduction - To offset the impact of volume decline and the net unfavorable other business fluctuations, Chrysler has initiated programs to further reduce costs in a wide range of areas such as additional fixed and non-variable cost programs, manufacturing cost reductions and other programs.

Also, the July 10 Plan includes pricing realignment that reduces RWD prices and increases FWD prices (based on actions to date by the industry price leader), to take advantage of buyer preference and stimulate sales. Additional sales incentives for dealers and buyers are also being implemented.

(5) Tooling, Facilities and Materials Obsolescence Write-offs - Certain facilities, related tooling and materials (largely due to volume reductions in 1980 model year) are now assumed to be written off in 1980. These reflect one time non-cash charges.

This review focuses on the above five areas, both as to the potential impact on 1980 results and broadly on 1981-1983 results. As noted previously, this review did not include a comprehensive review of Chrysler's current Operating Plan. Rather, it was intended to assess only the general magnitude of the impact of certain of the identified changes in the five areas described above.

The remainder of the report presents a summary of the results of the review as an Adjusted Base Case with revised profit (loss) and cash needs figures. Also, a reconciliation of net income is included. Following that are narrative sections corresponding to the five areas outlined above.

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SUMMARY

The following tables include current and prior estimates of profits and unmet funds needs.

TABLE I - PROFITS (OR LOSSES) AFTER TAXES

($ millions)

	1980	1981	1982	1983
Chrysler Estimates				
April 28 Plan	$(781)	$304	$642	$368
July 10 Plan	$(1,039)	$247	$575	$284
Treasury's Estimates				
Base Case (May 9)	$(1,051)	$125	$431	$135
Adjusted Base Case (July 10)	$(1,224)	$136	$554	$ 44

TABLE II - FEDERAL GUARANTEED FUND NEEDS
(Includes Financing Contingency)

($ millions)

	1980	1981	1982	1983
Chrysler Estimates				
April 28 Plan	$ 500	$ 500	$ 500	$ -0-
July 10 Plan	$1,000	$ 800	$ 800	$ 500
Treasury Estimates				
Base Case (May 9)	$ 770	$ 904	$1,117	$ 879
Adjusted Base Case (July 10)	$1,212	$1,023	$1,056	$1,011
MEMO:				
Financing Contingency	$ 200	$ 200	$ 500	$ 500

According to Chrysler's Financing Plan, the contingencies above would exist in each of the respective years. Elimination of these contingencies would result in a reduction of Fund need. However, this review did not include an evaluation of the Company's Financing Plan nor the development of the Financing Contingency. Certain adjustments are being made to the Financing Plan by the staff in another portion of the review. These adjustments will have an effect on Fund needs.

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The above tables indicate that the projected 1980 after tax loss and subsequent 1981 through 1983 profits (Table I) have deteriorated substantially since the April 28, 1980 Operating Plan and May 9, 1980 Treasury Review. The impact of this deterioration has increased the need for Federally guaranteed funds (Table II). The Chrysler July 10, 1980 Operating and Financing Plan includes an increase of $500 million to $1 billion in 198[illegible], a $3[illegible] million increase to $80[illegible] million in 1981 and 1982 and a $50[illegible] million fund need in 1983. The Treasury Adjusted Base Case indicates a need for Federally guaranteed funds ranging from $1,212 million in 198[illegible] to $1,011 million in 1983.

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TABLE III

RECONCILIATION OF ADJUSTED BASE CASE
TO JULY 10 PLAN

	1980	1981	1982	1983	Total
Net Income, Chrysler July 10 Plan	$(1,039)	$ 247	$ 575	$ 284	$ 67
Adjustments:					
Volume Reduction	(60)	(132)	(99)	(93)	(384)
Write off of Tooling and Facilities	--	28	--	--	28
Flow Through of July Loss Reduction Actions	--	(215)	(240)	(260)	(715)
Variable Margin Improvement Program	--	(131)	(200)	(209)	(540)
Pricing Assumptions	(72)	(123)	(118)	(346)	(659)
Cost Omission	--	(80)	(95)	(114)	(289)
Options Improvement Contingency	--	(108)	(113)	(77)	(298)
April 1980 Cost Reductions and Flow Through	(34)	24	7	(41)	(44)
Non-Vehicle Income Adjustments	(8)	(39)	(42)	(51)	(140)
Contingency Removal	--	690	910	990	2,590
Adjustments Before Interest and Taxes	(174)	(81)	10	(201)	(451)
New Interest	(13)	(26)	(29)	(46)	(114)
Taxes	2	1	--	7	10
Total Adjustment	(185)	(111)	(19)	(240)	555
Net Income Adjusted Base Case	$(1,224)	$ 136	$ 556	$ 44	$ (488)

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U.S. Treasury Department
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CHRYSLER VOLUME DECLINE

Since Chrysler's April 28 Operating Plan and Treasury's May 9 review of the plan automotive industry volume, projected industry volumes have declined considerably, as indicated in the following table:

U.S. INDUSTRY VOLUME (millions)

	1980	1981	1982	1983
U.S. Car				
Chrysler 4/28	9.8	11.0	12.1	10.8
Chrysler 7/10	8.8	11.0	12.1	10.8
Independents (April)	9.7	10.1	10.9	11.4
Independents (June)	8.8	9.4	10.4	11.4
U.S. Truck				
Chrysler 4/28	3.3	3.7	4.5	3.7
Chrysler 7/10	2.5	3.7	4.5	3.7
Independents (April)	3.0	3.4	4.0	4.2
Independents (June)	2.3	2.7	3.2	4.0

In consideration of these projected volume declines, and other factors discussed below, the following revised sales level estimates have been developed by Chrysler and adjusted by Treasury:

CHRYSLER NORTH AMERICAN VOLUME (000)

		1980	1981	1982	1983
Car					
Chrysler 4/28:					
Imports		144	142	159	146
FWD		444	878	1,016	1,235
RWD		400	388	357	111
	TOTAL	988	1,408	1,532	1,492
Chrysler 7/10:					
Imports		128	142	159	146
FWD		494	878	1,016	1,235
RWD		320	388	357	111
	TOTAL	942	1,408	1,532	1,492

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(Cont.)	1980	1981	1982	1983
Treasury Base Case (May 9):				
Imports	144	142	159	146
FWD	444	878	1,017	1,236
RWD	385	341	313	97
TOTAL	973	1,361	1,489	1,479
Treasury Adjusted Base Case:				
Imports	128	142	159	146
FWD	455	935	1,114	1,253
RWD	320	317	280	95
TOTAL	903	1,394	1,553	1,494
Truck				
Chrysler 4/28:				
Imports	72	76	65	60
FWD	--	--	21	146
RWD	201	292	321	216
TOTAL	313	368	407	422
Chrysler 7/10:				
Imports	66	76	65	60
FWD	--	--	21	146
RWD	211	292	321	216
TOTAL	267	368	407	422
Treasury Base Case (May 9):				
Imports	72	76	65	59
FWD	--	--	21	187
RWD	230	265	286	150
TOTAL	302	341	372	396
Treasury Adjusted Base Case:				
Imports	62	76	65	60
FWD	--	--	21	162
RWD	192	236	258	160
TOTAL	254	312	344	382

The Treasury staff has not performed independent market studies to adjust Chrysler volume. Rather, estimates have been based on the relationship of independent forecasters' estimates to Chrysler estimates adjusted for such factors as dealer health, proportion of FWD vehicles, and exposure in RWD vehicle plans. The following assumptions were used to adjust the Chrysler volumes shown above:

1980 Calendar Year: Chrysler's most recent production plan (also used in the Chrysler July 10 operating plan) is incorporated, including the additional "K" car volume obtained by an earlier launch date than previously planned. The expected "L" car volume (Omni and Horizon) increase shown in the production plan has not been included because sales of these vehicles has been slower than expected. Instead a decrease of approximately ten percent has been used to reflect the softening of this segment of the market. Additionally, the "L" car faces new domestic competition beginning in the fall of 1980. Also, trucks have been reduced from the production plan by approximately 13,000 units because of the expected continuation through 1980 of the sales decline in trucks.

1981 through 1983 Calendar Years: Chrysler's planned volumes were used for projections in these years except that "L" cars are adjusted downward (although to a lesser degree than in 1980), "K" cars are adjusted upward to reflect an anticipated August 1981 opening of an additional "K" car assembly plant, and rear wheel drive trucks and cars are reduced. Specifically, the following table outlines the adjustments (in percentages) from the Chrysler volume plan for North America.

ADJUSTMENT IN CHRYSLER VOLUMES TO REACH ADJUSTED BASE CASE

	1981	1982	1983
"L" Car	-8.5%	-9.1%	-7.7%
"K" Car	+13.6%	+17.2%	+4.1%
RWD Cars	-18.3%	-21.6%	-14.4%
RWD Trucks	-19.2%	-19.6%	-25.9%

Dealer Status

Chrysler's July 10, 1980 plan indicates the Company is continuing to lose dealers at a higher rate than anticipated at the time of Treasury's May 9 review. Net losses totaled 91 dealers in April and 97 in May versus Treasury's May 9 Base Case assumption of approximately 50 per month. As a result of continuing dealer losses, the number of U.S. dealerships has declined from 4,752 on May 31, 1979 to 4,093 on May 31, 1980 (a 14 percent annual rate). Average dealer profitability is also

negative for the year 1980 to date. In addition, Chrysler has identified a growing number of market areas not served by any dealer. While no additional volume adjustments have been made beyond the adjustments reflected in Treasury's May 9 Report, continued heavy losses could have a material adverse effect on Chrysler's distribution capability.

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U.S. Treasury Department
July 15, 1980

VOLUME IMPROVEMENT ACTIONS

Chrysler management has as its objective the production of as many FWD "K" cars as is possible during the Operating Plan period. The Company has taken certain actions which increase output in the 1980 time frame and is seriously evaluating actions which would substantially increase K-car capacity in the 1981-83 period. Specifically, these include advancing the "K" car launch by two weeks and working overtime. These actions are expected to produce an additional 12,600 vehicles. Also, a one year acceleration of an additional "K" car assembly plant is being evaluated. Chrysler would proceed with these plans if it appears that rear wheel drive volumes are going to continue to decline. The Company would accomplish this by modification to an existing assembly facility. If the Company moves forward with these plans, production is slated to commence at the beginning of Model Year 1982. This plant conversion is not currently reflected in the Company's Operating plan. However, because it is a probable action, it was included in the scope of this review and is reflected in the Adjusted Base Case. While we did not conduct an in-depth review of constraints surrounding this schedule, we were informed by management that, given the "go-ahead" by July 31, 1980, the plant and assembly tooling would be ready on time. The advancement of the third "K" car plant could result in total additional assembly capacity for a maximum of approximately 300,000 units. This assembly level is dependent upon the availability of supporting power train components and the ability to operate at maximum overtime at all "K" car plants.

Office of Chrysler Finance
U.S. Treasury Department
July 15, 1980

OTHER BUSINESS FLUCTUATIONS

Revised volumes for selected non-vehicle sales and certain other items are reflected by Chrysler in the July 10, 1980 Plan. Among these are OEM sales (component sales to other domestic automobile manufacturers). Chrysler has reduced projected profits on OEM sales by $28 million from the April 28, 1980 Plan.

Parts sales have fallen off largely due to dealer terminations, dealer and corporate stocking policies, and a general drop in vehicle sales. Chrysler has estimated a $41 million reduction in profitability in this area from levels included in the April 28, 1980 Plan.

The final category included in this area provides for incremental marketing costs and program changes from those which were included in the April 28, 1980 Plan. These incremental costs total $86 million and include additional incentives, advertising, merchandising and MID support (company owned dealerships). While a detailed review was not conducted, Chrysler provided the following information related to these programs.

AREAS	$ MILLIONS
MID	$16
Fleet Discounts	9
U.S. Incentives and Advertising	59
Canada Incentives and Advertising	2
	$86

Included in U.S. incentives and advertising is $24 million for "L" car promotion.

Office of Chrysler Finance
U.S. Treasury Department
July 15, 1980

These revenue reductions and cost increases are, according to management, largely offset by projected improvements discussed in the following section of this report. For this reason and because the scope of this review did not cover these program changes, no adjustments were made to give effect to these changes in the Adjusted Base Case. Similarly, no adjustments were made to reflect the offsetting loss reduction actions described in the following section.

LOSS REDUCTION

Chrysler has initiated various actions to reduce additional projected losses. These actions include pricing, fixed and non-variable cost reductions, continued improved manufacturing cost performance, and a number of other areas. The scope of this review did not include evaluation of any of these actions, and, as mentioned previously, no adjustments were made to the Adjusted Base Case to reflect them since these planned improvements were viewed by the Company as offsetting actions for the projected decreases in profitability described previously under "Other Business Fluctuations."

Chrysler's pricing assumptions assume continuation of aggressive pricing on small FWD cars, and more moderate price increases on RWD vehicles. This strategy has been the basis of the industry price leader's vehicle price adjustments over the last nine months. The net positive effect shown as price recovery (net of economics and pricing actions) is $30 million more for 1980 than was assumed in the Company's April 28 Plan.

Fixed and nonvariable cost reductions totaling $75 million are included in Chrysler's July 10 Plan. This program is new and has not been discussed in detail with the various responsible management personnel, and no commitments have been finalized to effect the cuts.

The new cuts are to be achieved through additional overall reductions, consolidation of various manufacturing staffs, inter-division consolidations, and plant closings. There is a considerable question as

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to the extent of achievability of this cut since the Company, as of this date, has not yet accomplished the reduction cost cutting program which was implemented in April. Importantly, no estimate has been made by Chrysler of the unfavorable impact of this cost cutting on VMI program achievement.

Chrysler also assumes it will realize a $47 million savings through manufacturing cost performance over the April 28, 1980 level. This is due partially to volume declines from previous projections as well as favorable year to date manufacturing budget performance. No evaluation of the possibility of realizing these savings was conducted during this review.

The All Other Category is a net figure that would contribute $5 million to improved revenues if all positive and negative factors materialize. It is made up of the following items:

Area	$ Millions
Warranty	
Additional Risks	$ (43)
Policy Funds - Uncommitted	11
Interest	12
Freight Cost Containment	14
Non-Linear Volume & Mix	12
Legal Fees and Other Actions	(1)
Total	$ 5

No further detail was analyzed to support these items.

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TOOLING, FACILITIES AND MATERIAL OBSOLESCENCE WRITE-OFF

This area represents a one time, non-cash write-off totalling $51 million ($28 million tooling and facilities and $23 million material obsolescence). The tooling and facilities are mainly due to closing the Windsor Engine and St. Louis Truck plants. The write-off had originally been scheduled for 1981.

Material obsolescence represents a $23 million write-off of parts and specific materials on hand and not useable due to production volume decline. Included in this is $14 million motor home material and an unspecified amount of truck and minor car items.

The Adjusted Base Case reflects these write-offs in calendar year 1980, as does Chrysler's July 10 Operating Plan. However, the July 10 Operating Plan also includes this same write-off in 1981, so that the $28 million is shown as a reconciling item between the Company's Plan and the Adjusted Base Case.

...e of Chrysler Finance
U.S. Treasury Department
July 15, 1980

FLOW THROUGH OF JULY LOSS REDUCTION ACTIONS

Chrysler believes that certain of the July 1980 loss reduction actions will have the effect of reducing expenses and/or increasing revenues in the years 1981-1983. The Company has projected these profit improvement effects as follows:

	($ Millions)			
	1981	1982	1983	TOTAL
Variable Improvement	$100	$100	$100	$300
Fixed Improvement	100	100	100	300
Recovery of Economics and Volume Improvement	15	40	60	115
	$215	$240	$260	$615
Increase in July 10 Operating Plan Contingency	$215	$240	$260	$615
Net Effect on July 10 Plan	$-0-	$-0-	$-0-	$-0-

The Variable Improvement actions are planned to result primarily from pricing, product realignment, and supplier negotiations. The Fixed Improvements are almost entirely additional planned efficiencies in manufacturing performance and certain other fixed and non-variable savings. The item "Recovery of Economics and Volume Improvement" is almost entirely made up of additional recovery of economics (inflationary increases in costs).

As the schedule indicates, Chrysler has charged all of these projected improvements to a contra contingency account, and therefore, the actions have no effect on income in Chrysler's July 10 Operating Plan.

While the scope of this review did not provide for a detailed review of the

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U.S. Treasury Department
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elements of these actions, the major portion of these additional profit improvement activities are planned in areas which are already tasked heavily with improvement objectives. For these reasons no adjustments were made to the Adjusted Base Case for these items.

Office of Chrysler Finance
U.S. Treasury Department
July 15, 1980

OTHER ADJUSTMENTS TO JULY 10 OPERATING PLAN

Table III on page 8 indicates that additional adjustments were made to Chrysler's Operating Plan in the following areas:

	1980	1981	1982	1983	TOTAL
Variable Margin Improvement Program	$ —	$(131)	$(200)	$(209)	$(540)
Pricing Assumptions	(72)	(123)	(118)	(346)	(659)
Cost Omission	--	(80)	(95)	(114)	(289)
Options Improvement Contingency	—	(108)	(113)	(77)	(298)
April 1980 Cost Reductions and Flow Through	(34)	24	7	(41)	(44)
Non-Vehicle Income Adjustments	(8)	(39)	(42)	(51)	(140)
Contingency Removal	--	690	910	990	2,590
New Interest	(13)	(26)	(29)	(46)	(114)
Taxes	2	1	--	7	10

The above represent adjustments which were originally developed during the course of the review of Chrysler's April 28 Operating Plan. While the scope of this review did not provide for a detailed reevaluation of these areas certain procedures were performed to determine whether the adjustments should apply to the July 10 Operating Plan. Where appropriate, the amounts of the adjustments were recalculated. This recalculation applied principally to such areas as pricing, contingency removal, interest expense (calculated at 12 percent) and taxes. Chrysler's Contingency account was removed in adjusting the July 10 Plan, since detailed adjustments were made to the Plan.

Attachment II

CHRYSLER
CORPORATION

July 14, 1980

Mr. G. William Miller
Secretary
Treasury Department
15th & Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Bill:

As you know, Chrysler is engaged in continuous review, with the assistance of our consultants, Booz Allen & Hamilton, of its operating prospects and advisable management actions to maximize those prospects.

Recent continued weakness in the auto market has rendered it necessary for Chrysler to begin developing plans for further management actions, and to undertake a further restructuring of it operations in order to offset the risks of continuation of the current market weakness. The planning process has begun for that restructuring.

Accordingly, I have established an internal team headed by John W. Day and involving Booz Allen to quickly develop a detailed plan for such further restructuring. It is expected that recommendations will be submitted to management no later than August 15, 1980 and subsequently to the Chrysler Board of Directors.

Ultimate decisions on restructuring will be incorporated in the previously scheduled new operating and financing plans that Chrysler will submit to the Guarantee Board on September 1.

Chrysler will keep the Guarantee Board and the Board's staff informed of all developments in this regard.

Sincerely,

Lee A. Iacocca

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(5): Compliance with Operating Plan and Financing Plan

Section 5(a)(5) of the Act provides that the Guarantee Board may only issue a loan guarantee if in connection with the issuance thereof, the Board determines with respect to the Operating Plan and Financing Plan submitted by the Company pursuant to Section 5(a)(4) of the Act that:

"... the Corporation is in compliance with such plans."

The reasons set forth below support a Board determination that the requirements of Section 5(a)(5) of the Act have been met with respect to issuance of the Second Takedown. The staff recommends that the Board so determine.

DISCUSSION

The applicable Operating Plan and Financing Plan are those dated July 10, 1980 as modified by the Board in Base Case II (the "July Operating Plan" and the "July Financing Plan").

The July Request indicates that Chrysler's directors have determined that:

"The Company and its subsidiaries are in compliance with the Operating Plan and the Financing Plan."

As a condition to actual issuance of the loan guarantees, Chrysler and its officers and directors will, pursuant to Section 4.01(e) of the Agreement to Guarantee, certify the company's continued compliance with Section 5(a)(5) of the Act at the Closing.

The staff of the Board and its consultants know of nothing to indicate that the Company is not now in compliance and will remain in compliance with the July Plans through the Closing Date. The company's actions and projections appear to be those reflected in the Plans. While the Plans themselves indicate that the company is considering action that may differ from those reflected in the Plans, these have not yet been formally adopted implementation has not begun.

The company's operating and financing results to date appear consistent with those included in the plan. In their efforts in connection with the current Base Case II analysis, the Board's consultants confirmed that the company's operating results to date are in substantial accordance with these plans. In connection with the closing for the first takedown on June 24, the company provided preliminary final statements of the operating results through May 31, together with the opinion on those results of its independent auditors Touche Ross & Co.; those results are reflected in and consistent with the July Plan.

Recommendation: That the Board determine that the requirements of Section 5(a)(5) have been met with respect the Second Takedown.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(6): Assurances that the Operating Plan and Financing Plan are Realistic and Feasible

Section 5(a)(6) of the Act provides that the Board may only issue a loan guarantee if, in connection with the issuance thereof:

> "... the Board has received such assurances as it may require that such plans (the operating and financing plan) are realistic and feasible."

The relevant Operating Plan and Financing Plan are those submitted by Chrysler dated July 10, 1980 (the "July Operating Plan" and "July Financing Plan"). This memorandum, like the comparable May 10 and June 24 analyses, discusses the assurances given the Board by others to address this question. The preceding staff memorandum in support of the Section 5(a)(4) determination discusses the analyses of the Operating Plan and Financing Plan performed by staff and consultants to the Board.

The assurances the Board has received and the staff analysis with respect to Section 5(a)(4) would support a determination by the Board that the requirements of Section 5(a)(6) are met with respect to these plans. The staff recommends that the Board so determine.

1. Operating Plan

Chrysler's directors have reviewed the July Operating Plan and determined that it is realistic and feasible. In its analysis of the requirements of Section 5(a)(4) of the Act, the staff has recommended that the Board determine that the Plan, as adjusted to Base Case II, meets the requirements of Section 4 of the Act, including that it is satisfactory, realistic and feasible based on the staff analysis. The staff conducted extensive analysis of the Operating Plan in connection with its recommendation. Results to date appear consistent with the Operating Plan and can be projected to be consistent with the Operating Plan as redefined by the Base Case II. As a precondition to actual issuance of the guarantee for the Second Takedown, the Agreement to Guarantee will require Chrysler and its officers to deliver at the Closing for the Second Takedown a certificate confirming their earlier certificate to these effects. [Sections 4.01, 4.04 and 4.05] The staff believes that these assurances are adequate to satisfy Section 5(a)(6) of the Act.

Furthermore, the July Request includes forms of opinions to be delivered at the Closing for the Second Takedown from Chrysler's consultants (Booz Allen) and independent accountants (Touche Ross) with respect to specific matters in connection with the Operating Plan. As described in the financing analysis, the Booz Allen opinion submitted in draft form in Chrysler's July Request indicates additional risks for 1980 and 1981 to the Company's Operating Plan and states that a restructuring of the Company is essential and feasible. The staff's Base Case II analysis takes these risks into account and includes elements of the restructuring in its analysis. Also, as discussed, Chrysler's Chairman has indicated that the company will undertake the restructuring.

At the closing, Touche Ross will deliver an opinion confirming results through June 30 and opining with respect to the Operating Plan and the Financing Plan that:

> "... nothing came to our attention which would cause us to believe that the Plans were not prepared on a basis substantially consistent with the applicable generally accepted accounting principles ..."

On June 24, the Department of Transportation indicated that it has not changed its earlier analysis in light of recent developments. A similar confirmation will be provided at the Closing for the Second Takedown.

Ernst & Whinney participated in the preparation of the Base Case II analyses.

2. Financing Plan

Similarly, Chrysler's July Request includes the certification of its officers that the Financing Plan is reasonable and feasible. Forms of opinions including assurances from Chrysler's financial advisor (Salomon Brothers) and auditor (Touche Ross) as to specific matters are included in the July Request. The staff's analysis indicated that results to date are consistent with this Financing Plan, and that projected developments should be consistent with the Financing Plan as adjusted by the Base Case II. Furthermore, pursuant to Section 5(a)(4) of the Act the Board has concurrently herewith determined that the Financing Plan meets the requirements of Section 4 of the Act including that it is satisfactory, realistic and feasible based on the staff analyses. The staff conducted extensive analyses of the Financing Plan in connection with such determination and believes that the Financing Plan is a realistic and feasible plan for meeting the needs of the Corporation. Pursuant to Section 5(a)(4) of the Act, the Board has also concurrently determined that it had received adequate assurances regarding the

availability of all financing contemplated by the Financing Plan and that such financing is adequate to meet all the Company's projected financing needs during the period covered by the Financing Plan. Therefore, the staff recommends that the Board affirmatively determine that the assurances received provide adequate assurances as required under Section 5(a)(6) of the Act.

In addition, as a precondition to actually issuing loan guarantees, the Agreement to Guarantee will require Chrysler and its directors and officers to certify that the Financing Plan is realistic and feasible as of the Closing for the Second Takedown. [Sections 4.01(i), 4.04, and 4.05]

Recommendation: That the Board determine that the requirements of Section 5(a)(6) have been met for the Second Takedown.

Attachment I

U.S Department
of Transportation

**Research and
Special Programs
Administration**

The Administrator

400 Seventh Street S W
Washington D C 20590

July 15, 1980

MEMORANDUM FOR: Brian Freeman
Deputy to the Assistant Secretary
for Domestic Finance
Treasury Department

FROM: Howard Dugoff

SUBJECT: Update on DOT Automotive Market Analysis

Pursuant to your request, this is to confirm that this Department continues to see no basis for alteration to the substantive findings of our April 29, 1980, Preliminary Automotive Market Price Analysis. See my memo of June 24, 1980, copy attached.

Attachment

DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION
WASHINGTON, D C 20591

OFFICE OF
THE ADMINISTRATOR

June 24, 1980

REFER TO:

MEMORANDUM FOR: Brian Freeman
Deputy to the Assistant Secretary
for Domestic Finance
Treasury Department

FROM: Howard Dugoff
Administrator

SUBJECT: Confirmation of the DOT Preliminary Analysis

Notwithstanding the major general slump in auto sales since we forwarded our Preliminary Automotive Market Price Analysis on April 29, 1980, we see no basis for alteration to the substantive findings of that report. The Chrysler new product line, the "K-Car", is sized to the present market demand. While the normal risks of a new model introduction may be augmented by public apprehension over the stability of the corporation, there is a good chance the new line will sell well and at the price Chrysler projects. The risk to continued sales of Chrysler larger rear-wheel-drive models remains. There is not yet any indication of whether the market will, or will not, regain strength on these conventional cars.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(7): Agreement to Submit Revised Operating Plan and Financing Plan

Section 5(a)(7) of the Act provides that the Board may only issue a loan guarantee if in connection with the issuance thereof, the Board determines that:

> the Corporation has agreed for as long as guarantees issued under this Act are outstanding --
>
> > (A) to have prepared and submitted on or before the thirtieth day preceding each fiscal year beginning after December 31, 1980, a revised operating plan and financial plan which cover the four year period commencing with such fiscal year and which meets the requirement of section 4; and
> >
> > (B) to prepare and deliver to the Board within one hundred and twenty days following the close of each fiscal year an analysis reconciling the Corporation's actual performance for such fiscal year with the operating plan and the financial plan in effect at the start of such fiscal year."

The reasons set forth below support a determination by the Board that the requirements of Section 5(a)(7) have been met. The staff recommends that the Board so determine.

DISCUSSION

The basis for the Board's May 10 determination continue to to support a determination by the Board at this time.

Chrysler's July Request includes the certificate of its officers and directors that Section 5(a)(7) is met. Chrysler has, in the Agreement to Guarantee, covenanted and agreed to submit to the Board revised Operating and Financing Plans upon specified terms and conditions that meet and exceed the requirements imposed by Section 5(a)(7)(A) of the Act. These provisions were approved by the Board in connection with its May 10 determinations and June 24 confirmation prior to execution of the Agreement to Guarantee. These provisions have not been amended and no development has occurred which suggests that these provisions are not adequate for the Section 5(a)(7) requirement or otherwise. These provisions are reviewed below.

Section 6.06 of the Agreement to Guarantee provides in pertinent part:

> Revisions to Operating Plan and Financing Plan. On or before the 30th day preceding the end of each fiscal year ending after the date of this Agreement, the Company shall deliver to the Board a proposed form of Operating Plan and Financing Plan, each of which shall cover the next succeeding four fiscal years of the Company and shall meet the requirements of Section 4 of the Guarantee Act.

Sections 6.07 and 6.08 of the Agreement to Guarantee also address the Section 5(a)(7) requirement. They provide:

> 6.07 Annual Reconciliation to Operating Plan and Financing Plan. As soon as practicable, and in any event no later than 120 days after the end of each fiscal year ending after the date of this Agreement, the Company shall deliver to the Board an analysis reconciling the audited financial statements for such fiscal year delivered to the Board pursuant to Section 6.01 with the Operating Plan and the Financing Plan in effect at the start of such fiscal year. Each such analysis shall be accompanied by certificates in form and substance satisfactory to the Board from the Consultant (as to the Operating Plan) and from the Financial Advisor (as to the Financing Plan) with respect to the accuracy of such analysis.
>
> 6.08 Quarterly Reconciliation to Operating Plan and Financing Plan. As soon as practicable, and in any event no later than 45 days after the end of the first three quarterly accounting periods in each fiscal year ending after the date of this Agreement, the Company shall deliver to the Board an analysis reconciling the financial statements for such accounting period delivered to the Board pursuant to Section 6.01, with the Operating Plan and the Financing Plan in effect at the start of such fiscal year. Each such analysis shall be accompanied by opinions in form and substance satisfactory to the Board from the Consultant (as to the Operating Plan) and the Financial Advisor (as to the Financing Plan) with respect to such analysis.

The Agreement to Guarantee by its terms remains in effect for so long as any Federally guaranteed loans are outstanding subject, of course, to modification by mutual agreement of the Board and Chrysler.

As a condition to actual issuance of the guaranteed loans in the Second Takedown, the Agreement to Guarantee also requires Chrysler to again certify at the time of issuance that it is in compliance with the Agreement to Guarantee and to the offset that Section 5(a)(4) is met. [Section 4.01(h)] If it is unable to make this certification, the loan guarantee will not be issued.

Furthermore, other provisions of the Agreement to Guarantee and the Procedures Memorandum help assure continued compliance with this requirement, by requiring regular certifications and reports; the failure to adhere to these requirements could constitute defaults which would trigger repayment of guaranteed loans.

Recommendation: That the Board determine that the requirements of Section 5(a)(7) have been met with respect to the Second Takedown.

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MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(8): Foreign Entity Merger

Section 5(a)(8) of the Act authorizes the Board to issue a loan guarantee only if, at the time of issuance thereof, the Board determines that:

> "... there is no substantial likelihood that Chrysler Corporation will be absorbed or merged with any foreign entity."

The reasons summarized below support a determination by the Board for the Second Takedown, that there is no substantial likelihood that Chrysler will be absorbed by or merged with any foreign entity. The staff recommends that the Board so determine.

DISCUSSION

Certification by Chrysler and its Officers and Advisors. The parties most likely to know of the likelihood that Chrysler will be merged or absorbed by a foreign entity-- Chrysler and its directors and officers--have included in Chrysler's July Request their certification stated that there is no substantial likelihood of such events occurring.

Pursuant to Section 4.01(i) of the Agreement to Guarantee, Chrysler will at the Closing for the Second Takedown, deliver written certificate from its officers and directors to this effect and confirm the representation and warranty of Section 3.42 of the Agreement that:

> "There is not substantial likelihood that the Company will be acquired by any foreign entity."

If the company cannot make this representation at the Closing, it will not receive guarantees. [Section 4.10]

Covenants of Agreement to Guarantee. Likewise, Section 7.19 of the Agreement to Guarantee precludes merger or consolidation generally:

> "The company shall not, and shall not permit any significant Subsidiary to liquidate, dissolve, merge or consolidate...."

At the Closing for the Second Takedown, Chrysler will confirm that it is in compliance with the provisions of the Agreement as a condition. [Section 4.10]

Chrysler's Situation. Finally, Chrysler's current financial situation as discussed in the staff analysis in support of the determinations by the Board under Section 5(a)(4) concerning the company's Operating and Financing Plans and under Section 5(a)(1) concerning the absence of credit elsewhere, support the view that there is no substantial likelihood of such a merger.

Additional support for this view is provided by the detailed staff analysis provided in support of the Board's May 10 determination under Section 5(a)(8) for the initial takedown, which concluded that a merger is also unlikely because of the nature of the company's business and potential merger candidates. No development or information has come to the staff's attention since May 10 that would change that analysis.

Recommendation: That the Board determine that the requirements of Section 5(a)(8) have been met with respect to the Second Takedown.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 5(a)(9): Compliance with Commitment

Section 5(a)(9) of the Act provides that the Board may only issue a loan guarantee if, in connection with the issuance thereof, the Board determines that:

> "the borrower is in compliance with the terms and conditions of the commitment to issue the guarantees required by the Board pursuant to Section 9(b), except to the extent that such terms and conditions are modified, amended, or waived by the Board."

The reasons set forth below support a determination by the Board that the requirements of Section 5(a)(9) are met with respect to Chrysler's July Request for the Second Takedown. The staff recommends that the Board so determine.

DISCUSSION

The terms and conditions of the Board's commitment to issue guarantees to Chrysler are contained in the Agreement to Guarantee that was entered on June 24 between Chrysler and the Board. The only "borrower" under the Agreement to Guarantee is Chrysler Corporation. The Agreement to Guarantee expressly requires Chrysler and its officers and directors, to certify, as a precondition to each guaranteed borrowing made, that "the Company and its Subsidiaries are in compliance with the terms and conditions of this Agreement," and conditions the issuance of guarantees on the satisfaction of a series of conditions. [Section 4.01(h), Section 4.01]

The staff has no reason to believe that Chrysler and its officers and directors will not be able to deliver this certification or that it would be incorrect at the Closing for the Second Takedown or that Chrysler will otherwise be unable to meet the conditions of the Agreement to Guarantee.

Chrysler's July Request includes the certificate of its directors and officers that the Company and its subsidiaries are in compliance with the terms and conditions of the Agreement to Guarantee.

Pursuant to Section 4.01 of the Agreement to Guarantee, the company and its officers and directors will confirm this representation at the Closing and provide a certificate to the effect that it is met. Furthermore, additional provisions of the Agreement to Guarantee and the Procedures Memorandum operate

to assure that Chrysler remains in continued compliance by requiring ongoing certifications and reports. The failure to adhere to these provisions and constitute a default might trigger repayment of all guaranteed loans.

Recommendation: That the Board determine that the requirements of Section 5(a)(9) have been met with respect to the Second Takedown.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Sections 5(c) and 5(d): Guarantee Fees

Sections 5(c) and 5(d) of the Act respectively require the Board to impose a guarantee fee to cover the Government's administrative expense in connection with the guarantee program and, to the extent feasible, to impose an additional guarantee fee as compensation for the risk incurred by the Government in guaranteeing the loan. Section 5(c) provides:

> "The Board shall prescribe and collect no less frequently than annually a guarantee fee in connection with each guarantee made under this Act. Such fee shall be sufficient to compensate the Government for all of the Government's administrative expense related to the guarantee but in no case may such fee be less than one-half of 1 per centum per annum of the outstanding principal amount of loans guaranteed under this Act computed daily."

Section 5(d) provides:

> "To the maximum extent feasible, the Board shall ensure that the Government is compensated for the risk assumed in making guarantees under this Act, and for such purpose the Board if authorized to--
>
> (1) prescribe and collect a guarantee fee in addition to the guarantee fee required by subsection (c);
>
> (2) enter into contracts under which the Government, contingent upon the financial success of the Corporation, would participate in gains of the Corporation or its security holders; or
>
> (3) use other instruments deemed appropriate by the Board."

The staff believes that the Board should make this determination for the reasons that justified its May 10 determination that the requirements of Section 5(c) and Section 5(d) are met with respect to the issuance of guarantees of loans Chrysler's July Request for the Second Takedown by the guarantee fee and warranty requirements of Section 2.02 and 4.29 of the Agreement to Guarantee.

Section 5(c) Requirement: Covers Administrative Expenses

The requirements of Section 5(c) continue to be met because:

- Section 2.02 of the Agreement to Guarantee requires Chrysler to pay a guarantee fee equal to one percent per annum of the outstanding principal amount of loans guaranteed.

- This fee is anticipated to be sufficient to compensate the Government for all administrative expenses relating to the guarantees for fiscal years 1980 through 1983. The Treasury Department's budgeted expenses were considered in the staff analyses presented to the Board on May 10 and June 24. Additional expenses are being incurred by the Board members' agencies but would also appear to be covered by the potential guarantee fees. The company's July Financing Plan and the staff's Base Case II analyses project even higher balances and fees than was the case when the Board made its May 10 determination and June 24 affirmation. These are reviewed in Attachment I. All would appear to adequately cover actual administrative costs. Furthermore, Section 2.02 of the Agreement to Guarantee authorizes the Board to increase the guarantee fee, from time to time as it deems necessary, by 1/2 of one percent per annum. It can be exercised so as to assure that all costs are met.

Section 5(d) Requirement: Covers Risk Assumed

The requirements of Section 5(d) are met because:

- Section 2.02 of the Agreement to Guarantee requires Chrysler to pay an additional guarantee fee, commencing after December 31, 1983, or the amount of guaranteed indebtedness outstanding after December 31, 1983. Since the Government's risks increase the longer the guarantees remain unpaid, the additional guarantee fee is equal to an ever increasing percentage of the corporation's net operating cash flow, increasing from 1/2 of one percent per annum to 1-1/2 percent per annum during 1984-1990.

- Section 4.29 of the Agreement to Guarantee requires Chrysler to issue to the Government of up to 18 million warrants exercisable at $13 by the Board as a condition precedent to the issuance of any guarantee, but with the warrants apportioned for the amount of guarantees actually issued and outstanding at any one time. The Board will not be able to exercise these warrants without obtaining an appropriation from the Congress. Warrants for 6 million shares were issued in connection with the June 24 takedown of $500 million in guaranteed loans. Additional warrants will be issued in connection with the Second Takedown at the rate of 1.2 million shares for each $100 million in loans guaranteed.

- The additional guarantee fee and the issuance of these warrants continue to compensate the Government for the risk assumed in making the guarantees to the maximum extent feasible, taking into account the projected earnings of the corporation and its capital requirements.

Recommendation: That the Board determine that the requirements of Section 5(c) and (d) have been met in connection with the Second Takedown.

Attachment I

Chrysler Financing Plan:
Daily Average of Outstanding Loans

Calendar Year	Chrysler		Base Case II
	April 28 Plan	July 10 Plan	
	(Dollars in millions)		
1980	$ 425	$ 625	480
1981	500	900	1,150
1982	500	800	1,150
1983	0	650	1,025
1984	0	300	800
1985	0	50	325

Guaranteed Fees Generated

Calendar Year	Chrysler		Base Case II
	April 28 Plan	July 10 Plan	
	(Dollars in millions)		
1980	$ 4.25	$ 6.25	$ 4.80
1981	5.00	9.00	11.50
1982	5.00	8.00	11.50
1983	0	6.50	10.25
1984	0	3.00	8.00
1985	0	.50	3.25
Total	$14.25	$33.25	$49.30

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 6(a)(1): Wage Concessions by Unionized Employees

Section 6(a)(1) of the Act requires that no loan guarantee may be issued if the Board determines that:

(a) "Collective bargaining agreements entered into by the Corporation after September 14, 1979, with labor organizations representing employees of the Corporation which govern the payment of wages and benefits to such employees from September 14, 1979, to September 14, 1982, have not been modified so that the cost to the Corporation of such wages and benefits, as determined by the Board, shall be reduced by a total amount of at least $462,500,000 for the three-year period ending on September 14, 1982, below the cost of such wages and benefits which the Corporation would otherwise have been obligated to incur during such period, except that such dollar amount shall include $203,000,000 in wages and benefits to be forgone pursuant to the master collective bargaining agreement entered into on October 25, 1979, between the Corporation and the International Union, United Automobile Aerospace and Agricultural Implement Workers of America."

The Act also sets the following requirements with respect to union concessions in Sections 6(b)-(f):

(b) "The limitations set forth (above) shall not apply to any increase in wages or benefits required by law."

(c) "Any increase in the wages and benefits of a person employed by the Corporation resulting from reclassification or reevaluation of a job or a promotion effected in order to evade the provisions of this section shall be considered an indirect form of compensation."

(d) (1) "The Corporation shall not enter into a collective bargaining agreement with a labor organization which:

(A) reduces the amounts and levels of wages and benefits provided by such a collective bargaining agreement beyond the labor's organization's proportionate share, as determined by the Board, or

(B) reduces wages and benefits below the levels and amounts provided on September 13, 1979."

(2) The proportionate share of a labor organization shall be determined by multiplying the total reduction required by paragraph (1) by the quotient obtained by dividing the total number of the Corporation's employees represented by labor organizations.

(e) "The cost reduction realized by the Corporation under the terms of this subsection shall not be recoupable."

(f) "If the Board determines that cash contributions from labor organizations or employees are legally committed so that the total contributions from employees and labor organizations during the period of September 13, 1979, through September 13, 1982, will exceed the total amount of wages and benefits not paid as a result of subsection (a), the Board may permit an increase in the levels and amounts of employee wages and benefits beyond the levels and amounts in effect on September 13, 1979, which would otherwise be prohibited by subsection (a), if (1) such increase will not impair the ability of the Corporation to continue as a going concern, or to meet such other tests of viability as the Board shall prescribe, and (2) the amount of such increase does not exceed the amount of the cash contributions committed."

A determination by the Board that the requirements of Section 6(a)(1) have been met is supported by the discussion below. The staff recommends that the Board so determine.

DISCUSSION

The Board's May 10 determination and June 24 affirmation that this requirement is met should be confirmed for the reason that formed the basis for that determination. The report of the interagency task force chaired by the Department of Labor has not been changed and the labor contracts that formed the basis of the Board's determination remain in effect, and this will be confirmed at the Closing by Chrysler and by the Department of Labor.

Chrysler submitted documentation dated January 28, 1980 which sets forth the cost savings resulting from the collective bargaining agreement negotiated with the United Automobile Workers on October 25, 1979, and special provisions to that agreement negotiated on January 5, 1980. The October 25, 1979, contract was a three-year labor contract covering United States and Canadian hourly and salaried workers. It was patterned after the settlements reached earlier between the UAW and General

Motors and Ford. However, in several areas it was less favorable to Chrysler workers, resulting in a cost savings of at least $203 million. The Guarantee Act required $462.5 million of wage and benefit concessions which were to include the $203 million conceded in the October 25 agreement. After the Guarantee Act was passed by the Congress, Chrysler and the UAW negotiated additional concessions to comply with the requirements of the Act sufficient to meet the UAW's proportionate share of $462.5 million in cost savings. On February 12, 1980, documentation was submitted for cost savings resulting from agreements with five other unions that follow the UAW master agreement. These unions are the International Union of Electrical Workers, United Plant Guard Workers, Die Sinkers, Teamsters and Operating Engineers. These agreements provide comparable concessions from these unions to provide their proportionate share of the remainder of the required statutory amount of concessions from union workers.

To assist in the evaluation of the labor contracts, the Board requested that there be established an interagency Task Force, chaired by the Under Secretary of Labor, and composed of representatives from the Departments of Labor and Treasury, the General Accounting Office, the Council on Wage and Price Stability and the Council of Economic Advisors.

The Task Force obtained additional documentation and explanation of the concessions from Chrysler based upon the assumptions used in bargaining and upon various operating plans submitted through February 25, 1980. The Task Force submitted its report to the Board on March 25, 1980. Accompanying the report were legal opinions from the Solicitor of Labor, and from Chrysler's special outside counsel, Debevoise, Plimpton, Lyons and Gates regarding the appropriate employment assumptions to be used in calculating the required cost savings.

The Task Force concluded that the methodology and computations utilized by Chrysler in arriving at its cost savings for these collective bargaining agreements were both accurate and appropriate and meet the requirements of the Act.

In addition, the Department of Labor reviewed the memoranda of agreement, signed at the conclusion of contract negotiations. In its analysis in support of the Board's May 10 determination, it reported that these memoranda, together with certification by the pension fund's actuary on savings realized under outstanding pension plans indicated that the wage and benefit concessions that have been costed by Chrysler are consistent with the terms of the collective bargaining agreements.

An issue integral to an analysis of the labor cost savings is whether the controlling assumptions should be those of October 1979 or as of subsequent Chrysler operating plans. The Department of Labor undertook a legal analysis of Section (6)(a) of the Chrysler Loan Guarantee Act and in an independent legal opinion, the Solicitor of Labor concluded that the legislative history of the Act assumes that the October 1979 assumptions as to production and hours worked are controlling. Debevoise, Plimpton Lyons and Gates submitted an opinion to the same effect.

At the Board's June 24 meeting the Secretary of Labor delivered a letter to the Board confirming the conclusions of the Task Force and the Solicitor of Labor. A similar letter will be delivered at the Closing. [Attachment I]

The July Request includes the certification of Chrysler's officers and directors to the effect that Section 6(a)(1) is met.

In addition, the Agreement to Guarantee requires Chrysler and its officers and directors to confirm at the Closing for the Second Takedown, their representation and warranty in the Agreement to Guarantee that this requirement is met (Sections 3.19 and 4.01(i)). Also, pursuant to Section 4.16 of the Agreement, letters shall be received prior to the Closing from the Secretary of Labor and unions representing at least 95 percent of the company's employees recommending that the Board determine that this requirement is met.

Recommendation: That the Board determine that the requirements of Section 6(a)(1) have been met with respect to the Second Takedown.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 6(a)(2): Employee Non-Union Concessions

Section 6(a)(2) of the Act provides that no loan guarantees may be issued by the Board, if the Board determines that:

> "the Corporation has not put into effect a plan for achieving at least $125,000,000 in concessions as defined in Section 4(b)(D)(B) from employees not represented by a labor organization."

The Act qualifies this requirement by providing that it will not "apply to any increase in wages or benefits required by law". Furthermore, "any increases in wages and benefits of a person employed by the Corporation resulting from reclassification or reevaluation of a a job or a promotion effected in order to evade the provision of this section shall be considered an indirect form of compensation" and thus implicitly offset any concession reached.

The reasons below and in the foregoing discussion for the Section 6(a)(1) requirement support a finding by the Board that the requirements of the Act have been met. The staff recommends the Board so determine.

DISCUSSION

The staff believes that the Board's May 10 determination that this requirement has been met should be confirmed for the reasons that formed that basis of the determination. The report of the interagency task force chaired by the Department of Labor has not been changed and the company's plan for non-union employees has not been modified. The company submitted on February 18, 1980 its plan for implementing the concessions for these employees. This plan was supplemented by a formal plan submitted April 18, 1980. The plan was reviewed by the Task Force and found to provide the cost savings required by the Act.

Like the determination concerning the Section 6(a)(1) requirement, the Board's May 10 determination under this provision was also based on a report from the interagency task force chaired by the Deparment of Labor which concluded that Chrysler's February 18, 1980, plan for non-union employees (as supplemented on April 18, 1980) would provide cost savings which meet the requirements of the Act.

Chrysler's practice is to grant unilaterally employees not represented by labor organizations salary and benefit improvements comparable to those negotiated for union employees. Consistent with this past practice, on April 18, 1980, Chrysler submitted its final plan for non-union employees, which would provide wage and benefit concessions similar to those of non-unionized employees, which yield cost savings of $137.9 million.

The Task Force reviewed the underlying assumptions and calculations used in valuing the concessions. Their review found the calculations to be correct and the assumptions to be reasonable. They are consistent with an parallel to those used to calculate the cost savings for unionized workers reviewed in the Task Force Report on Section 6(a)(1) of the Act. The pension funds actuary Peat, Marwick, Mitchell & Co. have reviewed the reduction in pension expense to Chrysler resulting from amendments parallel to the union agreement and have found that those savings amount to not less than the amount reflected in the Plan.

Since these cost savings reflect discretionary Chrysler management actions rather than binding contracts, the Agreement to Guarantee requires Chrysler to keep its plan in effect over the guarantee period (Section 6.33).

Chrysler's July Request includes the certification of its officers and directors to the effect that Section 6(a)(2) is met.

Pursuant to Section 4.01(i) Chrysler will confirm the representation and warranty of Section 3.14 that this of the Agreement plan remain in effect in the Second Takedown.

Recommendation: That the Board determine that the requirements of Section 6(a)(2) have been met with respect to the Second Takedown.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 8(b) Determination: Accrual of Concessions and Unguaranteed Assistance

Section 8(b) of the Act limits the total principal amount of guaranteed loans outstanding at any time as follows:

> "subject to subsection (a) the total principal amount of loans which are guaranteed under this Act and which are outstanding at any time shall not exceed the amount of non-federally guaranteed assistance under Section 4(a) and the amount of concessions and contributions under Section 6 which have accrued to the Corporation."

Chrysler Corporation has requested that additional guarantees be issued for up to $300 million on the Closing Date for the Second Takedown, which will be on or after July 31, 1980. If provided, this takedown will bring total guaranteed borrowings to $800 million, including the $500 million in guaranteed loans issued on June 24, 1980. The staff recommends that the Board make the determination with respect to up to the $300 million in guarantees, as follows: that adequate assurance have been received that $250 million in guarantees of nonguaranteed assistance will have accrued as of the Closing. In addition, the staff believes that Chrysler could provide adequate assurances for up to an additional $50 million which may have accrued by the Closing Date and recommends that the Board authorize up to an additional $50 million of guarantees on the condition that Chrysler provides adequate assurance as to the financing not previously included in a financing plan for which a Section 4(a)(4) determination has been made by the Board and amount of such accruals (less any related costs) pursuant to Section 8(b) and the treatment of related costs.

Table 1 reflects the minimum amount of non-guaranteed assistance the staff calculates will have accrued as of the Closing on July 31, 1980. The amount actually accrued would vary with the actual closing date and intervening developments. In computing the amount of accruals, the staff has used the same types of assumptions used for its analysis in the May 10 determination and June 24 confirmation as applied to the current information and Chrysler's most recent projections, except as may otherwise be noted here.

The Act does not define "accrual" for purposes of Section 8(b) and, except in the case of asset sales, provides little specific guidance as to the methodology to be used in computing the amount and date of accrual of the non-federally guaranteed assistance. In the case of asset sales, the Act specifies that a conservative

estimate of the minimum amount realizable in a sale is to be used. The General Counsel of the Board believes this reflects an intention to require deduction of any brokerage commission in determining the amount of accruals with respect to net sales.

The legislative history also does not provide much specific guidance on the computation of the amount of accruals. Although the Conference Report states that "there must be at least $1 of non-federally guaranteed assistance in place for each dollar of guarantees, the application of this language to assistance which has been contracted but not received or to the computation of amounts of the accruals is not clear. "House Report 96-730, p. 18. The Senate Report, discussing a slightly different provision, indicates that the Board "has the authority to determine when funds (or concessions) have been utilized and are thus available to be used as a match for federal guarantees." Senate Report 96-463, p. 35.

As a result, except in the case of asset sales, the staff believes that the Board has the discretion to determine the timing of accruals and method of deducting any costs incurred directly to obtain the non-guaranteed assistance. The staff believes that the Board could but is not required to adopt a treatment consistent with generally accepted accounting principles, which would provide for daily accruals of non-guaranteed assistance such as the interest and pension fund deferrals and labor concessions and the amortization of associated costs in certain instances or could adopt a realization concept reflecting the actual cash benefit to Chrysler which would accrue the assistance only at the time actual payment would otherwise be required and deduct all associated costs at the outset, or could measure the amount of the accruals by the amount of commitments and concessions received. The staff notes that resolution of these issues was not required for the Board's earlier determinations, because under all alternatives, Chrysler had more than adequate accruals for the amounts of guaranteed loans involved in those determinations.

In this regard, it is the staff's recommendation that the Board adopt a treatment consistent with GAAP in each case.

1. Selling Costs of Supplier/Dealer Debentures.

At the closing for the sale of $74.6 million of supplier and dealer debentures, the underwriter (E.F. Hutton) received for Chrysler's account $16.7 million in cash with the remaining subscriptions for $58.0 million to be received in installments over the next 24 months, $2 million of which fall in July. Selling costs of approximately $4.9 million were paid to the underwriter from the initial proceeds. For Section 8(b) purposes, the staff believes the Board should pro-rate these costs so as to match the timing of the receipt of the installments, which is consistent with generally accepted accounting principles (GAAP) (as indicated in the Attachment) for an accrual of $17 million by the closing.

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If the Board were to deduct these costs at the outset, the amount of the accrual would be $14 million; if it were to disregard these costs and measure the amount of the accrual by the cash received, the amount would be $18.7 million.

2. Lender Assistance

a. Allocation of costs. A similar issue is involved in legal and other fees, incurred in the June 24 restructuring. To obtain the consent of all its institutional lenders for the restructured debt agreement, Chrysler has incurred expenses of approximately $26 million of which approimately $15 million are related to the restructuring of institttional indebtedness and other general corporate purposes. Chrysler is reviewing the allocation of this total with its accountants and will provide details at the Closing; at present, it has identified approximately $3 million as relating to the restucturing. The staff believes that GAAP would require 1) the allocable portion of the $15 million in costs of the restructuring to be expensed as incurred and excluded at the outset, 2) any costs associated with the receipt of new money, e.g. federally-guaranteed indebtedness or state and local assistance, may be pro-rated over the life of the benefit.

b. Daily accrual of benefits. Under the terms of its restructured indebtedness, Chrysler is required to pay interest quarterly, on March 31, June 30, September 31, and December 31, subject to its right to defer unless certain conditions of a doomsday type are not met. The Operating and Financing Plan do not contemplate these will be reached and the staff believes such is the case.

The staff believes that this item should be viewed as accruing on a daily basis, since this timing better relates to the actual benefits received and is consistent with GAAP, and the amount of accruals would be $33 million. If the accruals wre computed on a quarterly basis, there would be a reduction of approximately $9 million.

3. Pension Deferral

In its July Request, Chrysler has again urged that the accrual of the pension deferral not be adjusted to exclude the $100 million for the line of credit the PBGC has from the Treasury and $14 million in related imputed interest and requests the Board accept its methodology. The issue is what time this amount should be excluded from the accruals. There are basically four alternatives:

1. Exclusion on a pro-rata basis. The $100 million and related $14 million of imputed interest could be excluded pro-rata over the 1980-1983 plan period, and is the method of calculation in Table 1. This approach would be justified on the ground that there is no inherently right or wrong treatment for this item, and the most reasonable approach would be to pro-rate these amounts over the 4-year period of the deferral.

2. Exclusion at the end of the period. The staff in its continuing analysis and its discussions with the Corporation and its actuaries have confirmed that there are sufficient assets in Chrysler's pension funds - approximately $1 billion -- to pay the pension obligations for as much as 6 to 7 years, assuming the pension funds historical earnings rate. Conservatively increasing pension payments to reflect early retirements which may result from a Chrysler bankruptcy, the pension funds assets would probably be sufficient at least until 1983 at which time, the liability of the PBGC would be triggered. Using this methodology would add $15 million to the Table 1 July 31 accrual.

3. Exclusion immediately. The line of credit and related imputed interest could be excluded immediately, which would decrease the Base Case July 31 accrual by $98 million. This approach could be justified on the ground that the Board should taked the most conservative approach available in applying Section 8(b).

4. No exclusion. There are two arguments for this approach. First, the line of credit is applicable to all obligations of the PBCG and would be required to be utilized to honor the PBCG's entire unfunded obligation for other employers and for Chrysler in the event of a Chrysler failure without regard to the current deferral. Accordingly, its use would not relate to the deferrals. Second, as indicated, Chrysler's pension fund assets appear adequate to meet liabilities through the period 1983, and thus any use would not occur during that period.

The staff's view is that the first approach should be used for the present but that the Board retain the option to adopt the second approach.

Table 1 indicates the accrual that would result under the staff's approach, with the pension deferral exclusion prorated. If the second alternative for pension deferrals were used, the amount would increase by $15 million. Table 2 indicates the results under the alternatives indicated and reflects other possible additions or decreases to the Base Case total.

4. Supplier Deferrals

Chrysler has recently instituted a program to obtain the right to extend the terms of payment by 30 days at interest rates to be negotiated on a case by case basis. Requests for this deferral right, through December 31, 1983 are being made to the 500 largest suppliers which did not participate in the sale of the Subordinated Debenture; requests for this deferral right for a one year period

are being made to those supliers which did purchase the subordinated Debenture. Chrysler has estimated that these will amount to $20 million by the Closing date. While the staff believes that certain of these deferrals could count for purposes of Section 8(b), sufficient doumentation and information has not been received at this time to compute the amount, if any, which could be counted.

5. Indiana

Chrysler expects to receive the $32 million in proceeds from the investment to be made by the Indiana Board for Debentures by the Closing Date. If this is done, the amount of the accruals would increase by approximately $32 million.

Table 1

Accrual of Non-Federal Assistance[1]
as of July 31, 1980
(Dollars in millions)

	7/31/80
Asset sales	$222
State and local gov't assistance	155
Supplier and dealer debentures	17
Supplier and dealer extended terms	2
Financial institutions	53
Employee concessions	139
Pension deferrals[2]	163
	$751
Requested guaranteed loans	800
Excess (Shortfall)[3]	$(49)

1 These amounts reflect daily accrual of benefits of lender assistance, pension fund deferrals, and employee concessions. Costs associated with supplier and dealer debentures are accrued over the term of the benefit. Costs of real estate sales ($3 million) are excluded at the outset.

2 Excludes $114 million of PBGC line of credit at the U.S. Treasury and related imputed interest on a pro-rata basis.

3 Subject to adjustment for work in which adequate confirmation of accrual is secured by the Closing.

Table 2

Potential Variances in Accruals
of Non-Guaranteed Assistance

	7/31/80
Accrual from Table 1 /1	
Asset sales	$222
State and local government assistance	155
Suppliers and dealers:	
Debentures	17
Extended terms	2
Financial institutions	53
Employee concessions	139
Pension deferrals	163
Total	$751
Potential Additional Decreases	
Restructuring costs under review	(12)
Debenture expenses	(5)
Banks: quarterly accruals	(9)
Subtotal	(26)
Net Total	$725
Other variances from Chrysler's 7/7 Projection:	
Potential Additions	
Extended supplier terms	20
Indiana	32
Subtotal	52
Total Table 1 Accrual Plus Potential Additions	$807
Above less all potential restructuring costs and Debenture expenses	$790
Other Potential Additions:	
Pension deferrals /2	15
Total Table 1 Accrual plus All Potential Additions	$819

/1 Includes adjustments for timing of benefits, adequate assurance, and pro-rating of certain costs. Exclusion of $114 million of pension fund deferrals is pro-rated 1980-1983.

/2 Exclusion in 1983 of $114 million PBGC line of credit and related imputed interest.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 10(b): General Accounting Office Audits

Section 10(b) of the Act provides that:

"The General Accounting Office may make such audits as may be deemed appropriate by the Comptroller General of the United States of all accounts, books, records, memoranda, correspondence, and other documents and transactions of the Corporation and any other borrower. No guarantee may be made under this Act unless and until the Corporation any any other borrower agree, in writing, to allow the General Accounting Office to make such audits . . . ."

The reasons set forth below support a determination that this requirement is satisfied with respect to guarantee of loans to Chrysler pursuant to July Request for the Second Takedown. The Board staff recommends that the Board so determine.

DISCUSSION

The staff believes that the Board's May 10 determination that these requirements have been met should be confirmed for the reasons that formed the basis for that determination.

- The only borrower for the guaranteed loans contemplated by the Second Takedown is Chrysler Corporation.

- The guarantees would be issued pursuant to the Agreement to Guarantee, which contains provisions that specifically authorize General Accounting Office (GAO) audits and permit GAO access to documents and knowledgeable individuals. The relevant provisions are Sections 6.11 and 6.12 which are summarized below.

- Pursuant to Section 4.27 of the Agreement to Guarantee (also summarized below), Chrysler Corporation's subsidiaries and affiliates (as defined in the proposed Agreement to Guarantee)[1] delivered to the Board, on June 24 at the closing for the Agreement to Guarantee and the first takedown, written agreements consenting to the same audit and access provisions.

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[1] In general, a Chrysler Corporation affiliate is an entity over which Chrysler has the power to direct or cause the direction of its management and policies. A Chrysler subsidiary is an entity in which Chrysler owns voting shares sufficient to elect a majority of the Chrysler's board of directors or other governing body.

Chrysler's July Request includes the certification of its officers and directors that Section 10(b) is met.

Finally, at the Closing for the Second Takedown, Chrysler will be required by the Agreement to Guarantee to certify that Section 10(b) is met. Additional subsidiaries and affiliates, if any, which have not yet submitted consent will be required to submit them at the Closing.

Recommendation: That the Board determine that the requirements of Section 10(b) have been met with respect to the Second Takedown.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 11(b): Undertakings to Sell Assets in Excess of $5 Million

Section 11(b) of the Act provides that:

"If the Corporation undertakes a sale of any asset having a value in excess of $5,000,000, and if the Board determines such sale is likely to impair the ability and capacity of the Corporation to repay the guaranteed loans as scheduled, or to impair the ability of the Corporation to continue as a going concern or to meet such other tests of viability as the Board shall prescribe, the Board shall not issue any further guarantees for loans under this Act, and all guaranteed loans made prior to such determination shall be due and payable in full."

Chrysler's July Request for an issuance of the Second Takedown indicates that since the initial takedown on June 24 (as approved by the Board on May 10), the company has not undertaken nor does it propose to undertake in the immediate future, the sale of any asset with a value in excess of $5,000,000. 1/

The Financing Plan continues to contemplate the sale of surplus real estate and 51 percent of Chrysler's current 100 percent interest in Chrysler Financial Corporation. However, the timing of these sales does not require current action by the Board and the staff recommends no action.

Chrysler has indicated that questions have arisen concerning whether approval under Section 11(c) of the Act of certain of Chrysler's financing agreements providing for sales of receivables (listed in Attachment I and a part of the debt restructuring plan) constitute approval of actual sales of receivables pursuant to the terms and conditions of such financing agreements applicable to periodic sales of receivables thereunder. On June 24, 1980, the Board approved the financing agreements listed as items 1, 2, and 3 of Attachment I for purposes of Section 11(c), and the staff has today recommended that the Board approve the financing agreement listed as item 4 of Attachment I. The staff therefore recommends that the Board determine that the financing agreements listed in Attachment I be deemed approved under Section 11(b), and that sales of receivables in substantial accord with said financing agreements as in effect on the date hereof be considered also approved under Section 11(b).

1/ Chrysler has proposed the sale of a corporate jet airplane to Chrysler Overseas Credit Corporation ("COCC"), and the sale of the Eight Mile/Outer Drive stamping plant to COCC. Since the proposed sales listed in the immediately preceding sentence are all intra-corporate transactions, they are not subject to the provisions of Section 11(b).

Since Chrysler has not sold any assets having a value in excess of $5 million since June 24, 1980 (with the exception of the sales of receivables discussed in the immediately preceding paragraph), and since Chrysler does not propose to undertake to sell any asset having a value in excess of $5 million (with the possible exception of a sale of surplus real estate as contemplated by the Financing Plan) before the Closing of the Second Takedown, the staff therefore recommends that the Board determine that the requirements of Section 11(b) have been met.

Recommendation: That the Board determine that the requirements of Section 11(b) have been met.

ATTACHMENT I

1. The Amended and Restated Purchase Agreement Dated as of May 15, 1980, amending and restating the Purchase Agreement dated as of July 1, 1978, as amended as of May 15, 1979, among Manufacturers Hanover Trust Company ("MHTCo"), Chrysler Credit and CFC.

2. The Amended and Restated Supplemental Purchase Agreement dated as of May 15, 1980, amending and restating the Supplemental Purchase Agreement dated as of May 15, 1979, among MHTCo, Chrysler Credit and CFC.

3. The Retail Standby Purchase Agreement dated as of May 15, 1980, among MHTCo, Chrysler Credit and CFC.

4. Second Amended and Restated Purchase Agreement entered into as of April 16, 1980, dated as of August 15, 1979 among Household Finance Corporation, Chrysler Credit Corporation, and Chrysler Financial Corporation and amendment thereto by letter agreement dated as of June 18, 1980.

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 11(c): Contracts in Excess of $10 million

Section 11(c) of the Act provides that:

> If the Corporation enters into any contract, including but not limited to future wage and benefit settlements, having any aggregate value of $10,000,000 or more, the Board shall determine and certify that the performance of the obligations of the Corporation pursuant to such contract will not reduce the ability of the Corporation to repay the guaranteed loans as scheduled, will not conflict with the Corporation's operating plan or financing plan as required under this Act, and will not impair the ability of the Corporation to continue as a going concern or to meet such other tests of viability as the Board shall prescribe. If in any case such determination and certification cannot be made, the Board shall not issue any further guarantees for loans under this Act until such certification can be made, and all loans guaranteed under this Act shall be due and payable in full.

Pursuant to the Agreement to Guarantee, Chrysler will submit to the Board a list of all contracts having a value of $10 million or more entered into by the Company between June 24, 1980 and the date of the Closing for the Second Takedown. Moreover, the Detroit Regional Office of the General Accounting Office ("GAO") and the Board's staff in Detroit have reviewed all contracts entered into by Chrysler which require special review pursuant to the "Guidelines for Loan Guarantee Board Approval under Section 11(c) of the Act" approved by the Board on May 10 (the "Guidelines").

In addition, Chrysler has submitted to the Board its quarterly certificate, required under §6.36 of the Agreement to Guarantee, with respect to all transactions subject to §11(c) entered into during the second quarter ended June 30, 1980. (Attachment II)

The Board's staff recommends that the Board take the following actions with respect to the requirements of Section 11(c) of the Act:

- Determine and certify that the performance of the obligations of the Corporation (as defined in §2.3 of the Act) pursuant to any contract listed in Attachment I having an aggregate value of $10 million or more entered into from June 24, 1980 through the date hereof will not reduce the ability of the Corporation to repay

the guaranteed loans, will not conflict with the Operating or Financing Plans and will not impair the ability of the Corporation to continue as a going concern or meet the tests of viability prescribed by the Board pursuant to Section 2(6) of the Act.

- Determine that a proposed contract to procure up to 550,000 engines from PSA Peugeot-Citroen ("Peugeot") meets the requirements of Section 11(c).

DISCUSSION

Chrysler has provided the Board's staff in Detroit and the GAO Regional Office in Detroit with copies of all contracts having a value of $10 million or more entered into since June 24, 1980. Chrysler has also submitted draft agreements for those transactions into which it anticipates entering in the near future. Attachment I is a list of all such contracts and draft agreements as provided by Chrysler.

Of the transactions set forth in Attachment I, three required special review pursuant to paragraph 2 of Part B of the "Guidelines". They were first reviewed by either the Board's staff in Detroit or by the GAO Regional Office in Detroit (Attachment III). Their conclusions are that none of the transactions reviewed either conflict with or would conflict with the standards of Section 11(c).

Chrysler will also furnish a certificate at the Closing for the Second Takedown that only the proposed Puegeot engine contract and the transactions listed in Attachments III (plus any new contracts entered into between the date hereof and the Closing requiring special review) are subject to review pursuant to the Guidelines. The Board's current determination applies only to the contracts and draft agreements presently before the Board as listed in Attachment I.

The Board staff has reviewed the GAO report, the report of the Board's staff in Detroit, as well as the list of transactions presented as Attachment I, and believes that the performance of the obligations of the Corporation pursuant to such contracts will not have any of the adverse affects specified in Section 11(c) and recommends that the Board make the determination and certification required under Section 11(c) with respect to such contracts, subject to receipt from the Corporation of the following items when required by paragraph 3 of Part B of the Guidelines:

1) The certificate of the chief financial officer and chief accounting officer of Chrysler required under paragraph 3(b) of Part B of the Guidelines.

2) The opinion of the General Counsel of Chrysler required under paragraph 3(c) of Part B of the Guidelines.

3) The certificate of the chief operating officer of Chrysler required by paragraph 3 of Part B of the Guidelines with respect to the agreement with Peugeot, which has an aggregate value in excess of of $50 million.

Peugeot Contract

In a July 1, 1980, letter to the Board (which was updated on July 9) Chrysler requested approval of an agreement with Peugeot to purchase a minimum of 295,000 and a maximum of 550,000 four cylinder engines for model years 1982-1985. The contract is described in detail in the staff memorandum otherwise provided to the Board. The agreement offers Chrysler several advantages:

1. This contract would allow the company to increase its capacity to produce the K car. Current plans call for a third K car assembly plant to begin production in February 1982 with a capacity of 178,000 units during the remainder of the 1982 model year. An assured supply of engines, however, would permit the plant to begin production at the beginning of model year 1982; increasing this plant's 1982 model year capacity to 298,000 units. Although current sales projections do not predict sales above Chrysler's planning levels, the market could improve by 1982. If so, Chrysler would not have the production capacity to meet any of the increased demand unless it accelerates K-car production.

2. The engines made available through the Peugeot contract could offset any potential shortfalls in four cylinder engines which might develop from Chrysler's own production or from other suppliers, although none is now expected.

3. This assured supply of engines would also overcome a projected shortfall of engines for the 1984 model year. The rate of return would be insufficient for Chrysler to increase its own production capacity to cover the shortfall and no other supply appears available at this time.

Thus, the Peugeot contract would give Chrysler the opportunity to increase production if the market improves in 1981 and 1984 and would protect against potential near-term and projected long tern shortfalls in engine supply. The total penalty cost of the contract, if none of these events occur and no engines are needed, would be about $36 million. The penalty costs are described in the Chrysler letters.

The staff has closely reviewed this contract, and all projected costs and capital expenditure requirements.

The staff believes that the risk to reward ratio is quite favorable. The contract would place Chrysler in a position to significantly increase its profits at a very low cost. This relationship is further detailed in the analysis prepared by John Secrest.

The staff also believes that this contract meets the three requirements of Section 11(c). First, as mentioned above, the maximum cost of the contract if no engines are ordered will be $36 million; an amount easily absorbed over several years in a company of Chrysler's size. If engines are purchased, it will be in response to identified market needs and, hence, will be profitable. Acceleration of the K car capacity, however, will also accelerate the need for capital by a total of $77 million in 1980 and 1981. In Appendix J to the Operating Plan Chrysler states: "Chrysler commits that the accelerated spending requirement will be offset through reductions in other programs." For these reasons, the staff believes that the company's ability to repay the guaranteed loans will not be reduced by the contract.

Second, both the specific terms and concept of the proposed contract are consistent with the Company's plans. Accordingly, it "...will not conflict with the Corporation's Operating or Financing Plan..."

Third, as discussed above and in the attached analysis, there is very little net cost to Chrysler of proceeding with the contract and large potential profits if the extra engines are in fact needed. Thus the staff believes that this contract will "not impair the ability of the Corporation to continue as a going concern".

Recommendation: That the Board determine that the requirements of Section 11(c) have been met with respect to the Second Takedown, with respect to all contracts listed in this memorandum and attachments thereto, including the Peugeot engine contract.

ATTACHMENT I

1. Second Amended and Restated Purchase Agreement entered into as of April 16, 1980, dated as of August 15, 1979 among Household Finance Corporation, Chrysler Credit Corporation, and Chrysler Financial Corporation and amendment thereto by letter agreement dated as of June 18, 1980.

2. Agreement dated 27th June 1980 by and between Chrysler Corporation and Intercontinental Automotive, Inc. relating to the marketing of Dodge Class "A" and Class "C" Motor Home Chassis.

3. Supply Agreement to be entered into between Chrysler Corporation and Automobiles Talbot (a subsidiary of PSA Peugeot-Citroen) for the purchase of four cylinder engines.

4. Supply Agreement to be entered into between Chrysler Corporation and Teksid S.p.A. (a member of the Fiat Group) for the purchase of aluminum engine cylinder heads.

ATTACHMENT II

3875

CHRYSLER CORPORATION

July 14, 1980

Brian M. Froeman
Executive Director and Secretary
Chrysler Corporation Loan Guarantee Board
c/o Department of the Treasury
Washington, D.C. 20220

Re: Agreement to Guarantee

Dear Mr. Freeman:

Pursuant to Section 6.36 of the Agreement to Guarantee between the United States of America and Chrysler Corporation, attached please find a list which briefly describes each sale, undertaking to sell or agreement entered into by the Company or any of its Subsidiaries during the second calendar quarter of 1980 which meets the criteria set forth in Section 11(b) or 11(c) of the Guarantee Act. To the best of our knowledge and belief, all information on the list is true and correct in all material respects and all information previously furnished by or on behalf of the Company to the Board with respect to such sales, undertakings to sell and agreements was true and correct and represented a complete and fair description of the transactions involved in all material respects.

Yours truly,

J. W. Day
Vice President and Controller

Attachment

65-288 O - 80 - 10

LIST DELIVERED PURSUANT
TO SECTION 6.36 OF
AGREEMENT TO GUARANTEE

1. All contracts and sales of assets entered into during the second quarter of 1980 and set forth in the list of contracts and sales of assets submitted to the Board, pursuant to Section 3.10 of the Agreement to Guarantee, at the Closing for the First take-down are hereby incorporated by reference.

2. Second Amended and Restated Purchase Agreement entered into as of April 16, 1980, dated as of August 15, 1979 among Household Finance Corporation, Chrysler Credit Corporation, and Chrysler Financial Corporation and amendment thereto by letter agreement dated as of June 18, 1980.

3. Sale of wholesale receivable participations by Chrysler Credit Corporation on June 25, 1980 in the gross amount of $104,512,082.63 pursuant to the Amended and Restated Purchase Agreement dated May 15, 1980, amending and restating the Purchase Agreement dated as of July 1, 1978, as amended as of May 15, 1979, among Manufacturers Hanover Trust Company ("MHTCo"), Chrysler Credit and Chrysler Financial Corporation.

4. Sale of retail receivables by Chrysler Credit Corporation on June 25, 1980 in the gross amount of $196,432,711.57 pursuant to the Second Amended and Restated Purchase Agreement entered into as of April 16, 1980, dated as of April 15, 1979, among Household Finance Corporation, Chrysler Credit Corporation and Chrysler Financial Corporation.

5. Agreement dated 27th of June 1980 by and between Chrysler Corporation and Intercontinental Automotive, Inc. relating to the marketing of Dodge Class "A" and Class "C" Motor Home Chassis.

ATTACHMENT III

UNITED STATES GOVERNMENT

Memorandum

GENERAL ACCOUNTING OFFICE

July 15, 1980

TO : Associate Director, PAD - Allan I. Mendelowitz

FROM : Assistant Regional Manager, Detroit - Hilo L. Wietstock

SUBJECT: Review of Chrysler Loan Guarantee (Code 971891)

As requested, we updated our review of obligations undertaken by Chrysler Corporation which are subject to paragraph 2 of Part B of the "Guidelines for Loan Guarantee Board Approval under Section 11(C) of the Act."

There have been two[1/] transactions not previously reviewed as follows:

Modification of defense contract	1
Pending purchase of aluminum cylinder heads	1

The defense contract modification provided for further procurement of third year spare parts for turrets used on XM-1 tanks. This modification was for $10.6 million.

Under a proposed agreement with Teksid (Fiat Group), Chrysler will be supplied with up to 450,000 aluminum cylinder heads for each of the model years 1981 through 1983. The unit price for each head is $47.32. In our opinion, neither of these obligations would jeopardize Chrysler Corporation's ability and capacity to repay the guaranteed loans as scheduled, will not conflict with Chrysler's operating plan or financing plan, and will not impair the ability of Chrysler to continue as a going concern or to meet such other tasks of viability as prescribed by the Board.

If you have any questions, please call me or Frank Farkas.

1/Under a February 5, 1980 agreement, Chrysler will purchase from Talbot, a subsidiary of Peugot-Citroen, 75,000 to 150,000 1600 cc engines over the next several model years. This agreement was independently reviewed by the Chrsyler Loan Guarantee Board staff in Detroit.

HLW/ra

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

TO: Members of the Chrysler Loan Guarantee Board
SUBJECT: Long Term Engine Procurement Contract
FROM: John C. Secrest

It is recommended that the Chrysler Loan Guarantee Board approve the attached contract for the purchase of four cylinder gasoline engines from a subsidiary of PSA Peugeot-Citreon. This project facilitates an acceleration of accomplishment of Chrysler's fundamental objective of conversion to small fuel-efficient vehicles as rapidly as possible.

The principal, reasonably assured benefit, is to enable advancement of "K" car production in a third assembly plant from February 1982 to August 1981. This should provide an additional 100,000 "K" cars resulting in an incremental profit of about $200 million, assuming timely sale of all incremental vehicles.

If Chrysler s robust small car sales objectives are realized in 1983 and 1984 model years, approximating full utilization of assembly plant capacity, this contract could potentially avert a projected shortfall of an additional 236,000 engines that could result in added marginal profit of about $500 million.

There will be incremental program expenditures of $19 million to engineer and tool modifications for unique Chrysler specifications, primarily for emissions compliance, for new engine dress-up parts, and to fit the engines in Chrysler vehicles. Capital expenditures for other components to accomodate the acceleration of the "K" car are not expected to be substantial.

Since these purchased engines represent a penalty of at least $400 over the variable costs of a Chrysler made four cylinder engine, Chrysler will presumably order less than planned quantities if vehicle sales fall short of expectations. Assuming a worst case, however, wherein Chrysler took no PSA engines, the total shortfall penalty would only be $13.5 million.

The advancement of the third "K" body plant by six months will accelerate total costs of approximately $77 million for the plant conversion and launch. This will only increase total planned expenditures during the four-year operating plan by a net $17 million, however, primarily to move the "M" body from St. Louis to the Windsor Assembly Plant.

The risk/reward ratio is extremely favorable and is the basis for our recommendation for approval.

John Sawhill

MEMORANDUM FOR: CHRYSLER CORPORATION LOAN GUARANTEE BOARD

FROM: Office of Chrysler Finance

SUBJECT: Section 11(g): Gross Income Exclusion

Section 11(g) of the Act requires two findings by the Board with respect to the Federal income tax treatment of income from guaranteed loans. Specifically, Section 11(g) of the Act provides that:

> "[a] loan shall not be guaranteed under this Act if the income from such loan is exluded from gross income for purposes of Chapter 1 of the Internal Revenue Code of 1954 or if the guarantee provides significant collateral or security to other obligations, the income from which is so excluded."

The current provisions of Chapter 1 of the Internal Revenue Code of 1954 (the "Code") and the form of the proposed Guarantee Agreement and other agreement that would relate to the loans to be guaranteed support a determination that the guarantees of the proposed loans will not violate the requirements of Section 11(g). The staff recommends that the Board so determine.

DISCUSSION

Section 11(g) of the Act requires first that no loan may be guaranteed if income from the guaranteed loan would be excluded from gross income under Chapter 1 of the Internal Revenue Code of 1954 (the "Code"). The relevant tax provisions have not been modified since the Board's May 10 determination and June 24 affirmation.

The analysis is identical to that which governed the Board's May 10 determination and June 24 confirmation. Part III of Subchapter B of Chapter 1 of the Internal Revenue Code (Code sections 101 through 128) describes the items specifically excluded from gross income for the Federal income tax. Income from the proposed guaranteed loans to Chrysler would not be included among any of the items described as specifically excluded from gross income. Therefore, the guaranteed loans for the Second Takedown would satisfy the first requirement in Section 11(g).

Furthermore, Chrysler has submitted proofs dated July 7, 1980 of the Offering Circular, the Guarantee Agreement, the Underwriting Agreement and the Fiscal Agency Agreement with respect to the Notes to be guaranteed for the Second Takedown (Tabs 5, 6, and 7). These neither refer to nor contemplate that, any guarantee will provide significant collateral, or security, to other obligations, the income from which would be excluded from gross income for Federal income tax purposes. In addition, the Agreement to Guarantee that governs the issuance of these guarantees. It includes specific representations and covenants that preclude Chrysler from using the guarantees for loans in a manner that would violate Section 11(g) of the Act [Sections 4.18 and 4.01(i)].

Chrysler's July Request includes the certification of its officers and directors to the effect that Section 11(g) is met with respect to the Second Takedown. This same certification will be provided as a condition to the Closing.

Background

Section 61 of the Code provides that, except as otherwise provided in the Federal income tax laws, "gross income means all income from whatever source derived . . . ." Thus, except to the extent specifically exempted by any other income tax provision, all income on a loan to Chrysler which is guaranteed under the Act will be includable in the recipient's gross income.

As noted above, Part III of Subchapter B of Chapter 1 of the Code describes those items which are specifically excluded from gross income. No other items of income are so excluded (although recognition of income may be delayed or deferred in certain cases; see, e.g., Code Section 402(a), relating to the taxability of a beneficiary of a tax-exempt employees' trust described in Code Section 401(a)).

The specific exclusions from gross income provided in Part III of Subchapter B of Chapter 1 of the Code are as follows:

1. Certain death benefits (e.g., life insurance proceeds). (Code section 101.)

2. Gifts and inheritances. (Code section 102.)

3. Interest on certain governmental obligations (e.g., municipal bonds). (Code section 103.)

4. Compensation for injuries or sickness. (Code section 104.)

5. Amounts received by employees (or their dependents) under accident and health plans. (Code section 105.)

6. Employer contributions to accident and health plans. (Code section 106.)

7. The rental value of a parsonage. (Code section 107.)

8. Income from the discharge of indebtedness in certain circumstances. (Code section 108.)

9. Improvements by a lessee on rented property. (Code section 109.)

10. Income taxes paid by a lessee corporation for certain leases entered into before July 1, 1954. (Code section 110.)

11. Recovery of bad debts, prior taxes and deliquency amounts in certain cases. (Code section 111.)

12. Certain combat pay of members of the Armed Forces. (Code section 112.)

13. Mustering-out payments for members of the Armed Forces. (Code section 113.)

14. Sports programs conducted for the American National Red Cross. (Code section 114.)

15. Income of states, municipalities, and other political subdivisions. (Code section 115.)

16. The first $100 of dividends received by an individual in a year. (Code section 116.)

17. Scholarship and fellowship grants. (Code section 117.)

18. Contributions to the capital of a corporation. (Code section 118.)

19. Meals or lodging furnished to an employee for the convenience of the employer. (Code section 119.)

20. Amounts received under qualified group legal services plan. (Code section 120.)

21. Gain from the sale of the principal residence of a individual who has attained age 55. (Code section 121.)

22. Certain reduced uniformed services retirement pay. (Code section 122.)

23. Amounts received under insurance contracts for certain living expenses. (Code section 123.)

24. Qualified transportation ("van pooling") provided for employees by an employer. (Code section 124.)

25. Certain benefits elected under "cafeteria plans" provided for employees by an employer. (Code section 125.)

26. Certain cost-sharing payments (e.g., payments received under the rural clean water program authorized by the Federal Water Pollution Control Act). (Code section 126.)

27. Amounts received by employees under certain educational assistance programs. (Code section 127.)

28. A list of ten other provisions providing exemption is set out at Section 128. These are: (a) adjustments of indebtedness under wage earners' plans in the Bankruptcy Act; (b) allowances for losses due to appreciation in foreign currencies sustained by persons serving the United States abroad; (c) amounts credited to the Maritime Administration under the Merchant Ship Sales Act of 1946; (d) benefits under laws administered by the Veterans' Administration; (e) earnings of ship contractors deposited in special reserve funds; (f) income derived from Federal Reserve Banks; (h) railroad unemployment benefits; (i) special pensions of persons on the Army or Navy medal of honor roll; and (j) extension of military income-tax-exemption benefits to commissioned officers of the Public Health Service in certain circumstances.

Income from a Guaranteed Loan

Section 11(g) provides in part that no loan may be guaranteed if the income from the loan would be excluded from gross income for Federal income tax purposes.

In order for the income from a guaranteed loan to be excluded from gross income, it would be necessary for the loan income (that is, the interest payments and any gains on sale of the loan) to be described in Part III of Subchapters B of Chapter 1 of the Code which describes the items specifically excluded from gross income for Federal income tax purposes.

The loans proposed to be guaranteed under the Act for the Second Takedown are not included in the above list of items excluded from gross income. Therefore, this requirement of Section 11(g) is satisfied for the Second Takedown.

Collateral for Excluded Income

Section 11(g) also provides that no loan shall be guaranteed if the guarantee provides significant collateral, or security, to other obligations, if the income from such other obligations is excluded from gross income for Federal income tax purposes.

This requirement is intended to prevent the use of the guarantees to secure a tax-exempt security. For example, the prohibition would prevent Chrysler from issuing guaranteed securities to secure the payment of an industrial development bond as defined in Code Section 103(b), if the income from such bonds were excluded from gross income for Federal income tax purposes under Code Section 103(b)(4) or (6).

Further, the Agreement to Guarantee entered into by Chrysler and the Board on June 24, 1980 specifically precludes Chrysler from using the guarantees for loans in a manner that would violate Section 11(g) of the Act. Specifically, Section 4.08 of the Agreement to Guarantee establishes as a condition for each guarantee that "the Guaranteed Indebtedness shall comply with Section 11(g) of the Guarantee Act," and Section 4.01(h) requires the company to certify that it is in compliance with all terms of the Agreement to Guarantee as a condition to each takedown.

Furthermore, Section 4.08 of the Guarantee Agreement for these Notes also expressly precludes any holder of the Notes from pledging them as collateral or security for obligations the income from which is excludable from gross income for purposes of Chapter 1 of the Internal Revenue Code of 1954, and thus in a manner that would violate Section 11(g).

Recommendation: That the Board determines that the requirements of Section 11(g) have been met with respect to the Second Takedown.

ELI WHITNEY DEBEVOISE
FRANCIS T. P. PLIMPTON
OSCAR M. RUEBHAUSEN
WILLIAM EVERDELL
D. BRET CARLSON
GEORGE N. LINDSAY
STANLEY R. RESOR
JAMES B. WELLES, JR.
ROSWELL B. PERKINS
ROBERT S. VON MEHREN
HAROLD H. HEALY, JR.
JOSEPH BARBASH
CHESTER BILLINGS, JR.
MICHAEL HARPER GOFF
WILLIAM B. MATTESON
BARRY R. BRYAN
RICHARD D. KAHN
WILLIAM PHILO CLARK
ASA POUNTREE
GEORGE B. ADAMS, JR.
ROBERT J. GENIESSE
ANDREW C. HARTZELL, JR.
PHILIP S. WINTERER
STEPHEN BENJAMIN
LOUIS BEGLEY
GUY PASCHAL
DAVID V. SMALLEY
CECIL WRAY, JR.
JAMES C. GOODALE
JOHN F. JOHNSTON 2ND
ROBERT L. KING
BEVIS LONGSTRETH
JOHN D. NILES
MEREDITH M. BROWN
BRUCE D. HAIMS
STANDISH FORDE MEDINA, JR.
EDWARD A. PERELL
THEODORE A. KURZ
HUGH ROWLAND, JR.
ROBERT J. GIBBONS
MICHAEL E. PATTERSON (PARIS)
BARBARA PAUL ROBINSON
JONATHAN A. SMALL
VINCENT M. SMITH
PAUL M. WILSON, JR.
WOLCOTT B. DUNHAM, JR.
JEFFREY S. WOOD
STEVEN M. ALDEN
JOHN H. HALL
JOHN G. KOELTL
JAMES A. KIERNAN III

DEBEVOISE, PLIMPTON, LYONS & GATES

299 PARK AVENUE NEW YORK, N.Y. 10017
TELEPHONE: (212) 752-6400
CABLE: DEBSTEVE NEW YORK
INTERNATIONAL TELEX: 234400 DOMESTIC TELEX: 12-6607

THOMAS T. RICHMOND
CHARLES I. PIERCE, JR.
COUNSEL

EUROPEAN OFFICE
5, PLACE DU PALAIS BOURBON
75007 PARIS

TELEPHONE: 555-06-66
CABLE: DEBSTEVE PARIS
TELEX: 250602

DOMINIQUE BLANCO
EUROPEAN COUNSEL

July 14, 1980

Chrysler Corporation Loan Guarantee Board
c/o The Secretary of the Treasury
Department of the Treasury
15th and Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Guarantee Request of Chrysler Corporation
for up to $300 million of Guarantees

Dear Sirs:

On behalf of Chrysler Corporation, we herewith deliver to you in quintuplicate, the Amended and Restated Guarantee Request, dated as of July 14, 1980, of Chrysler Corporation pursuant to Section 2.1 of the Agreement to Guarantee, dated as of May 15, 1980, between the United States of America and Chrysler Corporation, requesting the issuance of up to $300 million aggregate principal amount of Guarantees pursuant to such Agreement to Guarantee.

Kindly acknowledge receipt of the enclosed Amended and Restated Guarantee Request by signing the enclosed copy of this letter in the space indicated and returning the same to me.

Very truly yours,

Bevis Longstreth

Enclosures

Bevis Longstreth

CHRYSLER CORPORATION

Amended and Restated Guarantee Request to the Chrysler Corporation Loan Guarantee Board for up to $300 Million Principal Amount of Guarantees Pursuant to the Agreement to Guarantee

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As of July 14, 1980

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EXHIBITS

1. Documents Evidencing or Relating to Guaranteed Indebtedness

2. Operating Plan of July 10, 1980

3. Financing Plan of July 10, 1980

4. Schedule of Accruals of Non-Federally Guaranteed Assistance, together with Letter of Touche Ross & Co.

5. Directors' Certificate as to Certain Matters Pursuant to Sections 3.17 and 4.01 of the Agreement

6. Letter from Booz, Allen and Hamilton, Inc.

7. Letter from Salomon Brothers

8. Opinion of Debevoise, Plimpton, Lyons & Gates

INTRODUCTION

On July 10, 1980, Chrysler Corporation applied to the Chrysler Corporation Loan Guarantee Board for up to $300 million principal amount of Guarantees pursuant to section 2.01 of the Agreement to Guarantee, dated as of May 15, 1980, between the United States of America, acting by and through the Chrysler Corporation Loan Guarantee Board, and Chrysler Corporation. That application is hereby amended and restated in its entirety to read as follows:

I. REQUEST

Chrysler Corporation (the "Company") hereby applies to the Chrysler Corporation Loan Guarantee Board (the "Board") for up to $300 million principal amount of Guarantees (the "Guarantees") pursuant to section 2.01 of the Agreement to Guarantee dated as of May 15, 1980 (the "Agreement") between the United States of America, acting by and through the Board, and the Company.

Capitalized terms except those separately defined have the meanings assigned to them in the Agreement.

II. SUPPORT FOR REQUEST

A. Description of Indebtedness to be Guaranteed.

The Company proposes to market on July 31, 1980 (the "Closing Date") up to $300 million aggregate principal

amount of its registered negotiable guaranteed notes due July, 1990 (the "Notes"). The terms of the Notes are more fully set forth in the form of Offering Circular attached hereto as part of Exhibit 1.

B. Manner of Offering, Sale or Other Issuance.

The Notes will be publicly offered by an underwriting group, the representatives of which will be Salomon Brothers, Merrill Lynch White Weld Capital Markets Group, The First Boston Corporation and possibly others. Further information concerning the manner of offering is contained in the forms of Agreement Among Underwriters and Underwriting Agreement, copies of which are attached hereto as part of Exhibit 1.

C. Use of Proceeds.

The net proceeds from the sale of the Notes will be used to (a) pay, over the next several days following the Closing Date, approximately $125 million to suppliers to whom payments will have been deferred, (b) make capital expenditures contemplated by the Company's Operating Plan of July 10, 1980 referred to below, including continuing investment in K-car tooling and facilities, and (c) make other expenditures required in the ordinary course of the Company's business and contemplated by the Operating Plan

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of July 10, 1980, including payrolls, taxes, amounts due to dealers for marketing programs and other normal payments.

D. Definitive Copies of Instruments and Agreements.

Substantially final forms of each instrument evidencing Guaranteed Indebtedness and each related instrument or agreement pertaining thereto, including (a) the Guarantee Agreement between the United States, acting by and through the Board, and the Company and (b) the Fiscal Agency Agreement among the Company, United States Trust Company of New York and the United States, acting by and through the Board, are attached hereto as part of Exhibit 1. Definitive copies of such instruments will be delivered on or before the Closing Date.

E. Specimen of the Notes.

A specimen of the Notes is attached as part of Exhibit 1.

F. Revised Operating and Financing Plans.

The Company has revised, and herewith submits for approval pursuant to section 6.06 of the Agreement, its Operating Plan and its Financing Plan, each dated July 10, 1980 (the "Operating Plan of July 10, 1980" and the "Financing Plan of July 10, 1980"), copies of which are attached

hereto as Exhibits 2 and 3, respectively. The Operating Plan of July 10, 1980 and the Financing Plan of July 10, 1980 have each been prepared in accordance with and meet the requirements of the Procedures Memorandum.

G. Accrual of Non-Federally Guaranteed Assistance.

Attached hereto as part of Exhibit 4 is a schedule showing the gross and, on a best-estimate basis, net amount of each item of Non-Federally Guaranteed Assistance which is expected to have Accrued by the Closing Date. Also attached hereto as part of Exhibit 4 is a draft letter of the Independent Public Accountant regarding such schedule, to be provided to the Board on the Closing Date, which includes a discussion of the appropriateness of the treatment therein given to each item of expense attributable to any Non-Federally Guaranteed Assistance. This Guarantee Request is for Guarantees in such principal amount, up to $300 million, as shall be equal to (a) the aggregate amount of Non-Federally Guaranteed Assistance that has Accrued to the Company as of the Closing Date less (b) $500 million. If the $32 million secured financing with the State of Indiana has not closed by the Closing Date, the Company requests permission to have a second closing pursuant to this Guarantee Request promptly following the closing of such secured financing and to defer until such second closing

such portion, if any, of the issue of Secured Notes planned for sale on the Closing Date as the Company, with the advice of its Financial Adviser, may decide should be so deferred in the interests of enhancing the prospects for both the offering on the Closing Date and the deferred offering at such second closing. In the event of a second closing pursuant to this Guarantee Request, the Guarantees requested hereby for issuance at both closings shall be such aggregate principal amount, up to $300 million, as shall be equal to (a) the aggregate amount of Non-Federally Guaranteed Assistance that has Accrued to the Company as of such second closing, less (b) $500 million.

H. Determinations Required for Issuance of Guarantees.

Attached hereto as Exhibit 5 is the form of Certificate as to Certain Matters Pursuant to Sections 3.17 and 4.01 of the Agreement presented to the Board of Directors of the Company at a meeting duly called and held on July 10, 1980, at which a quorum was present and acting throughout. At such meeting the Board of Directors unanimously adopted the following resolution with respect to the opinions set forth in such Certificate:

> RESOLVED, that each of the opinions set forth in the form of Certificate as to Certain Matters Pursuant to Sections 3.17 and 4.01 of the Agreement to Guarantee attached

> hererto, except the opinions set forth in paragraphs 12 and 13 thereof, be and the same hereby are in all respects approved and adopted as the opinions of this Board.

On the Closing Date (and if there is a second closing, on the date thereof), each member of the Board of Directors will execute and deliver to the Board a Certificate substantially in the form attached hereto as Exhibit 5, with such changes therefrom as may be necessary or appropriate (i) to refer to this Guarantee Request in the form finally submitted to the Board and the Operating Plan and the Financing Plan then approved by the Board and (ii) to include, with reference to any condition to the determinations made by the Board with respect to this Guarantee Request, the opinion that such condition has either been satisfied or, to the extent not satisfied, there exists an adequate basis for the Board to grant a waiver with respect thereto, and the Board should grant such waiver, on the grounds that such waiver is consistent with the Guarantee Act, not material to the Board's determinations with respect to the matters affected by such waiver and will not materially and adversely affect the position of the United States.

I. Satisfaction of Conditions.

On or before the Closing Date (and, if there is a second closing, on or before the date thereof) the Company

will satisfy each of the conditions to issuance of the Guarantees hereby requested, as set forth in Article 4 of the Agreement.

J. Letters from Consultants and Accountants.

(i) Attached hereto as Exhibit 6 is a letter from the Consultant as to the form of opinion it proposes to deliver to the Board on the Closing Date with respect to the Operating Plan of July 10, 1980.

(ii) Attached hereto as Exhibit 7 are (a) an opinion of the Financial Adviser as to the likely range for interest on the Guaranteed Indebtedness contemplated for issuance and (b) a letter of the Financial Adviser as to the form of opinion it proposes to deliver to the Board on the Closing Date with respect to various financial matters.

(iii) Attached hereto as Exhibit 8 is an opinion of Debevoise, Plimpton, Lyons & Gates as to this Guarantee Request providing an adequate basis for the Board, acting within the scope of discretion conferred upon it under the Guarantee Act, to issue the Guarantees requested hereby.

K. Transactions Subject to Sections 11(b) and 11(c) of the Guarantee Act.

The Company will have delivered to the Board by the Closing Date, lists which briefly describe each sale,

undertaking to sell or agreement entered into by the Company or any of its Subsidiaries since January 6, 1980 (with the exception of such sales, undertakings to sell or agreements included in the certificate delivered at the first Closing Date under the Agreement) which meets the criteria set forth in Section 11(b) or 11(c) of the Guarantee Act. The Company will also deliver at the Closing Date a certificate of a responsible officer to the effect that each such transaction will not reduce or impair the ability of the Company to repay Guaranteed Indebtedness as scheduled, will not conflict with the Operating Plan of July 10, 1980 or the Financing Plan of July 10, 1980 and will not impair the ability of the Company to continue as a going concern (as such term is defined in subsection 2(6) of the Guarantee Act) or to meet the other tests of viability prescribed by the Board.

This Amended and Restated Guarantee Request is respectfully submitted by the Company this 14th day of July, 1980.

CHRYSLER CORPORATION

By _____
Attorney-in-fact

Exhibit 1

68168 PROOF OF JULY 9, 1980
Bowne of New York City (212) 924-5500

Preliminary Offering Circular Dated July , 1980

$300,000,000

% Secured Notes Due July 15, 1990

Fully Guaranteed as to Principal and Interest by the

United States of America

Acting through the Chrysler Corporation Loan Guarantee Board

Issued by

Chrysler Corporation

Interest on the Notes is payable semi-annually on July 15 and January 15, commencing on January 15, 1981. The Notes are redeemable on or after June 15, 1983, in whole or in part, at the option of Chrysler Corporation ("Chrysler"). The Notes are also subject to redemption through contingent sinking fund payments, commencing June 15, 1983, to the extent that monies are available therefor from the operations of Chrysler. See "Description of the Notes — Contingent Sinking Fund Redemption". Any such redemption will be at a price equal to the principal amount of the Notes plus accrued interest.

The Notes may be purchased, in whole, by the Chrysler Corporation Loan Guarantee Board (the "Board") at any time upon the occurrence of an Event of Default under the Agreement to Guarantee referred to herein at the principal amount thereof plus accrued interest. That agreement contains detailed representations by Chrysler and comprehensive restrictive covenants and agreements. Chrysler has represented that it is not in default under such agreement as of the date hereof. The Underwriters named herein have not independently verified such representation and make no warranty with respect thereto. It is likely that Chrysler will have to seek consents or waivers from the Board from time to time, which, if not granted by the Board, would result in an Event of Default under such agreement. See "Description of the Notes — Purchase of Notes by the Board".

The payment of the principal of and interest on the Notes is guaranteed by the United States of America, acting through the Board pursuant to the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act"). The General Counsel of the Board will opine, as a condition to the closing for the sale of the Notes to the Underwriters, that the guarantee of the Notes is "a legal, valid and binding undertaking of the United States of America in accordance with its terms and under and pursuant to the Guarantee Agreement, and the validity of any such guarantee shall be incontestable in the hands of a holder of a Note except for fraud or material misrepresentation on the part of such holder and shall be backed by the full faith and credit of the United States". Public Law (the "Appropriation Act") appropriated to the Board "such sums as may be necessary for payment of principal and interest on loans guaranteed pursuant to the Chrysler Corporation Loan Guarantee Act of 1979 and in default".

Price %, plus accrued interest from July , 1980.

Interest is not exempt from Federal income taxes, and the Act contains no exemption from state and local taxes. The Notes are exempt from the registration requirements of the Securities Act of 1933.

The Notes are offered when, as and if issued and accepted by the Underwriters named herein, subject to prior sale or withdrawal, cancellation or modification of the offer without notice, and subject to the approval of certain legal matters by counsel. It is expected that Notes in temporary form will be available for delivery to the Underwriters on July , 1980 and that Notes in definitive form will be available for exchange for the Notes in temporary form at the office of Salomon Brothers, One New York Plaza, New York, New York, or through the facilities of The Depository Trust Company, on or about August , 1980.

Salomon Brothers

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

The First Boston Corporation

E. F. Hutton & Company Inc.

The date of this Offering Circular is July , 1980.

This Preliminary Offering Circular and the information contained herein are subject to completion and amendment and prospective purchasers are referred to the final Offering Circular for definitive information on any matter contained herein. Under no circumstances shall this Preliminary Offering Circular constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than as set forth in this Offering Circular, in connection with the offer contained in this Offering Circular, and, if given or made, such other information or representations must not be relied upon as having been authorized by Chrysler or the Underwriters.

This Offering Circular is not an offer to sell, or a solicitation of an offer to buy, the Notes in any state or jurisdiction in which it is unlawful to make such an offer or solicitation.

The statements made herein with respect to the Notes, the Agreement to Guarantee, the Guarantee Agreement, the Fiscal Agency Agreement, the Act, and related documents are subject to the detailed provisions of the Act and such instruments and documents, and the statements made herein are qualified in their entirety by reference thereto.

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CHRYSLER CORPORATION

Chrysler Corporation ("Chrysler") is the third largest car and truck manufacturer in the United States. Chrysler manufactures and sells vehicles under the Plymouth, Dodge and Chrysler trade names and imports vehicles, which it sells under the Plymouth and Dodge trade names. Foreign subsidiaries and other companies in which Chrysler holds an interest manufacture or assemble passenger cars, trucks and other products in several other countries.

Chrysler was incorporated under the laws of the State of Delaware in 1925. Its principal executive offices are located at Chrysler Center, 12000 Lynn Townsend Drive, Highland Park, Michigan. The telephone number of such offices is (313) 956-5252, and the mailing address is P.O. Box 1919, Detroit, Michigan 48288.

Chrysler has been faced with pressing financial problems which significantly weakened its financial condition and, in the absence of United States loan guarantees, would have been forced to seek relief under the Federal Bankruptcy Code. Even with such loan guarantees, Chrysler's long-term viability is not certain. Chrysler had a loss of approximately $1.1 billion for 1979 and a loss of approximately $205 million for 1978. Chrysler's loss for the fourth quarter of 1979 was approximately $376 million, its loss for the first quarter of 1980 was approximately $449 million and its loss for April and May, 1980 was approximately $354 million. The April and May results are not necessarily indicative of results of operations for the entire second quarter.

UNITED STATES GOVERNMENT GUARANTEE

Guarantee Act, Agreement to Guarantee and Guarantee Agreement

The Chrysler Corporation Loan Guarantee Act of 1979 (the "Act") established the Chrysler Corporation Loan Guarantee Board (the "Board") and authorized the Board to issue guarantees (the "Guarantees") of the payment of the principal of and interest on loans to Chrysler (and other eligible borrowers under the Act), provided that the Board determined that certain conditions of eligibility set forth in the Act had been satisfied. The authority of the Board to issue Guarantees is limited to $1,500,000,000 in aggregate principal amount outstanding at any time, and such authority expires on December 31, 1983. Notes guaranteed pursuant to the Act must be payable in full on or prior to December 31, 1990.

On June 24, 1980, Chrysler issued $500,000,000 principal amount of 10.35% Secured Notes Due June 1, 1990 (the "10.35% Notes") guaranteed by the Board pursuant to the Act. The 10.35% Notes are the only outstanding indebtedness of Chrysler which is guaranteed by the Board.

The voting members of the Board are the Secretary of the Treasury (who is chairperson of the Board), the Chairman of the Board of Governors of the Federal Reserve System, and the Comptroller General of the United States. The Secretary of Labor and the Secretary of Transportation are ex-officio, non-voting members.

To implement the Act, the Board entered into an Agreement to Guarantee, dated as of May 15, 1980 (the "Agreement to Guarantee"), with Chrysler which sets forth the conditions that must be satisfied by Chrysler prior to the issuance of Guarantees by the Board, the covenants with which Chrysler must comply as long as any loans to Chrysler that are guaranteed by the Board are outstanding, the remedies applicable in the event of default thereunder, and the collateral that will secure the indebtedness of Chrysler guaranteed by the Board pursuant to the Act (the "Guaranteed Indebtedness"). Chrysler and Manufacturers National Bank of Detroit and an individual (the "Mortgagees"),

as trustees for the holders of outstanding Guaranteed Indebtedness, have also entered into an Indenture of Mortgage and Deed of Trust (the "Mortgage") pursuant to which Chrysler has granted the Mortgagees a lien on certain property as collateral for, among other things, the 10.35% Notes, the % Secured Notes Due July 15, 1990 offered hereby (the "Notes"), and any Guaranteed Indebtedness subsequently issued. The rights of the holders of the Notes to receive payments pursuant to the Guarantees are not conditioned upon the taking of any action by any such holder, the Fiscal Agent referred to below, or the Mortgagees with respect to such collateral or against Chrysler. The holders of the Notes may not institute legal proceedings against Chrysler to collect amounts due under the Notes or cause any action to be taken under the Mortgage, but rather are to look to the Board for payment pursuant to the Guarantees in the event that Chrysler fails to make any payment of interest or principal on the Notes. After the Board makes any payment pursuant to the Guarantees, it will be subrogated to the rights of the holders of the Notes to the extent of the amount of any such payment with respect to the collateral securing the Notes.

The Board has made the requisite determinations in respect of the proposed Guarantees of the Notes (subject to the satisfaction of certain conditions and the confirmation of certain determinations at the date of closing) and, pursuant to the Act, transmitted its report with respect thereto to the Congress on July , 1980. The Act specifically provides that any determination by the Board that the conditions precedent to the issuance of Guarantees have been met shall be conclusive and any such determination shall be evidenced by the issuance of the Guarantees. The Act further provides that the validity of any Guarantee made by the Board under the Act shall be incontestable in the hands of the holder thereof, except for fraud or material misrepresentation on the part of such holder.

If the conditions to the sale of the Notes and the issuance of the Guarantees at the closing are satisfied, including those conditions set forth in the Act, the Board and Chrysler will enter into a Guarantee Agreement, to be dated the date of closing (the "Guarantee Agreement"), substantially in the form set forth in Exhibit A attached hereto, pursuant to which the Board will guarantee, in accordance with the Act and the Agreement to Guarantee, the payment of the principal of and interest on the Notes. It is a condition precedent to the obligation of the Underwriters to purchase any Notes from Chrysler that the Board will have approved the issuance of the Notes by Chrysler and it and Chrysler will have entered into the Guarantee Agreement.

It is Chrysler's present intention to obtain approximately $200 million of additional guaranteed loans in 1980. Chrysler's ability to do so will depend upon the fulfillment of various conditions, including the accrual to Chrysler of sufficient amounts of non-federally guaranteed assistance. Many of these conditions require actions by persons other than Chrysler. There is a significant possibility that Chrysler may not be able to comply with all of the conditions in connection with those loans and subsequent guaranteed loans. In that event, Chrysler would not receive additional loan guarantees unless the Board waives such compliance. It is not certain that the Board would waive such compliance or have the discretion to do so under the Act. It is, therefore, not certain that federally guaranteed loans will be available at the times needed by Chrysler or in the maximum amount permitted under the Act or that such loans, together with the additional funds Chrysler could raise from conventional sources, would be sufficient to meet Chrysler's requirements.

Fiscal Agency Agreement and Payment Pursuant to the Guarantee Agreement

United States Trust Company of New York (the "Fiscal Agent") will enter into a Fiscal Agency Agreement, to be dated the date of closing (the "Fiscal Agency Agreement"), with Chrysler and the Board pursuant to which Chrysler will appoint it to act as Chrysler's fiscal agent with respect to the Notes and the Fiscal Agent will, among other things, agree to maintain a register (the "Note Register") of the holders of the Notes, to receive payments from Chrysler and the Board with respect to the

Notes, and to remit such payments to the registered holders thereof. Chrysler maintains banking relationships with the Fiscal Agent which is also acting as Chrysler's fiscal agent with respect to the 10.35% Notes. Tom Killefer, Chairman of the Board of the Fiscal Agent, is a director of Chrysler.

Pursuant to the Fiscal Agency Agreement, Chrysler is to deposit with the Fiscal Agent at or before 12 o'clock noon, New York City time, on the business day next preceding any date on which a payment of principal of or interest on the Notes is due, including dates fixed for the redemption of Notes prior to the stated maturity thereof (the "Payment Dates"), New York Clearing House funds in an amount sufficient to pay in full the interest and any principal due on such Payment Date with respect to the Notes, and the Fiscal Agent is, to the extent such payments have been received by it, to make such payments on the Payment Date to the registered holders of the Notes as they appear on the Note Register on the applicable record date. In the event that the Fiscal Agent has not received any payment of principal or interest by the time required in the preceding sentence, the Fiscal Agent is to promptly notify the Board. If the Fiscal Agent has still not received payment in full of the principal and interest due on the Payment Date by 4:00 P.M., New York City time, on the fourth business day after such Payment Date, the Fiscal Agent, acting on behalf of the holders of the Notes, is obligated, pursuant to the Fiscal Agency Agreement, to immediately make a demand upon the Board for payment pursuant to the Guarantees. The Board will, upon such demand, on the fifth business day after such Payment Date from funds appropriated to it by the Appropriation Act, pay to the Fiscal Agent in immediately available funds, for remittance to the registered holders of the Notes, the unpaid interest and principal, if any, that was due on such Payment Date plus unpaid interest accrued on the unpaid principal amount of the Notes at the rate borne thereby from such Payment Date to the date of payment. Also, the Board has the option, in the event that any payment of principal of or interest on any Note is not deposited with the Fiscal Agent by Chrysler by 10:00 A.M., New York City time, on the related Payment Date, to make such payment on such Payment Date.

Each holder of a Note will, pursuant to the Guarantee Agreement, be deemed by the acceptance of its Note to have irrevocably appointed the Fiscal Agent as its agent for the purpose of making a demand for payment upon the Board pursuant to the Guarantees and receiving any payment by the Board pursuant to the Guarantees. All payments made by the Board to the Fiscal Agent pursuant to the Guarantees will be held in trust by the Fiscal Agent solely for the benefit of the registered holders of the Notes until remitted to such holders. The Board will be discharged from its obligation to make a payment pursuant to the Guarantees upon the making of such payment in immediately available funds to the Fiscal Agent, provided that such discharge will be effective only as to such payment and to the extent of the amount of such payment.

DESCRIPTION OF THE NOTES

General

The Notes will be issued in an aggregate original principal amount of $300,000,000 in fully registered form only and in denominations of $5,000 or integral multiples thereof. The Notes will mature on July 15, 1990. The Notes will bear interest at the rate of % per annum (computed on the basis of a 360-day year of twelve thirty-day months) on the unpaid principal amount thereof from July , 1980. Interest will be payable semi-annually on July 15 and January 15 commencing on January 15, 1981 to the persons in whose names the Notes are registered at the close of business on the June 30 or December 31 next preceding such semi-annual interest payment date. The principal of, together with the last installment of interest on, the Notes will be payable at the office of the Fiscal Agent, upon presentation and surrender of the Notes. All prior installments of interest on the Notes will be payable by check mailed on the Payment Dates by the Fiscal Agent to the registered holders of the Notes.

Optional Redemption

The Notes are not subject to redemption, at the option of Chrysler, prior to June 15, 1983. On or after such date, the Notes may be redeemed at the option of Chrysler and with the Board's consent, in whole or in part, upon not less than 30 nor more than 60 days' prior written notice, at 100% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that Chrysler may not redeem Notes on more than two dates in any calendar year (including, for this purpose, dates on which redemptions are made pursuant to the contingent sinking fund). Any partial redemption may be effected by lot or by any other method selected by the Fiscal Agent that it deems fair and appropriate. Chrysler has agreed with the Board and certain of its creditors that, beginning in 1984 and only in the event that its consolidated net worth is $3.5 billion or more, it will apply funds to redeem Notes or other Guaranteed Indebtedness, or will place funds in trust for a subsequent redemption or market purchase thereof, to the extent of 75% of Available Prepayment Funds (as such term is described in "Description of the Notes — Contingent Sinking Fund Redemption"). The Board and such creditors may waive the requirement to make any such redemption or payment and the requirement for any such redemption or payment may be amended or modified without any notice to, or consent by, the Noteholders.

Contingent Sinking Fund Redemption

Chrysler has agreed with the Board in the Agreement to Guarantee to apply annually, beginning in 1983, to the redemption of outstanding Guaranteed Indebtedness, including the Notes, up to 75% of "Available Prepayment Funds". The term "Available Prepayment Funds" for any year means, in respect of Chrysler and certain of its subsidiaries, consolidated net income for such year plus certain items that contribute to cash flow and less certain items that deplete cash flow. The Board at its discretion will, in each such year, designate the manner in which the 75% of Available Prepayment Funds shall be applied for such year with respect to the redemption of the Notes and other series of Guaranteed Indebtedness. The Board has agreed with Chrysler in the Agreement to Guarantee to certain conditions under which Chrysler's obligation to effect such redemption of outstanding Guaranteed Indebtedness, including the Notes, may be reduced or not made. These will include reduction of the prepayment requirement to the extent (i) that after giving effect to any such payment, Chrysler would be in violation of Article 6 or 7 of the Agreement to Guarantee, or could not maintain certain working capital positions, (ii) the net amount theretofore expended by Chrysler on the reacquisition or optional redemption approved by the Board of any Guaranteed Indebtedness, and (iii) the Board consents, in writing, to Chrysler not making such a payment. For any year in which such redemption is to be made with respect to the Notes, Chrysler will, not less than 30 days nor more than 60 days prior to the date of such redemption, give written notice to the Fiscal Agent of such redemption and the amount thereof, and the Fiscal Agent will be obligated, pursuant to the Fiscal Agency Agreement, to select the Notes to be redeemed, by lot or by any other method that it deems fair and appropriate, and to forward notice thereof to the registered holders of the Notes so selected. Prior to the giving of notice of such redemption, the Board may waive any such redemption in its sole discretion and any requirements to make such redemptions may be amended or modified without any notice to, or consent by, the Noteholders. See Section 2.01 of the Guarantee Agreement.

Purchase of Notes by the Board

The Agreement to Guarantee between Chrysler and the Board sets forth numerous "Events of Default", the occurrence of any one of which will entitle the Board to purchase the Notes from Noteholders, any such purchase to be made, pursuant to the Guarantee Agreement, upon not less than

15 nor more than 150 days' prior written notice and at a price equal to 100% of the principal amount thereof plus accrued interest to the date of purchase (the "Board's Purchase Price"). Such Events of Default include, without limitation, the failure by Chrysler to pay the principal of or interest on any Guaranteed Indebtedness, including any Note, when due and, in the case of any interest payment, the continuance of such failure for four days, the failure by Chrysler to observe various financial covenants and conditions, the existence of an event of automatic acceleration set forth in Section 11(b) or 11(c) of the Act (whereupon, if Chrysler does not immediately upon such automatic acceleration pay the unpaid principal amount of the Guaranteed Indebtedness, including the Notes, the Board will be obligated ot purchase the Notes at the Board's Purchase Price not less than 15 nor more than 150 days after the automatic acceleration thereof), certain events of insolvency or bankruptcy, failure by Chrysler to comply with the Act, material and adverse non-compliance by Chrysler with any operating or financing plan that is submitted to the Board (if such plans are not amended in a manner acceptable to the Board), and certain defaults by Chrysler on other obligations. The occurrence of any such Event of Default will also entitle the Board, unless the Notes are already due and payable, to accelerate the maturity of the Notes as against Chrysler; provided, however, that if Chrysler does not immediately upon such acceleration pay the unpaid principal amount of the Notes plus accrued interest, the Board will be obligated to purchase the Notes at the Board's Purchase Price on a date fixed by the Board not less than 15 days nor more than 150 days from the date of such acceleration.

Chrysler has represented to the Underwriters named herein, who have not independently verified such representation and make no warranty with respect thereto, that no such Event of Default exists at the date hereof. Because of the widespread nature of the Events of Default and the uncertain financial condition of Chrysler, Chrysler can give no assurance that the absence of any Event of Default will continue for any appreciable period of time. The Board does, however, have the right to waive certain Events of Default.

Transfers and Exchanges

The Notes will be transferable or exchangeable for Notes of other authorized denominations of like aggregate principal amount at the office of the Fiscal Agent without charge except for taxes or other governmental charges, if any, payable in connection therewith.

Modifications

No amendment, renewal, or extension of any Note or any modification or waiver of any right thereunder or any subordination of any right to payment under any such Note may be consented to by the holder of any Note without the prior written consent of the Board.

Legality of Investments

The Notes are acceptable as security for the deposit of public monies subject to the control of the United States or any of its officers, agents or employees, and are eligible as collateral for Treasury Tax and Loan Accounts. Under Federal law, national banks and state banks which are members of the Federal Reserve System may deal in, underwrite, and purchase for their own account the Notes without regard to any limitation based on capital and surplus.

The Notes are eligible as security for 90-day advances to member banks by Federal Reserve Banks and are legal investments for surplus funds of Federal Home Loan Banks.

The Notes are legal investments for the assets of Federal savings and loan associations.

UNDERWRITING

The Underwriters named below have severally agreed, subject to the terms and conditions of their Underwriting Agreement with Chrysler, to purchase from Chrysler the principal amount of Notes set forth below opposite their respective names at a price equal to % of the principal amount of the Notes so purchased:

Underwriters	Principal Amount	Underwriters	Principal Amount
Salomon Brothers			
Merrill Lynch, Pierce, Fenner & Smith Incorporated			
The First Boston Corporation			
E. F. Hutton & Company Inc.			

Underwriters	Principal Amount	Underwriters	Principal Amount

Underwriters	Principal Amount	Underwriters	Principal Amount

	$300,000,000

The Representatives of the Underwriters have advised that sales of Notes to certain dealers may be made at a concession of . % of the principal amount thereof and that the Underwriters may allow, and such dealers may reallow, discounts not in excess of . % of the principal amount of Notes on sales to certain other dealers. The offering of the Notes is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offer without notice. The Underwriters reserve the right to reject any order, in whole or in part, for the purchase of the Notes.

Salomon Brothers has acted as financial advisor to Chrysler with respect to negotiations with certain of its creditors and the Board and other matters relating to the Agreement to Guarantee.

LEGAL OPINIONS

The legality of the Notes offered hereby will be passed upon by Debevoise, Plimpton, Lyons & Gates, special counsel for Chrysler. The legality of the Guarantee of the Notes by the Board will be passed upon by the General Counsel of the Board and by Brown, Wood, Ivey, Mitchell & Petty, counsel for the Underwriters.

CHRYSLER CORPORATION

By:

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EXHIBIT A

GUARANTEE AGREEMENT

GUARANTEE AGREEMENT, dated July , 1980, between the United States of America, acting through the Chrysler Corporation Loan Guarantee Board (the "Board"), and Chrysler Corporation, a Delaware corporation (the "Company").

WHEREAS, the Board is authorized, pursuant to the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act"), and upon the making of certain determinations required by the Act, to issue guarantees (the "Guarantees") of the payment of the principal of and interest on notes of the Company (and other eligible borrowers under the Act), such Guarantees being limited to $1,500,000,000 in aggregate principal amount outstanding at any time;

WHEREAS, the Company has authorized the creation and issuance of up to $300,000,000 aggregate principal amount of % Secured Notes Due July 15, 1990 (the "Notes"), and the Board has agreed in an Agreement to Guarantee, dated as of May 15, 1980 (the "Agreement to Guarantee"), between the Company and the Board, to guarantee, upon making the requisite determinations set forth in the Act and the Agreement to Guarantee, the payment of the principal of and interest on the Notes;

WHEREAS, the Board has made the requisite determinations, as set forth in the Act and the Agreement to Guarantee, in respect of its Guarantees of the Notes;

WHEREAS, the Company, United States Trust Company of New York, as fiscal agent for the Company (the "Fiscal Agent"), and the Board have entered into a Fiscal Agency Agreement, dated July , 1980 (the "Fiscal Agency Agreement"), in substantially the form set forth in Exhibit I attached hereto, setting forth procedures for the payment, registration, transfer, exchange, and authentication of the Notes; and

WHEREAS, the Company and Manufacturers National Bank of Detroit and an individual (the "Mortgagees"), as trustees for the Board and the holders of the outstanding indebtedness of the Company guaranteed by the Board, have entered into an Indenture of Mortgage and Deed of Trust, dated as of June 2, 1980 (the "Mortgage"), pursuant to which the Company has granted to the Mortgagees a lien on certain property as collateral for, among other things, the Notes.

NOW, THEREFORE, the Board and the Company hereby agree as follows:

ARTICLE I

NOTES

SECTION 1.01. The Notes shall be designated as % Secured Notes Due July 15, 1990 and shall be limited in aggregate principal amount to $300,000,000. Notes up to such aggregate principal amount may be executed by the Company, with the Guarantee endorsed thereon by the Board, and delivered, together with written instructions from the Company directing authentication of such Notes, to the Fiscal Agent for authentication, and the Fiscal Agent has, pursuant to the terms of the Fiscal Agency Agreement, agreed to authenticate and deliver the Notes to or upon the written order of the Company, provided that it shall have received the written consent of the Board to such authentication.

SECTION 1.02. (a) The Notes shall be in fully registered form only and in denominations of $5,000 or integral multiples thereof. The Notes, the Guarantee of the Board endorsed thereon, and the Fiscal Agent's certificate of authentication for the Notes shall be in substantially the forms set forth in Exhibit II attached hereto. The definitive Notes shall be printed, lithographed, or engraved or produced by any combination of those methods.

(b) Pending the preparation of definitive Notes, the Company may execute temporary Notes, with the Guarantees endorsed thereon by the Board, which shall be printed, lithographed or typewritten and substantially of the tenor of the definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as are appropriate to temporary Notes and as the officers executing such Notes may determine as evidenced by their execution of such Notes, and the Fiscal Agent has, pursuant to the terms of the Fiscal Agency Agreement, agreed to authenticate and deliver such temporary Notes upon the same terms and conditions as set forth in Section 1.01 hereof. Every such temporary Note shall be executed by the Company, and the Guarantee endorsed thereon shall be executed by the Board, upon the same conditions, in the same manner, and with the same effect as provided in Section 1.05 hereof with respect to definitive Notes. If temporary Notes are issued, within seven days thereafter, the Company will cause definitive Notes to be prepared. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office of the Fiscal Agent, without charge to the holders thereof. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute definitive Notes and the Board shall execute the Guarantee endorsed thereon, and the Fiscal Agent has, pursuant to the terms of the Fiscal Agency Agreement, agreed to authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Guarantee Agreement as definitive Notes authenticated and delivered pursuant to the terms of this Guarantee Agreement and the Fiscal Agency Agreement.

SECTION 1.03. The Notes shall mature on July 15, 1990. The Notes shall bear interest at the rate of % per annum (computed on the basis of a 360-day year of twelve thirty-day months) on the unpaid principal amount thereof from the later of July , 1980 or the most recent date to which interest has been paid until the principal thereof is paid. Interest shall be payable semi-annually on July 15 and January 15 commencing on January 15, 1981 to the persons in whose names the Notes are registered at the close of business on the June 30 or December 31 (whether or not a Business Day (as hereinafter defined)) next preceding such semi-annual interest payment date. The principal of, together with the last installment of interest on, the Notes are payable at the office of the Fiscal Agent, upon presentation and surrender of the Notes by the registered holders thereof, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All prior installments of interest on the Notes are payable by checks mailed on such interest payment dates by the Fiscal Agent to the registered holders thereof. For the purposes of this Agreement, the term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York, State of New York, are authorized or obligated by law or executive order to close. In any case in which any Payment Date (as hereinafter defined) with respect to the Notes is not a Business Day, payment of interest or of principal need not be remitted by the Fiscal Agent to the holders of the Notes on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, and no interest shall accrue with respect to such payment for the period from and after such Payment Date to the next succeeding Business Day.

SECTION 1.04. Pursuant to the Fiscal Agency Agreement, the Fiscal Agent has agreed to maintain a register of the holders of the Notes (the "Note Register"). The Board, the Company, and the Fiscal Agent shall be entitled to treat the persons in whose names the Notes are registered as the owners thereof for all purposes of this Guarantee Agreement and shall not be affected by notice to the contrary. The Notes shall be freely transferable and exchangeable for Notes of other authorized denominations of like aggregate principal amount at the office of the Fiscal Agent, but the Notes shall be transferable or exchangeable as to the Company and the Board only upon the registration of any such transfer or exchange upon the Note Register.

SECTION 1.05. (a) The Notes shall be signed on behalf of the Company, manually or in facsimile, by its President and its Vice President and Treasurer. The Guarantees endorsed on the Notes shall be signed on behalf of the Board, manually or in facsimile, by the Secretary of the Treasury as

Chairperson of the Board, or the Acting Secretary of the Treasury if there shall be no Secretary in office, or the Executive Director of the Board. Only such Notes as shall bear thereon a certificate of authentication, substantially in the form set forth in Exhibit II attached hereto, manually executed by the Fiscal Agent, shall be entitled to the benefits of this Guarantee Agreement or be valid or obligatory for any purpose. Such certificate of authentication of the Fiscal Agent shall, when manually executed by the Fiscal Agent, be conclusive evidence that the Note so authenticated has been duly authenticated and delivered and that the holder thereof is entitled to the benefits of this Guarantee Agreement.

(b) In case any proper officer of the Company who shall have signed any of the Notes, manually or in facsimile, shall cease to hold such office before the Notes so signed shall have been authenticated and delivered by the Fiscal Agent, such Notes nevertheless may be authenticated and delivered as though the officer who signed such Notes had not ceased to hold such office. Similarly, in case any proper representative of the Board who shall have signed the Guarantee endorsed on any of the Notes, manually or in facsimile, shall cease to serve in such capacity before such Notes shall have been authenticated and delivered by the Fiscal Agent, such Notes nevertheless may be authenticated and delivered as though the person who signed the Guarantee endorsed on such Notes had not ceased to serve in such capacity and the signature of such person shall be effective to bind the Board.

SECTION 1.06. The Company has, pursuant to the Mortgage, granted the Mortgagees a lien on certain property as collateral for, among other things, the Notes. The rights of the holders of the Notes to receive payments pursuant to this Guarantee Agreement are not conditioned upon the taking of any action by any such holders, the Fiscal Agent, or the Mortgagees with respect to such collateral or against the Company.

ARTICLE II

REDEMPTION OF NOTES AND PURCHASE OF NOTES BY THE BOARD

SECTION 2.01. (a) The Notes are not subject to redemption, at the option of the Company, prior to June 15, 1983. On or after such date, the Notes may be redeemed at the option of the Company and with the Board's written consent (such consent to be obtained prior to the mailing by the Fiscal Agent of a notice of redemption), in whole or in part, upon not less than 30 nor more than 60 days' prior written notice, at 100% of the principal amount thereof plus accrued interest thereon to the date of redemption (the "Optional Redemption Price"), provided, however, that the Company may not redeem Notes on more than two dates in any calendar year (including, for this purpose, dates on which redemptions of the Notes are made pursuant to subsection (b) of this Section 2.01 or pursuant to any other agreement between the Company and the Board or between the Company and any other person).

(b) Pursuant to Section 6.35 of the Agreement to Guarantee ("Section 6.35") the Company has agreed with the Board that the Company will, unless the Board otherwise consents or directs, exercise the optional redemption rights under subsection (a) of this Section 2.01 to redeem Notes within 180 days after January 1, 1983 and each January 1 thereafter until the Notes shall be fully redeemed or paid, in a principal amount determined in accordance with such Section 6.35 ("Contingent Sinking Fund Redemption"). The Agreement to Guarantee and Section 6.35 thereof may be amended, modified or waived without the consent of the holders of the Notes.

(c) The Board may waive all or part of any Contingent Sinking Fund Redemption prior to the mailing by the Fiscal Agent of a notice of such a redemption. The holders of the Notes have no rights with respect to any Contingent Sinking Fund Redemption prior to such mailing of a notice of redemption. The holders of Notes, by the acceptance thereof, agree that the provisions of this Section 2.01 may, insofar as they relate to the redemption of Notes pursuant to the Agreement to

Guarantee or otherwise, be modified, amended, or waived without the consent of the holders of Notes, provided, however, that no such modification, amendment or waiver shall make the earliest date for the redemption of Notes earlier than June 15, 1983, permit the Company to redeem Notes on more than two dates in any calendar year, change the Optional Redemption Price or change the provisions for notice in Sections 2.01(a) and 2.03(a) hereof.

SECTION 2.02. (a) If any Event of Default set forth in Section 8.01 of the Agreement to Guarantee shall have occurred, the Board shall have the option, upon not less than 15 nor more than 150 days' prior written notice to the Fiscal Agent, to purchase all (but not less than all) of the Notes outstanding from the holders thereof at 100% of the principal amount thereof plus accrued interest thereon to the date of purchase, provided that any such Event of Default is continuing at the time that the Board gives notice to the Fiscal Agent of its election to exercise its option to purchase the Notes.

(b) If any Event of Default set forth in Section 8.01 of the Agreement to Guarantee shall have occurred and is continuing, the Board shall, as provided in the Agreement to Guarantee, have the right to accelerate the maturity of the Notes and, upon notice to the Company (unless the Notes shall have already become due and payable), the Notes shall become due and payable immediately; provided; however, that if the Company does not immediately upon such acceleration pay to the Fiscal Agent in trust for remittance to the Noteholders (for the sole purpose of remittance to registered Noteholders and creating no other trust obligations under any applicable law) the unpaid principal amount of the Notes plus accrued interest thereon, the Board shall purchase all (but not less than all) of the Notes outstanding from the holders thereof at 100% of the principal amount thereof plus accrued interest thereon to the date of purchase, such date to be fixed by the Board in a notice given to the Fiscal Agent simultaneously with such acceleration and to be not less than 15 nor more than 150 days from the date of such notice. Upon any such acceleration and the giving of such notice of purchase, the Board shall have authority to exercise all rights which the holders of the Notes might have in respect of any and all collateral securing the Notes, provided that nothing herein shall limit in any way the Board's exercise of its rights with respect to such collateral as set forth in the Agreement to Guarantee and the Mortgage.

(c) If any event set forth in Section 11(b) or 11(c) of the Act shall have occurred, the Notes shall, pursuant to the Act and the Agreement to Guarantee, automatically become due and payable immediately, and thereupon, if the Company does not immediately upon such acceleration pay to the Fiscal Agent in trust for remittance to the Noteholders (for the sole purpose of remittance to registered Noteholders and creating no other trust obligations under any applicable law) the unpaid principal amount of the Notes plus accrued interest thereon, the Board shall purchase all (but not less than all) of the Notes, not less than 15 nor more than 150 days from the date of acceleration, from the holders thereof at 100% of the principal amount thereof plus accrued interest thereon to the date of purchase, and notice of such acceleration and the date of purchase shall be sent to the Fiscal Agent by the Board on the date of acceleration of the Notes. Upon any such acceleration and the giving of such notice of purchase, the Board shall have authority to exercise all rights which the holders of the Notes might have in respect of any and all collateral securing the Notes, provided that nothing herein shall limit in any way the Board's exercise of its rights with respect to such collateral as set forth in the Agreement to Guarantee and the Mortgage.

SECTION 2.03. (a) Notice of redemption, acceleration or purchase pursuant to Section 2.01 or 2.02 hereof, as the case may be, shall be given by the Fiscal Agent to the holders of the Notes by mailing such notice by first-class mail to their last addresses as they shall appear upon the Note Register maintained by the Fiscal Agent. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives the notice. The notice of redemption or purchase, as the case may be, shall specify the principal amount of Notes to be redeemed or purchased, shall state the date fixed for redemption or purchase and the price at

which Notes are to be redeemed or purchased, and shall state that payment of such price will be made at the office of the Fiscal Agent, upon presentation and surrender of the Notes to be redeemed or purchased, that interest accrued to the date fixed for redemption or purchase will be paid as specified in said notice, and that on said date, in the event monies are duly provided therefor, interest thereon will cease to accrue as to the holders of Notes (other than the Board). If less than all the Notes are to be redeemed pursuant to Section 2.01 hereof, the notice of redemption shall be sent only to those holders of Notes whose Notes or portions thereof are to be redeemed and, in addition to the other matters set forth in the preceding sentence, such notice shall also specify such holders' Notes to be redeemed as a whole or in part and, if any Note is to be redeemed in part only, the notice which relates to such Note shall state the portion of the principal amount thereof to be redeemed and shall state that, upon surrender of such Note, the holder will receive, without charge, a new Note for the principal amount thereof remaining unredeemed and, on said redemption date, the Optional Redemption Price in respect of the principal amount thereof called for redemption.

(b) If less than all the Notes are to be redeemed pursuant to Section 2.01 hereof, the Company shall give the Fiscal Agent, at least 45 days in advance of the date fixed for redemption, notice of the aggregate principal amount of Notes to be redeemed, and thereupon the Fiscal Agent shall select, by lot or such other method as it shall deem appropriate and fair, the Notes to be redeemed as a whole or in part.

SECTION 2.04. (a) If the giving of notice of redemption shall have been completed as above provided, the Notes or portions of Notes specified in such notice shall become due and payable on the date and at the place stated in such notice at the principal amount thereof, together with interest accrued to the date fixed for redemption, and, on such date fixed for redemption, interest on the Notes or portions of Notes so called for redemption shall cease to accrue, provided that monies to effect such redemption shall have been deposited with the Fiscal Agent. Upon presentation and surrender of such Notes at said place of payment in said notice specified, the said Notes shall be paid and redeemed by the Company at the principal amount thereof, together with interest accrued to the date fixed for redemption.

(b) If the giving of notice of purchase shall have been completed as above provided, the purchase price for the Notes shall become due and payable on the date and at the place stated in such notice by the Board, upon presentation and surrender of the Notes at said place of payment in said notice specified, and, on such date fixed for purchase, interest shall cease to accrue as to holders of the Notes (other than the Board) provided that the Board shall have deposited such purchase price with the Fiscal Agent.

ARTICLE III

PAYMENTS

SECTION 3.01. Pursuant to the Fiscal Agency Agreement, the Company has agreed to deposit with the Fiscal Agent in trust (for the sole purpose of remittance to registered Noteholders and creating no other trust obligations under any applicable law) at or before 12:00 noon, New York City time, on the Business Day next preceding any date on which the payment of principal of or interest on the Notes is due, including dates fixed for the redemption of Notes prior to the stated maturity thereof (the "Payment Dates"), New York Clearing House funds by certified check in an amount sufficient to pay in full the interest and any principal due on such Payment Date with respect to the Notes, and the Fiscal Agent has agreed, in the event that any such payment is not received in full by such time, to promptly notify the Board. In the event that any such payment is not received in full by 4:00 P.M., New York City time, on the fourth Business Day after such Payment Date, the Fiscal Agent, acting on behalf of the holders of the Notes, is obligated, pursuant to the Fiscal Agency Agreement, to immediately make a demand upon the Board for payment pursuant to the Guarantees in accordance with Section 3.02 hereof.

SECTION 3.02. In the event that the Company shall have failed to make any payment of the principal of or interest on any Note on the Payment Date on which such payment was due and such failure to pay by the Company shall not have been cured by 4:00 P.M., New York City time, on the fourth Business Day after such Payment Date, and the Fiscal Agent, acting on behalf of the holders of the Notes, shall have made a demand for payment upon the Board pursuant to the Guarantees, then the Board shall, on the fifth Business Day after such Payment Date, pay to the Fiscal Agent in immediately available funds, for remittance to the registered holders of the Notes, the unpaid interest and principal, if any, that was due on such Payment Date with respect to the Notes plus unpaid interest accrued on the unpaid principal amount of the Notes at the rate borne thereby from such Payment Date to the date of payment.

SECTION 3.03. Payments made by the Board on the fifth Business Day following a Payment Date pursuant to Section 3.02 hereof shall, in the case of any payment of interest only, be made by check mailed by the Fiscal Agent to the holders of Notes registered as such on the record date applicable to the defaulted Payment Date. In the event that the principal of the Notes or the Board's purchase price for the Notes shall be due and payable and such payment is to be made by the Board pursuant to this Guarantee Agreement, any such payment shall be payable only upon presentation and surrender of the Notes at the office of the Fiscal Agent (in case any Note is to be paid in part only by reason of a partial redemption of Notes pursuant to Section 2.01 hereof, the holder thereof will receive a new Note for the principal amount thereof remaining unredeemed) on (i) in the case of a payment pursuant to Section 3.02, the fifth Business Day subsequent to the defaulted Payment Date, or (ii) in the case of any purchase by the Board of the Notes pursuant to Section 2.02 hereof, the date set forth in the applicable notice of purchase referred to in such Section 2.02. The Board shall have the option, in the event that any payment of principal of or interest on any Note is not deposited with the Fiscal Agent by the Company, by 10:00 A.M., New York City time, on the related Payment Date, to make such payment on such Payment Date.

SECTION 3.04. Each holder of a Note shall be deemed by the acceptance of its Note to have irrevocably appointed the Fiscal Agent as its agent for the purpose of making a demand for payment upon the Board in accordance with Section 3.01 hereof and Section 5(b) of the Fiscal Agency Agreement and receiving any payment by the Board pursuant to this Guarantee Agreement. All payments made by the Board to the Fiscal Agent are, in accordance with Section 5(c) of the Fiscal Agency Agreement, to be held in trust by the Fiscal Agent solely for the benefit of the registered holders of the Notes until remitted to such holders. The Board shall be discharged, except as otherwise provided in Section 4.02 hereof, from its obligation to make a payment pursuant to this Guarantee Agreement upon the making of such payment in immediately available funds to the Fiscal Agent, provided that such discharge shall be effective only as to such payment and to the extent of the amount of such payment.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. The obligations of the United States hereunder shall be irrevocable and unconditional, irrespective of the validity, legality or enforceability of the Notes or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor, and the full faith and credit of the United States is hereby pledged for the full payment and performance of the obligations of the United States hereunder. The validity of the Guarantees issued pursuant to this Guarantee Agreement shall be incontestable in the hands of the Noteholders, except for fraud or material misrepresentation on the part of such holders. Except as otherwise expressly provided herein, the United States hereby waives presentment, demand, protest, or promptness in making any claim or demand hereunder.

SECTION 4.02. This Guarantee Agreement shall terminate upon the payment in full of the principal of and interest on the Notes as provided for in this Agreement; provided, however, that the Notes shall not be deemed to be paid in full in the event that any payment by the Company to the holder of any Note of the principal or interest due under such Note, or any portion of any such payment, shall at any time be repaid by any such holder in compliance with an order (whether or not final) of a court of competent jurisdiction pursuant to any provision of the Federal bankruptcy laws or applicable state laws relating to insolvency or debtors' proceedings.

SECTION 4.03. No claim of waiver, modification, consent, or acquiescence with respect to any of the provisions of this Guarantee Agreement shall be made against the Board except on the basis of a written instrument signed by a duly authorized representative of the Board specifying the Section in this Guarantee Agreement to which such waiver relates.

SECTION 4.04. No amendment, renewal, or extension of any Note or any modification or waiver of any right thereunder or any subordination of any right of payment under such Note may be consented to by the holder of a Note without the prior written consent of the Board.

SECTION 4.05. With respect to any payments made by the Board pursuant to the Guarantees, the United States shall be subrogated to all of the rights of the holders of the Notes to the extent of the amount of such payments free and clear of any set-offs or counterclaims that the Company might have against any such holders. Any amounts received by any holder of a Note with respect to principal or interest on such Note for which payment has been made by the Board pursuant to this Guarantee Agreement shall be promptly paid to the Board by such holder.

SECTION 4.06. The holders of the Notes (other than the Board) will not institute legal proceedings against the Company for the payment of amounts due under the Notes. Each holder of a Note shall be deemed by the acceptance of its Note to have consented to the appointment of the Mortgagees to act in such capacity under the Mortgage. No holder of a Note (other than the Board) shall have the right to institute any suit, action or proceeding at law or in equity, or any special or other statutory proceeding, upon or in respect of the Mortgage, or for the execution of any trust or power thereof, or for the appointment of a receiver, or for any other remedy under or upon the Mortgage. No one or more holders of Notes (other than the Board) shall have any right in any manner whatever to affect, disturb or prejudice the lien of the Mortgage by his or their action, or to enforce any right thereunder.

SECTION 4.07. In the event that any holder of a Note shall have delivered to the Board a "Financial Institution Subordination Agreement" or a "Set-off Agreement", as defined in Section 1.01 of the Agreement to Guarantee, amounts payable to such holder (other than amounts payable to such holder in its capacity as a trustee or nominee and in which such holder has no beneficial interest) by the Board pursuant to this Guarantee Agreement may be reduced as provided in Section 2.01 of the Agreement to Guarantee.

SECTION 4.08. No Note guaranteed pursuant to and under this Guarantee Agreement may be pledged as collateral or security for obligations the income from which is excludable from gross income for purposes of Chapter 1 of the Internal Revenue Code of 1954.

SECTION 4.09. Except as otherwise specifically provided in Section 2.01 of this Agreement, this Guarantee Agreement shall be deemed to be a third-party beneficiary agreement for the benefit of the holders from time to time of the Notes.

SECTION 4.10. This Guarantee Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 4.11. The rights and obligations of the United States pursuant to and under this Guarantee Agreement shall be governed by and construed in accordance with the Federal law of the United States of America. Where the rights and obligations of the United States are not affected, this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed this Guarantee Agreement as of the day and year first above written.

CHRYSLER CORPORATION

By .....

UNITED STATES OF AMERICA,
ACTING THROUGH THE CHRYSLER
CORPORATION LOAN GUARANTEE BOARD

By .....

$300,000,000

% Secured Notes
Due July 15, 1990

Fully Guaranteed as to
Principal and Interest by the

United States of America

Acting through the Chrysler
Corporation Loan Guarantee Board

Issued by

Chrysler Corporation

Salomon Brothers

Merrill Lynch White Weld
Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

The First Boston Corporation

E. F. Hutton & Company Inc.

Offering Circular

Dated July , 1980

68179 PROOF OF JULY 9, 1980
Bowne of New York City (212) 924-5500

$300,000,000

% Secured Notes Due July 15, 1990

Fully Guaranteed as to Principal and Interest by the

United States of America

Acting through the Chrysler Corporation Loan Guarantee Board

Issued by

Chrysler Corporation

Agreement Among Underwriters

New York, New York
July , 1980

SALOMON BROTHERS
MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
THE FIRST BOSTON CORPORATION
E. F. HUTTON & COMPANY INC.
As Representatives of the several Underwriters
c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Dear Sirs:

1. *Underwriting Agreement.* We understand that CHRYSLER CORPORATION (the "Company") proposes to cause to be issued and sold $300,000,000 principal amount of its % Secured Notes Due July 15, 1990 (the "Notes"), fully guaranteed as to principal and interest by the United States of America, acting through the Chrysler Corporation Loan Guarantee Board, and to enter into an underwriting agreement (the "Underwriting Agreement"), substantially in the form attached hereto as Exhibit A, with you, acting as representatives (the "Representatives") of the underwriters named in Schedule I to the Underwriting Agreement (the "Underwriters"). This is to confirm that we agree to purchase, in accordance with the terms of the Underwriting Agreement, the principal amount of the Notes set forth opposite our name in Schedule I thereof, plus such principal amount of Notes, if any, which we may become obligated to purchase pursuant to Section 4 hereof ("our Notes"). Our commitment to purchase our Notes will not result in a violation of the financial responsibility requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, of the National Association of Securities Dealers, Inc., if we are a member, or of any securities exchange to which we belong.

2. *Offering Circular.* We have heretofore received and examined a copy of the offering circular, as amended to the date hereof, and we confirm that the information therein is correct and is not misleading insofar as it relates to us, and we consent to being named as an Underwriter therein. We confirm that, if requested by you as Representatives, we have furnished a copy of any amended preliminary offering circular to each person to whom we have furnished a copy of any previous preliminary offering circular, and we confirm that we have delivered, and we agree that we will deliver, all preliminary and final offering circulars as promptly as practicable to each person to whom we sell Notes in the course of the distribution thereof contemplated by the Underwriting Agreement.

3. *Authority of the Representatives.* We authorize you, acting as Representatives, to execute and deliver on our behalf the Underwriting Agreement and to agree to any variation of its terms (except as to the purchase price and the principal amount of our Notes) which, in your judgment, is not a material variation. We also authorize you to exercise all the authority and discretion vested in the Underwriters or in you by the provisions of the Underwriting Agreement and to take all such action as you may believe desirable to carry out the provisions of the Underwriting Agreement and of this Agreement. We authorize you to take such action as in your discretion may be necessary or desirable to effect the sale and distribution of the Notes, including the right to determine the terms of any proposed offering, the concession to Selected Dealers (as hereinafter defined) and the reallowance, if any, to other dealers and the right to make the judgment provided for in Section 10 of the Underwriting Agreement. If, for Federal income tax purposes, the Underwriters should be deemed to constitute a partnership, then each Underwriter elects to be excluded from the application of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, as amended, and agrees not to take any position inconsistent with such election, and you, as Representatives, are authorized, in your discretion, to execute on behalf of the Underwriters such evidence of such election as may be required by the Internal Revenue Service. Any action which you are authorized to take may be taken by Salomon Brothers on your behalf.

We agree that public advertisement of the offering shall be made by you on behalf of the Underwriters on such date as you shall determine. We have not advertised the offering and will not do so until after such date. We understand that any advertisement we may then make will be on our own responsibility and at our own expense.

4. *Authority of Representatives as to Defaulting Underwriters.* Until the termination of this Agreement, we authorize you to arrange for the purchase by other persons, who may include any of the Underwriters, of any Notes not taken up by any defaulting Underwriter. In the event that such arrangements are made, the respective principal amounts of the Notes to be purchased by the non-defaulting Underwriters and by such other person or persons, if any, shall be taken as the basis for all rights and obligations hereunder; but this shall not in any way affect the liability of any defaulting Underwriter to the other Underwriters for damages resulting from its default, nor shall any such default relieve any other Underwriter of any of its obligations hereunder or under the Underwriting Agreement except as herein or therein provided.

In the event of default by one or more Underwriters in respect of their obligations (a) under the Underwriting Agreement to purchase the Notes agreed to be purchased by them thereunder, (b) under Section 7 of this Agreement to remit payments to you on account of principal for borrowings arranged by you for its account pursuant to Section 8, or (c) under this Agreement to take up and pay for any Notes purchased, or to deliver any Notes sold or over-allotted by you for the respective accounts of the Underwriters pursuant to Section 9 hereof, or to bear their respective share of expenses or liabilities pursuant to Sections 11, 13 and 14 hereof, and to the extent that arrangements shall not have been made by you for any persons to assume the obligations of such defaulting Underwriter or Underwriters, we agree to assume our proportionate share of the obligations of each defaulting Underwriter (subject in the case of clause (a) above to the limitations contained in Section 9 of the Underwriting Agreement) without relieving any such defaulting Underwriter of its liability therefor.

5. *Offering of Notes.* We understand that you will notify us when the initial public offering of the Notes is to be made and of the initial public offering price. We hereby authorize you in your discretion after the initial public offering to change the public offering price, the concession and the reallowance. The offering price at any time in effect is hereinafter referred to as the "public offering price". We agree that any of the Notes released to us for public offering and not reserved by you for sale to Selected Dealers and retail purchasers shall be promptly reoffered to unrelated persons at the public offering price, and we will not allow any discount therefrom except as herein otherwise provided.

We authorize you to reserve and offer for sale to retail purchasers and to dealers (the "Selected Dealers") to be selected by you (including any Underwriter) such of our Notes as you shall determine. Any such offering to Selected Dealers may be made pursuant to a Selling Agreement, in the form attached hereto as Exhibit B, or otherwise, as you may determine.

We authorize you to make purchases and sales of the Notes from or to any Selected Dealers or Underwriters at the public offering price less all or any part of the concession and, with your consent, any Underwriter may make purchases or sales of the Notes from or to any Selected Dealer or Underwriter at the public offering price less all or any part of the concession. The concession and reallowance may be allowed only to dealers who are members in good standing of the National Association of Securities Dealers, Inc., or foreign banks, dealers or institutions not eligible for membership in said Association who agree to make no sales within the United States, its territories or possessions or to persons who are citizens thereof or residents therein and, in making other sales, to comply with said Association's interpretation with respect to free riding and withholding.

We understand that you will notify each Underwriter promptly upon the release of the Notes for public offering as to the amount of Notes reserved for sale to Selected Dealers and retail purchasers. Notes not so reserved may be sold by each Underwriter for its own account, except that from time to time you may, in your discretion, add to the Notes reserved for sale to Selected Dealers and retail purchasers any Notes retained by an Underwriter remaining unsold. We agree to notify you from time to time upon request of the amount of our Notes retained by us remaining unsold. If all the Notes reserved for offering to Selected Dealers and retail purchasers are not promptly sold by you, any Underwriter may from time to time, with your consent, obtain a release of all or any Notes of such Underwriter then remaining unsold, and Notes so released shall thereafter be deemed not to have been reserved. Notes of any Underwriter so reserved which remain unsold or, if sold, have not been paid for at any time prior to the termination of this Agreement may, in your discretion or upon the request of such Underwriter, be delivered to such Underwriter for carrying purposes only, but such Notes shall remain subject to disposition by you until this Agreement is terminated and except that, if the aggregate amount of Notes so reserved upon termination of this Agreement does not exceed 10% of the aggregate amount of Notes, you may, in your discretion, sell for the accounts of the several Underwriters any such Notes so reserved, at such prices, on such terms and in such manner as you may determine.

6. *Compensation to Representatives.* As compensation for your services, we agree to pay to you, and authorize you to charge our account with, an amount equal to % of the aggregate principal amount of our Notes.

7. *Payment and Delivery.* Payment of the aggregate purchase price for the Notes to be purchased by each Underwriter is to be made in such manner as you shall arrange on the Closing Date (as defined in the Underwriting Agreement). You shall advise us as to such manner of payment and, upon such advice, we agree to comply with instructions so received; *provided, however,* that, under no circumstances, shall any Underwriter be required to remit payments, including payments of principal on account of borrowings arranged by you for its account pursuant to Section 8 hereof, which in the aggregate exceed such Underwriter's commitment hereunder or under the Underwriting Agreement as the same may be increased pursuant to the provisions of Section 4 hereof. We authorize you to effect such payment against delivery to you, for the respective accounts of the Underwriters, of Notes in temporary form (the "temporary Notes") in the aggregate principal amount equal to the aggregate principal amount of the Notes agreed to be purchased by the Underwriters from the Company and to hold or pledge such temporary Notes pending delivery of definitive Notes.

We authorize you to accept delivery of our Notes in definitive, fully registered form upon exchange of the temporary Notes received by you on the Closing Date on the Exchange Date designated in Section 3 of the Underwriting Agreement. We authorize you to hold and deliver against payment any of our Notes which have been sold or reserved for sale to Selected Dealers or retail purchasers and, upon receiving payment for our Notes so sold or reserved, you are to remit to us an amount

equal to the purchase price paid by us for such Notes and credit or charge our account with the difference between the price at which such Notes were sold and our purchase price. Any of our Notes not sold or reserved by you as aforesaid will be available for delivery to us at the office of Salomon Brothers, One New York Plaza, New York, New York as soon as practicable after such Notes in definitive form have been delivered to you. Upon the termination of this Agreement, or prior thereto at your discretion, you will deliver to us any of our Notes reserved by you for sale to Selected Dealers or retail purchasers but not sold and paid for.

Notwithstanding the foregoing provisions of this Section 7, payment for and delivery of our Notes in definitive form will be made through the facilities of The Depository Trust Company, if we are a member, unless we have otherwise notified you prior to a date to be specified by you, or, if we are not a member, delivery may be made through a correspondent who is a member pursuant to instructions we may send to you prior to such specified date.

8. *Authority to Borrow.* We authorize you (to the extent permitted by law) to arrange loans for our account and to execute and deliver any notes or other instruments in connection therewith, and to pledge as security therefor the temporary Notes delivered to you on the Closing Date or all or any part of our Notes or of any Notes purchased for the accounts of the several Underwriters pursuant to Section 9 hereof, as you may deem necessary or advisable to carry out the purchase and carrying of the temporary Notes purchased on the Closing Date and the purchase, carrying and distribution of the Notes, and to advance your own funds, charging current interest rates.

9. *Over-allotment; Stabilization.* We authorize you, for the account of each Underwriter, prior to the termination of this Agreement, and for such longer period as may be necessary to cover any short position incurred for the accounts of the several Underwriters pursuant to this Agreement, (a) to over-allot in arranging for sales of Notes to Selected Dealers and others and, if necessary, to purchase Notes at such prices as you may determine for the purpose of covering such over-allotments, and (b) for the purpose of stabilizing the market in the Notes, to make purchases and sales of Notes, on the open market or otherwise, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as you may determine; *provided, however*, that at no time shall our net commitment, either for long or short account, under this Section 9 exceed 10% of the principal amount of our Notes. Such purchases, sales and over-allotments shall be made for the respective accounts of the several Underwriters as nearly as practicable to their respective underwriting proportions. We agree to take up on demand at cost any Notes so purchased for our account and deliver on demand any Notes so sold or over-allotted for our account. We authorize you to sell for the account of the Underwriters any Notes purchased pursuant to this Section 9, upon such terms as you may deem advisable, and any Underwriter, including you, may purchase such Notes. You are authorized to charge the respective accounts of the Underwriters with broker's commissions or dealer's markups on purchases and sales effected by you.

If pursuant to the provisions of the preceding paragraph and prior to the termination of this Agreement (or prior to such earlier date as you may have determined) you purchase or contract to purchase for the account of any Underwriter in the open market or otherwise any Notes which were retained by, or released to, us for direct sale, or any Notes which may have been issued in exchange for such Notes, we authorize you either to charge our account with an amount equal to the concession to Selected Dealers with respect thereto, which amount shall be credited against the cost of such Notes, or to require us to repurchase such Notes at a price equal to the total cost of such purchase, including accrued interest, transfer taxes and broker's commissions or dealer's markups, if any. In lieu of such action you may, in your discretion, sell for our account the Notes so purchased and debit or credit our account for the loss or profit resulting from such sale.

10. *Open Market Transactions.* We agree that, except as herein otherwise provided, until the termination of this Agreement or until you notify us that we are released from this restriction, we will

not without your consent buy, sell, deal or trade in the Notes for our own account or for the accounts of customers except on unsolicited brokerage orders therefor.

11. *Allocation and Payment of Expenses.* We understand that all expenses of a general nature incurred by you, as Representatives, in connection with the purchase, carrying, marketing and sale of the Notes, including any expenses incurred in connection with borrowings pursuant to Section 8 hereof, shall be borne by the Underwriters in accordance with their respective underwriting proportions. We authorize you to charge our account with our share, based on our underwriting proportion, of the aforesaid expenses.

As promptly as possible after the termination of this Agreement, the accounts arising pursuant hereto shall be settled and paid. Your ascertainment of all expenses and the apportionment thereof shall be conclusive. Notwithstanding any settlement or settlements hereunder, we will remain liable for our share of all expenses and liabilities which may be incurred by or for the accounts of the Underwriters, including any expenses and liabilities referred to in Sections 4, 13 and 14 hereof, which shall be determined as provided in this Section 11.

12. *Termination.* Unless this Agreement or any provision hereof is earlier terminated by you and except for provisions herein that contemplate obligations that survive the termination hereof, this Agreement will terminate at the close of business on the 30th day after the date hereof, but in your discretion may be extended by you for a further period or periods not exceeding an aggregate of 30 days; *provided, however*, that the provisions of Sections 4, 11, 13 and 14 hereof shall survive the termination of this Agreement.

13. *Liability of Representatives and Underwriters.* Neither as Representatives, nor individually, shall you be under any liability whatsoever to any other Underwriter nor shall you be under any liability in respect of any matters connected herewith or action taken by you pursuant hereto, except for the obligations expressly assumed by you in this Agreement. Nothing herein contained shall constitute the several Underwriters an association, or partners with us or with each other, or, except as herein expressly provided, render any Underwriter liable for the obligation of any other Underwriter. The rights, obligations and liabilities of each of the Underwriters are several, in accordance with their respective obligations, and not joint. Notwithstanding any settlement of accounts under this Agreement, we agree to pay our underwriting proportion of the amount of any claim, demand or liability which may be asserted against and discharged by the Underwriters, or any of them, based on the claim that the Underwriters constitute an association, unincorporated business or other entity, and also to pay our underwriting proportion of expenses approved by you and incurred by the Underwriters, or any of them, in contesting any such claims, demands or liabilities.

14. *Future Claims.* In the event that at any time any claim or claims shall be asserted against you, as Representatives, or otherwise involving the Underwriters generally, relating to any preliminary offering circular or the final offering circular, as from time to time amended or supplemented, the public offering of the Notes or any of the transactions contemplated by this Agreement, we authorize you to make such investigation, to retain such counsel and to take such other action as you shall deem necessary or desirable under the circumstances, including settlement of any such claim or claims if such course of action shall be recommended by counsel retained by you. We agree to pay to you, on request, our underwriting proportion of all expenses incurred by you (including, but not limited to, disbursements and fees of counsel so retained) in investigating and defending against such claim or claims and our underwriting proportion of any liability incurred by you in respect of such claim or claims, whether such liability shall be the result of a judgment or as a result of any such settlement.

15. *Title to Notes.* The Notes purchased by, or on behalf of, the respective Underwriters shall remain the property of such Underwriters until sold, and title to any such Notes shall not

in any event pass to the Representatives by virtue of any of the provisions of this Agreement; provided, however, that the temporary Notes delivered to you on the Closing Date shall be purchased for the accounts of the several Underwriters as their respective interests shall appear in Schedule I to the Underwriting Agreement.

16. *Blue Sky Matters.* It is understood that you assume no responsibility with respect to the right of any Underwriter or other person to offer or to sell Notes in any jurisdiction, notwithstanding any information which you may furnish as to the jurisdictions under the securities laws of which it is believed the Notes may be sold.

17. *Applicable Law.* This Agreement will be governed by and construed in accordance with the laws of the State of New York.

18. *Miscellaneous.* Any notice from you to us shall be deemed to have been duly given if mailed, telephoned or telegraphed to us at the address set forth in the Underwriters' Questionnaire furnished by us to you. Any notice from us to you shall be deemed to have been duly given if mailed, telephoned or telegraphed to you, in care of Salomon Brothers at One New York Plaza, New York, New York 10004.

We represent that we are a member in good standing of the National Association of Securities Dealers, Inc., or if we are not such a member, we are a foreign dealer or institution not eligible for membership in said Association, who hereby agrees to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein (except that we may participate in group sales under Section 5 hereof) and, in making other sales, to comply with said Association's interpretation with respect to free riding and withholding.

Please confirm that the foregoing correctly states the understanding between us by signing and returning to us a counterpart hereof.

Very truly yours,

.....

(As Attorney-in-Fact for each of the several Underwriters named in Schedule I to the Underwriting Agreement attached hereto)

Confirmed the date first above written:

SALOMON BROTHERS
MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
THE FIRST BOSTON CORPORATION
E. F. HUTTON & COMPANY INC.

By: .....

C

Exhibit A

$300,000,000

% Secured Notes Due July 15, 1990

Fully Guaranteed as to Principal and Interest by the

United States of America

Acting through the Chrysler Corporation Loan Guarantee Board

Issued by

Chrysler Corporation

Underwriting Agreement

New York, New York
July , 1980

SALOMON BROTHERS
MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
THE FIRST BOSTON CORPORATION
E. F. HUTTON & COMPANY INC.
As Representatives of the several Underwriters
c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Dear Sirs:

Chrysler Corporation, a Delaware corporation (the "Company"), proposes to cause to be issued $300,000,000 principal amount of its % Secured Notes Due July 15, 1990 (the "Notes") fully guaranteed as to principal and interest by the United States of America, acting through the Chrysler Corporation Loan Guarantee Board (the "Board"), pursuant to a Guarantee Agreement, dated the date hereof (the "Guarantee Agreement"), between the Company and the Board in the form set forth as Exhibit A to the Offering Circular hereinafter referred to. The Notes are more fully described in a preliminary offering circular dated July , 1980 and in a final offering circular dated the date hereof (the "Offering Circular"), which the Company has furnished to you, acting as representatives (the "Representatives") of the underwriters named in Schedule I hereto (the "Underwriters"). This is to confirm the arrangement with respect to the purchase of the Notes by the Underwriters, severally.

SECTION 1. *Representations, Warranties and Agreements of the Company.* (a) The Company represents, warrants and agrees with the Underwriters that:

(i) The Company has, concurrently with the execution of this Agreement, delivered to the Representatives copies of the Offering Circular for use by the Underwriters and others as provided in Section 4 in offering the Notes for sale to the public. The statements and information contained in the Offering Circular at the time of execution of this Agreement are, and at the Closing

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Date (as hereinafter defined) will be, true, correct and complete in all material respects, and the Offering Circular as of such times will not omit any statement or information which should be included therein for the purpose for which it is to be used or which is necessary to make the statements and information contained therein not misleading in any material respect.

(ii) At or prior to the Closing Date, the Company, the Board and United States Trust Company of New York (the "Bank") will have entered into a Fiscal Agency Agreement (the "Fiscal Agency Agreement"), copies of which will be furnished to each Underwriter, providing for, among other things, the authentication, registration, transfer and exchange of Notes.

(iii) The execution and delivery of this Agreement, and the incurrence of the obligations and consummation of the transactions herein contemplated will not conflict with, or constitute a breach of or default under, the articles of incorporation or by-laws of the Company or any bond, debenture, note or other evidence of indebtedness, or any contract, indenture, mortgage, loan agreement or lease to which the Company is a party or by which it may be bound, or any law, administrative regulation or court decree.

(iv) The Company and the Board have entered into an Agreement to Guarantee dated as of May 15, 1980 (the "Agreement to Guarantee") setting forth certain terms and conditions generally applicable to guarantees by the Board pursuant to the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act"), and the Agreement to Guarantee has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company.

(v) The Notes have been duly authorized for issuance and sale pursuant to this Agreement and, when the same have been executed and authenticated as specified in the Guarantee Agreement and the Fiscal Agency Agreement and delivered pursuant to this Agreement against payment of the consideration therefor specified herein, the Notes will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, except as enforcement thereof against the Company may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights.

(vi) The Company is in compliance with the terms and provisions of the Act and the Agreement to Guarantee and no Event of Default, which would permit the Board to purchase the Notes pursuant to the terms of the Guarantee Agreement, exists under Article 8 of the Agreement to Guarantee.

SECTION 2. *Purchase and Sale.* Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company agrees to cause to be sold to you and the other Underwriters, severally and not jointly, and you and the other Underwriters agree, severally and not jointly, to purchase from the Company, at a purchase price of % of the principal amount thereof together with accrued interest, if any, the respective principal amounts of Notes set forth opposite each respective Underwriter's name in Schedule I hereto, aggregating $300,000,000 principal amount thereof.

SECTION 3. *Delivery and Payment.* Payment for the Notes shall be made at the offices of Salomon Brothers, One New York Plaza, New York, New York 10004, at 10:00 A.M., local time, on July , 1980, or such later time or date (but not later than seven days after such date), as the Representatives and the Company shall agree upon, or as provided in Section 9 hereof (such date and time being herein called the "Closing Date"). Such payment by the several Underwriters through the Representatives shall be made to or upon the order of the Company by certified or official bank check payable in New York Clearing House funds against delivery to Salomon Brothers, for the respective accounts of the Underwriters, of Notes in temporary form in the aggregate principal amount of $300,000,000 (the "temporary Notes").

The Company agrees to cause to be delivered at the offices of Salomon Brothers by 10:00 A.M., local time, on the seventh day after the Closing Date (the "Exchange Date") the Notes in definitive form and registered in such authorized denominations as the Representatives may request not less than three full business days in advance of the Exchange Date, upon exchange of the temporary Notes received by Salomon Brothers on the Closing Date.

For the purpose of expediting the checking and packaging of the Notes, the Company agrees to make the Notes in definitive form available for inspection by the Representatives in New York not later than 10:00 A.M. on the business day prior to the Exchange Date.

SECTION 4. *Offering by Underwriters.* It is understood that the several Underwriters propose to offer the Notes for sale to the public as set forth in the Offering Circular.

SECTION 5. *Agreements.* The Company agrees with the several Underwriters that:

(a) The Company will furnish copies of the Offering Circular and all amendments and supplements thereto as soon as available and in such quantities as the Representatives may reasonably request. The Company authorizes the Underwriters and all members of any selling group which may be formed in connection with the distribution of the Notes to use the Offering Circular, as the Offering Circular may at any time have been amended or supplemented, in connection with the offer and sale of the Notes. The Company confirms that it had authorized the Underwriters to use, prior to the date hereof, the preliminary offering circular dated July , 1980 furnished by the Company in connection with the offer and sale of the Notes.

(b) If, at any time when the Offering Circular is used in connection with the public offering and sale of the Notes contemplated hereunder, any event occurs as a result of which the Offering Circular as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, the Company will promptly prepare an amendment or supplement to the Offering Circular which will correct such untrue statement or omission.

(c) Before making any amendments or supplements to the Offering Circular, the Company will furnish the Representatives with copies of such proposed amendments or supplements, which amendments or supplements shall be subject to the approval of the Representatives and to the approval of counsel for the Underwriters.

(d) The Company will furnish such information, execute such instruments and take such actions as may be required to qualify the Notes for sale under the laws of such jurisdictions as the Representatives may designate and will maintain such qualifications in effect so long as required for the distribution of the Notes; *provided, however,* that the Company shall not be required to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general or unlimited service of process in any jurisdiction where it is not now so subject.

SECTION 6. *Expenses.* Whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, the Company will pay all costs and expenses incident to the performance of its obligations under this Agreement, including, without limiting the generality of the foregoing, all costs and expenses incident to the issue and delivery to the Underwriters of the Notes, all taxes in connection therewith, all fees and expenses of the Company's counsel, all costs and expenses incident to the preparing and printing of any preliminary offering circular, the Offering Circular and any amendments thereof or supplements thereto, and the Fiscal Agency Agreement and the Guarantee Agreement, all costs and expenses (including fees of counsel for the Underwriters and their disbursements and the costs of printing Blue Sky and Legal Investment Surveys) incurred in connection with any "blue sky" qualifications and determinations of the legality of the Notes for investment, all

costs and expenses of the printing of this Agreement, and all costs and expenses of furnishing to Underwriters and dealers copies of all documents in connection with this underwriting. Except as provided in this Section and Section 8 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel and any advertising expenses in connection with any offer they may make.

SECTION 7. *Conditions to the Obligations of the Underwriters.* The obligations of the Underwriters to purchase and pay for the Notes shall be subject to the accuracy in all material respects of the representations and warranties on the part of the Company contained herein as of the date hereof and the Closing Date, to the performance of its obligations to be performed hereunder prior to the Closing Date and to the following terms and conditions:

(a) The Representatives shall have received the favorable opinion of Paul A. Heinen, Esq., General Counsel of the Company, dated the Closing Date, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.

(ii) The execution and delivery of this Agreement and the incurrence of the obligations and consummation of the transactions herein contemplated will not conflict with, or constitute a breach of or default under, the articles of incorporation or by-laws of the Company or any bond, debenture, note or other evidence of indebtedness, or any contract, indenture, mortgage, loan agreement or lease to which the Company is a party or by which it may be bound, or any law, administrative regulation or court decree.

(iii) To the knowledge of such counsel, the Company is in compliance with the terms and provisions of the Act and the Agreement to Guarantee and no Event of Default, which would permit the Board to purchase the Notes pursuant to the terms of the Guarantee Agreement, exists under Article VIII of the Agreement to Guarantee.

(b) The Representatives shall have received the favorable opinion of Debevoise, Plimpton, Lyons & Gates, special counsel to the Company, dated the Closing Date, to the effect that:

(i) This Agreement has been duly authorized, executed and delivered by the Company and constitutes the legal, valid and binding agreement of the Company.

(ii) The Guarantee Agreement, in the form thereof attached as Exhibit A to the Offering Circular, the Agreement to Guarantee and the Fiscal Agency Agreement have been duly and validly authorized, executed and delivered by the Company and constitute the legal, valid and binding agreements of the Company enforceable in accordance with their terms, except as enforcement against the Company may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights.

(iii) The Notes have been duly and validly authorized by all necessary corporate action of the Company and, when the same have been executed and authenticated as specified in the Guarantee Agreement and the Fiscal Agency Agreement and delivered pursuant to this Agreement against payment of the consideration therefor specified herein, they will be legal, valid and binding obligations of the Company, enforceable in accordance with their terms, except as enforcement against the Company may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights.

(iv) The Notes, the Act, the Agreement to Guarantee, the Guarantee Agreement and the Fiscal Agency Agreement conform, in substance, with the terms and provisions thereof summarized in the Offering Circular; nothing has come to the attention of such counsel

which would lead such counsel to believe that the Offering Circular at the time of the execution of this Agreement and at the Closing Date contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading; and the Notes are exempted securities within the meaning of laws administered by the Securities and Exchange Commission and need not be registered under the Securities Act of 1933, as amended.

(c) The Representatives shall have received the favorable opinion of Robert H. Mundheim, Esq., General Counsel of the Board, dated the Closing Date, to the effect that:

(i) The Guarantee Agreement and the Fiscal Agency Agreement have been duly and validly authorized, executed and delivered by the Board and constitute legal, valid and binding agreements of the Board in accordance with their terms.

(ii) The execution of the guarantee of payment by the Board endorsed upon the Notes has been duly and validly authorized by all necessary action on the part of the Board and such guarantee is in due and proper form, and, when the Notes are duly executed, authenticated and delivered to the Underwriters against payment of the agreed consideration therefor, the guarantee of payment by the Board endorsed thereon will be a legal, valid and binding undertaking of the United States of America in accordance with its terms and under and pursuant to the Guarantee Agreement, and the validity of any such guarantee shall be incontestable in the hands of a holder of a Note except for fraud or material misrepresentation on the part of such holder and shall be backed by the full faith and credit of the United States.

(d) The Representatives shall have received the favorable opinion of Brown, Wood, Ivey, Mitchell & Petty, counsel to the Underwriters, dated the Closing Date, to the effect set forth in paragraph (iv) of subsection (b) and paragraphs (i) and (ii) of subsection (c) above.

(e) The Representatives shall have received from the Company a certificate, dated the Closing Date, of the Chairman of the Board, the President or an Executive Vice President of the Company to the effect that the representations and warranties of the Company in this Agreement are true and correct in all material respects as if made on the Closing Date.

If the Closing Date shall, as scheduled, be coincident with the date hereof, the conditions precedent set forth above shall be modified as appropriate to reflect the absence of the necessity of any certificate or opinion confirming, as of the Closing Date, a statement, representation, warranty or opinion made as of the date hereof. If any conditions contained in this Agreement shall not be satisfied or if the obligations of the Underwriters shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriters nor the Company shall be under further obligation hereunder.

SECTION 8. *Reimbursement of Underwriters' Expenses.* If the sale of the Notes provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 7 hereof is not satisfied or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof, the Company will reimburse the Underwriters severally upon demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Notes.

SECTION 9. *Default by an Underwriter.* If any one or more Underwriters shall fail to purchase and pay for all of the Notes agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the principal amount of Notes set forth opposite their names in Schedule I hereto bear to the aggregate principal amount of Notes set forth opposite the names of all remaining Underwriters) the Notes which the defaulting Underwriter or Underwriters agreed but failed to purchase and pay for; *provided, however*, that in the event that the aggregate principal amount of Notes which the defaulting Underwriter or Underwriters agreed but failed to purchase and pay for shall exceed 10% of the aggregate amount of Notes set forth in Schedule I hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Notes, and if such non-defaulting Underwriters do not purchase all such Notes, this Agreement will terminate without liability to any non-defaulting Underwriter or the Company. In the event of a default by any Underwriter as set forth in this Section 9, the Closing Date shall be postponed for such period, not exceeding seven days, as the Representatives shall determine in order that the required changes in the Offering Circular or in any other documents or arrangements may be effected. Nothing herein contained shall relieve any defaulting Underwriter of its liability, if any, to the Company and any non-defaulting Underwriter for damages occasioned by its default hereunder.

SECTION 10. *Termination.* This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company prior to delivery of and payment for all the Notes, if prior to such time (i) trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange, or (ii) a banking moratorium shall have been declared either by Federal or New York State authorities, or (iii) there shall have occurred any new outbreak of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it, in the judgment of the Representatives, impractical to market the Notes, or (iv) an event of insolvency or bankruptcy with respect to the Company shall have occurred.

SECTION 11. *Notices.* All communications hereunder shall be in writing and, if sent to the Underwriters, shall be mailed, delivered, or telegraphed and confirmed in writing to the Representatives, care of Salomon Brothers at One New York Plaza, New York, New York 10004, to the attention of Robert F. Dall or, if sent to the Company, shall be mailed, delivered or telegraphed and confirmed in writing to it at Chrysler Center, P.O. Box 1919, Detroit, Michigan 48288 to the attention of the Chairman of the Board.

SECTION 12. *Representations to Survive Delivery.* The respective agreements, representations, warranties and other statements of the Company and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter or the Company and will survive delivery of and payment for the Notes.

SECTION 13. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and no other person will have any right or obligation hereunder.

SECTION 14. *Applicable Law.* This Agreement will be governed by and construed in accordance with the laws of the State of New York.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company and the several Underwriters.

Very truly yours,

CHRYSLER CORPORATION

By: .....

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

SALOMON BROTHERS

.....

MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: .....
Vice President

THE FIRST BOSTON CORPORATION

By: .....
Vice President

E. F. HUTTON & COMPANY INC.

By: .....
Vice President

For themselves and the other several Underwriters named in Schedule I to the foregoing Agreement.

SCHEDULE I

Name	Principal Amount of Notes to be Purchased
Salomon Brothers	$
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
The First Boston Corporation	
E. F. Hutton & Company Inc.	

Name	Principal Amount of Notes to be Purchased

Name	Principal Amount of Notes to be Purchased

Name	Principal Amount of Notes to be Purchased

Exhibit B.

$300,000,000

% Secured Notes Due July 15, 1990

Fully Guaranteed as to Principal and Interest by the

United States of America

Acting through the Chrysler Corporation Loan Guarantee Board

Issued by

Chrysler Corporation

Selling Agreement

New York, New York
July , 1980

Dear Sirs:

The Underwriters (the "Underwriters") named in the Offering Circular mentioned below have severally agreed, subject to the terms and conditions of the Underwriting Agreement dated July , 1980 (the "Underwriting Agreement"), to purchase from Chrysler Corporation (the "Company") at a purchase price of % of the principal amount thereof plus accrued interest, if any, from July , 1980, $300,000,000 aggregate principal amount of its % Secured Notes Due July 15, 1990 (the "Notes"), fully guaranteed as to principal and interest by the United States of America, acting through the Chrysler Corporation Loan Guarantee Board. The Notes are more particularly described in the enclosed Offering Circular (the "Offering Circular"), additional copies of which will be supplied in reasonable quantities upon request.

Some or all of the Underwriters are severally offering a part of the Notes for sale to selected dealers (the "Selected Dealers"), among whom they are pleased to include you, at the public offering price, less a concession in the amount set forth in the Offering Circular under "Underwriting". This offering is made subject to delivery of the Notes and their acceptance by the Underwriters, to the approval of all legal matters by counsel, and to the terms and conditions herein set forth and may be made on the basis of the reservation of Notes or an allotment against subscription.

We have advised you by telegram of the method and terms of the offering. Acceptances should be sent to Salomon Brothers, One New York Plaza, New York, New York 10004. We reserve the right to reject any acceptance in whole or in part.

Any of the Notes purchased by you hereunder are to be offered by you to nonaffiliated persons at the public offering price, except as herein otherwise provided and except that a reallowance from such public offering price of not in excess of the amount set forth in the Offering Circular under "Underwriting" may be allowed to dealers who are members in good standing of the National Association of Securities Dealers, Inc. or foreign dealers or institutions not eligible for membership in said Association who agree to abide by the conditions with respect to foreign dealers and institutions set forth in your confirmation below.

We, acting as Representatives, and, with our consent, any Underwriter may buy Notes from, or sell Notes to, any Selected Dealer or any other Underwriter, and any Selected Dealer may buy Notes from, or sell Notes to, any other Selected Dealer or any Underwriter at the public offering price, less all or any part of the concession.

You agree to pay us on demand for the accounts of the several Underwriters an amount equal to the concession on any Notes purchased by you hereunder which, prior to the termination of this Agreement, we may purchase or contract to purchase for the account of any Underwriter or which may be delivered against purchase contracts made prior to the termination of this Agreement.

Notes purchased by you hereunder shall be paid for on such date as we shall determine, on one day's notice to you, by certified or official bank check payable in New York Clearing House funds to the order of Salomon Brothers, One New York Plaza, New York, New York 10004 against delivery of the Notes. Notwithstanding such provisions, payment for and delivery of Notes purchased by you hereunder will be made through the facilities of The Depository Trust Company, if you are a member, unless you have otherwise notified us prior to the date specified in our telegram to you, or, if you are not a member, settlement may be made through a correspondent who is a member pursuant to instructions which you will send to us prior to such specified date.

No person is authorized by the Company or by the Underwriters to give any information or to make any representations not contained in the Offering Circular, in connection with the sale of Notes. You are not authorized to act as agent for the Company or any of the Underwriters in offering Notes to the public or otherwise. Nothing contained herein shall constitute the Selected Dealers partners with any of the Underwriters or with one another.

Upon application to us, we will inform you as to the advice we have received from counsel concerning the jurisdictions in which Notes have been qualified for sale or are exempt under the respective securities or blue sky laws of such jurisdictions, but we have not assumed and will not assume any obligation or responsibility as to the right of any Selected Dealer to sell Notes in any such jurisdiction.

As Representatives, we shall have full authority to take such action as we may deem advisable in respect to all matters pertaining to the offering or arising thereunder. Neither we, acting as Representatives, nor any of the Underwriters shall be under any obligation to you except for obligations expressly assumed by us in this Agreement.

Each of the Underwriters has authorized us to over-allot in arranging for sales of the Notes to the Selected Dealers and to purchase and sell Notes for long or short account and has also authorized us to stabilize or maintain the market prices of the Notes.

You agree, upon our request, at any time or times prior to the termination of this Agreement, to report to us the amount of Notes purchased by you pursuant to the provisions hereof which then remain unsold.

Selected Dealers will be governed by the conditions herein set forth until this Agreement is terminated. This Agreement will terminate at the close of business on the 30th day after the date hereof, but in our discretion, may be extended by us for a further period or periods not exceeding an aggregate of 30 days and in our discretion, whether or not extended, may be terminated at an earlier time. Notwithstanding the termination of this Agreement, you shall remain liable for your proportionate amount of any claim, demand or liability which may be asserted against you alone, or against you together with other dealers purchasing Notes upon the terms hereof, or against us, based upon the claim that the Selected Dealers, or any of them, constitute an association, an unincorporated business or other entity.

In the event that you agree to purchase Notes in accordance with the terms hereof, kindly confirm such agreement by completing and signing the form provided for that purpose on the enclosed duplicate hereof and returning it to us promptly.

All communications from you should be addressed to us, care of Salomon Brothers at One New York Plaza, New York, New York 10004. Any notice from us to you shall be deemed to have been fully authorized by the Underwriters and to have been duly given if mailed or telegraphed to you at the address to which this letter is mailed.

Very truly yours,

SALOMON BROTHERS
MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
THE FIRST BOSTON CORPORATION
E. F. HUTTON & COMPANY INC.
As Representatives of the several Underwriters.

By: .....
(Salomon Brothers)

SALOMON BROTHERS
MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
THE FIRST BOSTON CORPORATION
E. F. HUTTON & COMPANY INC.
As Representatives of the several Underwriters
c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Dear Sirs:

We hereby confirm our agreement to purchase the Notes allotted to us subject to the terms and conditions of the foregoing Agreement and your telegram to us referred to therein. We hereby acknowledge receipt of the final Offering Circular relating to the Notes, and we confirm that in purchasing Notes we have relied upon no statements whatsoever, written or oral, other than the statements in such Offering Circular. We have made a record of our distribution of preliminary offering circulars and, when furnished with copies of any revised preliminary offering circulars, we have, upon you request, promptly forwarded copies thereof to each person to whom we had theretofore distributed preliminary offering circulars. We hereby represent that we are a member in good standing of the National Association of Securities Dealers, Inc., or if we are not such a member, we are a foreign dealer or institution not eligible for membership in said Association which agrees to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and, in making other sales, to comply with said Association's interpretation with respect to free riding and withholding.

.....
Name of Selected Dealer

.....
(Authorized Signature)

Dated , 1980.

Proof of July 9, 1980

GUARANTEE AGREEMENT

GUARANTEE AGREEMENT, dated July , 1980, between the United States of America, acting through the Chrysler Corporation Loan Guarantee Board (the "Board"), and Chrysler Corporation, a Delaware corporation (the "Company").

WHEREAS, the Board is authorized, pursuant to the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act"), and upon the making of certain determinations required by the Act, to issue guarantees (the "Guarantees") of the payment of the principal of and interest on notes of the Company (and other eligible borrowers under the Act), such Guarantees being limited to $1,500,000,000 in aggregate principal amount outstanding at any time;

WHEREAS, the Company has authorized the creation and issuance of up to $300,000,000 aggregate principal amount of % Secured Notes Due July 15, 1990 (the "Notes"), and the Board has agreed in an Agreement to Guarantee, dated as of May 15, 1980 (the "Agreement to Guarantee"), between the Company and the Board, to guarantee, upon making the requisite determinations set forth in the Act and the Agreement to Guarantee, the payment of the principal of and interest on the Notes;

WHEREAS, the Board has made the requisite determinations, as set forth in the Act and the Agreement to Guarantee, in respect of its Guarantees of the Notes;

WHEREAS, the Company, United States Trust Company of New York, as fiscal agent for the Company (the "Fiscal Agent"), and the Board have entered into a Fiscal Agency Agreement, dated July , 1980 (the "Fiscal Agency Agreement"), in substantially the form set forth in Exhibit I attached hereto, setting forth procedures for the payment, registration, transfer, exchange, and authentication of the Notes; and

WHEREAS, the Company and Manufacturers National Bank of Detroit and an individual (the "Mortgagees"), as trustees for the Board and the holders of the outstanding indebtedness of the Company guaranteed by the Board, have entered into an Indenture of Mortgage and Deed of Trust, dated as of June 2, 1980 (the "Mortgage"), pursuant to which the Company has granted to the Mortgagees a lien on certain property as collateral for, among other things, the Notes.

NOW, THEREFORE, the Board and the Company hereby agree as follows:

ARTICLE I

NOTES

SECTION 1.01. The Notes shall be designated as % Secured Notes Due July 15, 1990 and shall be limited in aggregate principal amount to $300,000,000. Notes up to such aggregate principal amount may be executed by the Company, with the Guarantee endorsed thereon by the Board, and delivered, together with written instructions from the Company directing authentication of such Notes, to the Fiscal Agent for authentication, and the Fiscal Agent has, pursuant to the terms of the Fiscal Agency Agreement, agreed to authenticate and deliver the Notes to or upon the written order of the Company, provided that it shall have received the written consent of the Board to such authentication.

SECTION 1.02. (a) The Notes shall be in fully registered form only and in denominations of $5,000 or integral multiples thereof. The Notes, the Guarantee of the Board endorsed thereon, and the Fiscal Agent's certificate of authentication for the Notes shall be in substantially the forms set forth in Exhibit II attached hereto. The definitive Notes shall be printed, lithographed, or engraved or produced by any combination of those methods.

(b) Pending the preparation of definitive Notes, the Company may execute temporary Notes, with the Guarantees endorsed thereon by the Board, which shall be printed, lithographed or typewritten and substantially of the tenor of the definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as are appropriate to temporary Notes and as the officers executing such Notes may determine as evidenced by their execution of such Notes, and the Fiscal Agent has, pursuant to the terms of the Fiscal Agency Agreement, agreed to authenticate and deliver such temporary Notes upon the same terms and conditions as set forth in Section 1.01 hereof. Every such temporary Note shall be executed by the Company, and the Guarantee endorsed thereon shall be executed by the Board, upon the same conditions, in the same manner, and with the same effect as provided in Section 1.05 hereof with respect to definitive Notes. If temporary Notes are issued, within seven days thereafter, the Company will cause definitive Notes to be prepared. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office of the Fiscal Agent, without charge to the holders thereof. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute definitive Notes and the Board shall execute the Guarantee endorsed thereon, and the Fiscal Agent has, pursuant to the terms of the Fiscal Agency Agreement, agreed to authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Guarantee Agreement as definitive Notes authenticated and delivered pursuant to the terms of this Guarantee Agreement and the Fiscal Agency Agreement.

SECTION 1.03. The Notes shall mature on July 15, 1990. The Notes shall bear interest at the rate of % per annum (computed on the basis of a 360-day year of twelve thirty-day months) on the unpaid principal amount thereof from the later of July , 1980 or the most recent date to which interest has been paid until the principal thereof is paid. Interest shall be payable semi-annually on June 15 and December 15 commencing on December 15, 1980 to the persons in whose names the Notes are registered at the close of business on the June 30 or December 31 (whether or not a Business Day (as hereinafter defined)) next preceding such semi-annual interest payment date. The principal of, together with the last installment of interest on, the Notes are payable at the office of the Fiscal Agent, upon presentation and surrender of the Notes by the registered holders thereof, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All prior installments of interest on the Notes are payable by checks mailed on such interest payment dates by the Fiscal Agent to the registered holders thereof. For the purposes of this Agreement, the term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York, State of New York, are authorized or obligated by law or executive order to close. In any case in which any Payment Date (as hereinafter defined) with respect to the Notes is not a Business Day, payment of interest or of principal need not be remitted by the Fiscal Agent to the holders of the Notes on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, and no interest shall accrue with respect to such payment for the period from and after such Payment Date to the next succeeding Business Day.

SECTION 1.04. Pursuant to the Fiscal Agency Agreement, the Fiscal Agent has agreed to maintain a register of the holders of the Notes (the "Note Register"). The Board, the Company, and the Fiscal Agent shall be entitled to treat the persons in whose names the Notes are registered as the owners thereof for all purposes of this Guarantee Agreement and shall not be affected by notice to the contrary. The Notes shall be freely transferable and exchangeable for Notes of other authorized denominations of like aggregate principal amount at the office of the Fiscal Agent, but the Notes shall be transferable or exchangeable as to the Company and the Board only upon the registration of any such transfer or exchange upon the Note Register.

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SECTION 1.05. (a) The Notes shall be signed on behalf of the Company, manually or in facsimile, by its President and its Vice President and Treasurer. The Guarantees endorsed on the Notes shall be signed on behalf of the Board, manually or in facsimile, by the Secretary of the Treasury as Chairperson of the Board, or the Acting Secretary of the Treasury if there shall be no Secretary in office, or the Executive Director of the Board. Only such Notes as shall bear thereon a certificate of authentication, substantially in the form set forth in Exhibit II attached hereto, manually executed by the Fiscal Agent, shall be entitled to the benefits of this Guarantee Agreement or be valid or obligatory for any purpose. Such certificate of authentication of the Fiscal Agent shall, when manually executed by the Fiscal Agent, be conclusive evidence that the Note so authenticated has been duly authenticated and delivered and that the holder thereof is entitled to the benefits of this Guarantee Agreement.

(b) In case any proper officer of the Company who shall have signed any of the Notes, manually or in facsimile, shall cease to hold such office before the Notes so signed shall have been authenticated and delivered by the Fiscal Agent, such Notes nevertheless may be authenticated and delivered as though the officer who signed such Notes had not ceased to hold such office. Similarly, in case any proper representative of the Board who shall have signed the Guarantee endorsed on any of the Notes, manually or in facsimile, shall cease to serve in such capacity before such Notes shall have been authenticated and delivered by the Fiscal Agent, such Notes nevertheless may be authenticated and delivered as though the person who signed the Guarantee endorsed on such Notes had not ceased to serve in such capacity and the signature of such person shall be effective to bind the Board.

SECTION 1.06. The Company has, pursuant to the Mortgage, granted the Mortgagees a lien on certain property as collateral for, among other things, the Notes. The rights of the holders of the Notes to receive payments pursuant to this Guarantee Agreement are not conditioned upon the taking of any action by any such holders, the Fiscal Agent, or the Mortgagees with respect to such collateral or against the Company.

ARTICLE II

REDEMPTION OF NOTES AND PURCHASE OF NOTES BY THE BOARD

SECTION 2.01. (a) The Notes are not subject to redemption, at the option of the Company, prior to June 15, 1983. On or after such date, the Notes may be redeemed at the option of the Company and with the Board's written consent (such consent to be obtained prior to the mailing by the Fiscal Agent of a notice of redemption), in whole or in part, upon not less than 30 nor more than 60 days' prior written notice, at 100% of the principal amount thereof plus accrued interest thereon to the date of redemption (the "Optional Redemption Price"), provided, however, that the Company may not redeem Notes on more than two dates in any calendar year (including, for this purpose, dates on which redemptions of the Notes are made pursuant to subsection (b) of this Section 2.01 or pursuant to any other agreement between the Company and the Board or between the Company and any other person).

(b) Pursuant to Section 6.35 of the Agreement to Guarantee ("Section 6.35") the Company has agreed with the Board that the Company will, unless the Board otherwise consents or directs, exercise the optional redemption rights under subsection (a) of this Section 2.01 to redeem Notes within 180 days after January 1, 1983 and each January 1 thereafter until the Notes shall be fully redeemed or paid, in a principal amount determined in accordance with such Section 6.35 ("Contingent Sinking Fund Redemption"). The Agreement to Guarantee and Section 6.35 thereof may be amended, modified or waived without the consent of the holders of the Notes.

(c) The Board may waive all or part of any Contingent Sinking Fund Redemption prior to the mailing by the Fiscal Agent of a notice of such a redemption. The holders of the Notes have no rights with respect to any Contingent Sinking Fund Redemption prior to such mailing of a notice of redemp-

tion. The holders of Notes, by the acceptance thereof, agree that the provisions of this Section 2.01 may, insofar as they relate to the redemption of Notes pursuant to the Agreement to Guarantee or otherwise, be modified, amended, or waived without the consent of the holders of Notes, provided, however, that no such modification, amendment or waiver shall make the earliest date for the redemption of Notes earlier than June 15, 1983, permit the Company to redeem Notes on more than two dates in any calendar year, change the Optional Redemption Price or change the provisions for notice in Sections 2.01(a) and 2.03(a) hereof.

SECTION 2.02. (a) If any Event of Default set forth in Section 8.01 of the Agreement to Guarantee shall have occurred, the Board shall have the option, upon not less than 15 nor more than 150 days' prior written notice to the Fiscal Agent, to purchase all (but not less than all) of the Notes outstanding from the holders thereof at 100% of the principal amount thereof plus accrued interest thereon to the date of purchase, provided that any such Event of Default is continuing at the time that the Board gives notice to the Fiscal Agent of its election to exercise its option to purchase the Notes.

(b) If any Event of Default set forth in Section 8.01 of the Agreement to Guarantee shall have occurred and is continuing, the Board shall, as provided in the Agreement to Guarantee, have the right to accelerate the maturity of the Notes and, upon notice to the Company (unless the Notes shall have already become due and payable), the Notes shall become due and payable immediately; provided, however, that if the Company does not immediately upon such acceleration pay to the Fiscal Agent in trust for remittance to the Noteholders (for the sole purpose of remittance to registered Noteholders and creating no other trust obligations under any applicable law) the unpaid principal amount of the Notes plus accrued interest thereon, the Board shall purchase all (but not less than all) of the Notes outstanding from the holders thereof at 100% of the principal amount thereof plus accrued interest thereon to the date of purchase, such date to be fixed by the Board in a notice given to the Fiscal Agent simultaneously with such acceleration and to be not less than 15 nor more than 150 days from the date of such notice. Upon any such acceleration and the giving of such notice of purchase, the Board shall have authority to exercise all rights which the holders of the Notes might have in respect of any and all collateral securing the Notes, provided that nothing herein shall limit in any way the Board's exercise of its rights with respect to such collateral as set forth in the Agreement to Guarantee and the Mortgage.

(c) If any event set forth in Section 11(b) or 11(c) of the Act shall have occurred, the Notes shall, pursuant to the Act and the Agreement to Guarantee, automatically become due and payable immediately, and thereupon, if the Company does not immediately upon such acceleration pay to the Fiscal Agent in trust for remittance to the Noteholders (for the sole purpose of remittance to registered Noteholders and creating no other trust obligations under any applicable law) the unpaid principal amount of the Notes plus accrued interest thereon, the Board shall purchase all (but not less than all) of the Notes, not less than 15 or more than 150 days from the date of acceleration, from the holders thereof at 100% of the principal amount thereof plus accrued interest thereon to the date of purchase, and notice of such acceleration and the date of purchase shall be sent to the Fiscal Agent by the Board on the date of acceleration of the Notes. Upon any such acceleration and the giving of such notice of purchase, the Board shall have authority to exercise all rights which the holders of the Notes might have in respect of any and all collateral securing the Notes, provided that nothing herein shall limit in any way the Board's exercise of its rights with respect to such collateral as set forth in the Agreement to Guarantee and the Mortgage.

SECTION 2.03. (a) Notice of redemption, acceleration or purchase pursuant to Section 2.01 or 2.02 hereof, as the case may be, shall be given by the Fiscal Agent to the holders of the Notes by mailing such notice by first-class mail to their last addresses as they shall appear upon the Note Register maintained by the Fiscal Agent. Any notice which is mailed in the manner herein provided shall be

conclusively presumed to have been duly given, whether or not the holder receives the notice. The notice of redemption or purchase, as the case may be, shall specify the principal amount of Notes to be redeemed or purchased, shall state the date fixed for redemption or purchase and the price at which Notes are to be redeemed or purchased, and shall state that payment of such price will be made at the office of the Fiscal Agent, upon presentation and surrender of the Notes to be redeemed or purchased, that interest accrued to the date fixed for redemption or purchase will be paid as specified in said notice, and that on said date, in the event monies are duly provided therefor, interest thereon will cease to accrue as to the holders of Notes (other than the Board). If less than all the Notes are to be redeemed pursuant to Section 2.01 hereof, the notice of redemption shall be sent only to those holders of Notes whose Notes or portions thereof are to be redeemed and, in addition to the other matters set forth in the preceding sentence, such notice shall also specify such holders' Notes to be redeemed as a whole or in part and, if any Note is to be redeemed in part only, the notice which relates to such Note shall state the portion of the principal amount thereof to be redeemed and shall state that, upon surrender of such Note, the holder will receive, without charge, a new Note for the principal amount thereof remaining unredeemed and, on said redemption date, the Optional Redemption Price in respect of the principal amount thereof called for redemption.

(b) If less than all the Notes are to be redeemed pursuant to Section 2.01 hereof, the Company shall give the Fiscal Agent, at least 45 days in advance of the date fixed for redemption, notice of the aggregate principal amount of Notes to be redeemed, and thereupon the Fiscal Agent shall select, by lot or such other method as it shall deem appropriate and fair, the Notes to be redeemed as a whole or in part.

SECTION 2.04. (a) If the giving of notice of redemption shall have been completed as above provided, the Notes or portions of Notes specified in such notice shall become due and payable on the date and at the place stated in such notice at the principal amount thereof, together with interest accrued to the date fixed for redemption, and, on such date fixed for redemption, interest on the Notes or portions of Notes so called for redemption shall cease to accrue, provided that monies to effect such redemption shall have been deposited with the Fiscal Agent. Upon presentation and surrender of such Notes at said place of payment in said notice specified, the said Notes shall be paid and redeemed by the Company at the principal amount thereof, together with interest accrued to the date fixed for redemption.

(b) If the giving of notice of purchase shall have been completed as above provided, the purchase price for the Notes shall become due and payable on the date and at the place stated in such notice by the Board, upon presentation and surrender of the Notes at said place of payment in said notice specified, and, on such date fixed for purchase, interest shall cease to accrue as to holders of the Notes (other than the Board) provided that the Board shall have deposited such purchase price with the Fiscal Agent.

ARTICLE III

PAYMENTS

SECTION 3.01. Pursuant to the Fiscal Agency Agreement, the Company has agreed to deposit with the Fiscal Agent in trust (for the sole purpose of remittance to registered Noteholders and creating no other trust obligations under any applicable law) at or before 12:00 noon, New York City time, on the Business Day next preceding any date on which the payment of principal of or interest on the Notes is due, including dates fixed for the redemption of Notes prior to the stated maturity thereof (the "Payment Dates"), New York Clearing House funds by certified check in an amount sufficient to pay in full the interest and any principal due on such Payment Date with respect to the Notes, and the Fiscal Agent has agreed, in the event that any such payment is not received in full by such time, to promptly notify the Board. In the event that any such payment is not received in full by 4:00 P.M., New York City time, on the fourth Business Day after such Payment Date, the Fiscal

Agent, acting on behalf of the holders of the Notes, is obligated, pursuant to the Fiscal Agency Agreement, to immediately make a demand upon the Board for payment pursuant to the Guarantees in accordance with Section 3.02 hereof.

SECTION 3.02. In the event that the Company shall have failed to make any payment of the principal of or interest on any Note on the Payment Date on which such payment was due and such failure to pay by the Company shall not have been cured by 4:00 P.M., New York City time, on the fourth Business Day after such Payment Date, and the Fiscal Agent, acting on behalf of the holders of the Notes, shall have made a demand for payment upon the Board pursuant to the Guarantees, then the Board shall, on the fifth Business Day after such Payment Date, pay to the Fiscal Agent in immediately available funds, for remittance to the registered holders of the Notes, the unpaid interest and principal, if any, that was due on such Payment Date with respect to the Notes plus unpaid interest accrued on the unpaid principal amount of the Notes at the rate borne thereby from such Payment Date to the date of payment.

SECTION 3.03. Payments made by the Board on the fifth Business Day following a Payment Date pursuant to Section 3.02 hereof shall, in the case of any payment of interest only, be made by check mailed by the Fiscal Agent to the holders of Notes registered as such on the record date applicable to the defaulted Payment Date. In the event that the principal of the Notes or the Board's purchase price for the Notes shall be due and payable and such payment is to be made by the Board pursuant to this Guarantee Agreement. any such payment shall be payable only upon presentation and surrender of the Notes at the office of the Fiscal Agent (in case any Note is to be paid in part only by reason of a partial redemption of Notes pursuant to Section 2.01 hereof. the holder thereof will receive a new Note for the principal amount thereof remaining unredeemed) on (i) in the case of a payment pursuant to Section 3.02, the fifth Business Day subsequent to the defaulted Payment Date, or (ii) in the case of any purchase by the Board of the Notes pursuant to Section 2.02 hereof, the date set forth in the applicable notice of purchase referred to in such Section 2.02. The Board shall have the option, in the event that any payment of principal of or interest on any Note is not deposited with the Fiscal Agent by the Company by 10:00 A.M., New York City time, on the related Payment Date, to make such payment on such Payment Date.

SECTION 3.04. Each holder of a Note shall be deemed by the acceptance of its Note to have irrevocably appointed the Fiscal Agent as its agent for the purpose of making a demand for payment upon the Board in accordance with Section 3.01 hereof and Section 5(b) of the Fiscal Agency Agreement and receiving any payment by the Board pursuant to this Guarantee Agreement. All payments made by the Board to the Fiscal Agent are, in accordance with Section 5(c) of the Fiscal Agency Agreement, to be held in trust by the Fiscal Agent solely for the benefit of the registered holders of the Notes until remitted to such holders. The Board shall be discharged, except as otherwise provided in Section 4.02 hereof, from its obligation to make a payment pursuant to this Guarantee Agreement upon the making of such payment in immediately available funds to the Fiscal Agent, provided that such discharge shall be effective only as to such payment and to the extent of the amount of such payment.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. The obligations of the United States hereunder shall be irrevocable and unconditional, irrespective of the validity, legality or enforceability of the Notes or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor, and the full faith and credit of the United States is hereby pledged for the full payment and performance of the obligations of the United States hereunder. The validity of the Guarantees issued pursuant to this Guarantee Agreement shall be incontestable in the hands of the Noteholders, except for fraud or

material misrepresentation on the part of such holders. Except as otherwise expressly provided herein, the United States hereby waives presentment, demand, protest, or promptness in making any claim or demand hereunder.

SECTION 4.02. This Guarantee Agreement shall terminate upon the payment in full of the principal of and interest on the Notes as provided for in this Agreement; provided, however, that the Notes shall not be deemed to be paid in full in the event that any payment by the Company to the holder of any Note of the principal or interest due under such Note, or any portion of any such payment, shall at any time be repaid by any such holder in compliance with an order (whether or not final) of a court of competent jurisdiction pursuant to any provision of the Federal bankruptcy laws or applicable state laws relating to insolvency or debtors' proceedings.

SECTION 4.03. No claim of waiver, modification, consent, or acquiescence with respect to any of the provisions of this Guarantee Agreement shall be made against the Board except on the basis of a written instrument signed by a duly authorized representative of the Board specifying the Section in this Guarantee Agreement to which such waiver relates.

SECTION 4.04. No amendment, renewal, or extension of any Note or any modification or waiver of any right thereunder or any subordination of any right of payment under such Note may be consented to by the holder of a Note without the prior written consent of the Board.

SECTION 4.05. With respect to any payments made by the Board pursuant to the Guarantees, the United States shall be subrogated to all of the rights of the holders of the Notes to the extent of the amount of such payments free and clear of any set-offs or counterclaims that the Company might have against any such holders. Any amounts received by any holder of a Note with respect to principal or interest on such Note for which payment has been made by the Board pursuant to this Guarantee Agreement shall be promptly paid to the Board by such holder.

SECTION 4.06. The holders of the Notes (other than the Board) will not institute legal proceedings against the Company for the payment of amounts due under the Notes. Each holder of a Note shall be deemed by the acceptance of its Note to have consented to the appointment of the Mortgagees to act in such capacity under the Mortgage. No holder of a Note (other than the Board) shall have the right to institute any suit, action or proceeding at law or in equity, or any special or other statutory proceeding, upon or in respect of the Mortgage, or for the execution of any trust or power thereof, or for the appointment of a receiver, or for any other remedy under or upon the Mortgage. No one or more holders of Notes (other than the Board) shall have any right in any manner whatever to affect, disturb or prejudice the lien of the Mortgage by his or their action, or to enforce any right hereunder.

SECTION 4.07. In the event that any holder of a Note shall have delivered to the Board a "Financial Institution Subordination Agreement" or a "Set-Off Agreement", as defined in Section 1.01 of the Agreement to Guarantee, amounts payable to such holder (other than amounts payable to such holder in its capacity as a trustee or nominee and in which such holder has no beneficial interest) by the Board pursuant to this Guarantee Agreement may be reduced as provided in Section 2.01 of the Agreement to Guarantee.

SECTION 4.08. No Note guaranteed pursuant to and under this Guarantee Agreement may be pledged as collateral or security for obligations the income from which is excludable from gross income for purposes of Chapter 1 of the Internal Revenue Code of 1954.

SECTION 4.09. Except as otherwise specifically provided in Section 2.01 of this Agreement, this Guarantee Agreement shall be deemed to be a third-party beneficiary agreement for the benefit of the holders from time to time of the Notes.

SECTION 4.10. This Guarantee Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 4.11. The rights and obligations of the United States pursuant to and under this Guarantee Agreement shall be governed by and construed in accordance with the Federal law of the United States of America. Where the rights and obligations of the United States are not affected, this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed this Guarantee Agreement as of the day and year first above written.

CHRYSLER CORPORATION

By .....

UNITED STATES OF AMERICA,
ACTING THROUGH THE CHRYSLER
CORPORATION LOAN GUARANTEE BOARD

By .....

Exhibit I
to
Guarantee Agreement

FISCAL AGENCY AGREEMENT

FISCAL AGENCY AGREEMENT, dated July , 1980, among Chrysler Corporation, a Delaware corporation (the "Company"), United States Trust Company of New York, a New York corporation (the "Fiscal Agent"), and the United States of America, acting through the Chrysler Corporation Loan Guarantee Board (the "Board").

WHEREAS, the Board is authorized, pursuant to the Chrysler Corporation Loan Guarantee Act of 1979 (the "Act"), and upon the making of certain determinations required by the Act, to issue guarantees (the "Guarantees") of the payment of the principal of and interest on notes of the Company (and other eligible borrowers under the Act), such Guarantees being limited to $1,500,000,000 in aggregate principal amount outstanding at any time;

WHEREAS, the Company has authorized the creation and issuance of up to $300,000,000 aggregate principal amount of % Secured Notes Due July 15, 1990 (the "Notes"), and the Board has agreed in an Agreement to Guarantee, dated as of May 15, 1980 (the "Agreement to Guarantee"), between the Company and the Board to guarantee, upon making the requisite determinations set forth in the Act and the Agreement to Guarantee, the payment of the principal of and interest on the Notes;

WHEREAS, the Board has made the requisite determinations, as set forth in the Act and the Agreement to Guarantee, in respect of its Guarantees of the Notes;

WHEREAS, the Company and Manufacturers National Bank of Detroit and an individual (the "Mortgagees"), as trustees for the Board and the holders of the outstanding indebtedness of the Company guaranteeed by the Board, have entered into an Indenture of Mortgage and Deed of Trust, dated as of June 2, 1980, pursuant to which the Company has granted to the Mortgagees a lien on certain property as collateral for, among other things, the Notes; and

WHEREAS, the Board and the Company have entered into a Guarantee Agreement, dated July , 1980 (the "Guarantee Agreement"), pursuant to which the Board has guaranteed the payment of the principal of and interest on the Notes.

NOW, THEREFORE, the Company, the Fiscal Agent and the Board hereby agree as follows:

SECTION 1. *Fiscal Agent.* The Company hereby appoints United States Trust Company of New York as its fiscal and paying agent for the Notes upon the terms and subject to the conditions herein set forth, and United States Trust Company of New York hereby accepts such appointment.

SECTION 2. *Authentication.* (a) The Notes are designated as % Secured Notes Due July 15, 1990, and are limited in aggregate principal amount to $300,000,000. Notes up to such aggregate principal amount may be executed by the Company, with the Guarantee endorsed thereon by the Board, and delivered, together with written instructions from the Company directing authentication of such Notes, to the Fiscal Agent for authentication, and the Fiscal Agent is authorized, upon receipt thereof, to authenticate and deliver the Notes to or upon the written order of the Company, provided that, in connection with the original issuance of the Notes only and not in connection with the issuance of definitive Notes pursuant to Section 2(e), 3 or 4 hereof, it shall have received the written consent of the Board to such authentication.

(b) The Notes shall be signed on behalf of the Company, manually or in facsimile, by its President and its Vice President and Treasurer. The Guarantees endorsed on the Notes shall be signed on behalf of the Board, manually or in facsimile, by the Secretary of the Treasury as chairperson of the Board, or the Acting Secretary of the Treasury if there shall be no Secretary in office, or the Executive Director of the Board. No Note shall be entitled to the benefits of the Guarantee Agreement or be valid or obligatory for any purpose as to the Company or the Board until the certificate of authentication thereon shall have been manually executed by the Fiscal Agent. Such certificate of authentication of the Fiscal Agent shall, when manually executed by the Fiscal Agent, be conclusive evidence that the Note so authenticated has been duly authenticated and delivered and that the holder thereof is entitled to the benefits of the Guarantee Agreement.

(c) In case any proper officer of the Company who shall have signed any of the Notes, manually or in facsimile, shall cease to hold such office before the Notes so signed shall have been authenticated and delivered by the Fiscal Agent, such Notes nevertheless may be authenticated and delivered as though the officer who signed such Notes had not ceased to hold such office. Similarly, in case any proper representative of the Board who shall have signed the Guarantee endorsed on any of the Notes, manually or in facsimile, shall cease to serve in such capacity before such Notes shall have been authenticated and delivered by the Fiscal Agent, such Notes nevertheless may be authenticated and delivered as though the person who signed the Guarantees endorsed on such Notes had not ceased to serve in such capacity and the signature of such person shall be effective to bind the Board.

(d) The Notes shall be in fully registered form only and in denominations of $5,000 or integral multiples thereof. The definitive Notes shall be printed, lithographed, or engraved or produced by any combination of those methods.

(e) Pending the preparation of definitive Notes, the Company may execute temporary Notes, with the Guarantee endorsed thereon by the Board, which shall be printed, lithographed or typewritten and substantially of the tenor of the definitive Notes in lieu of which they are issued as provided in Section 1.02(b) of the Guarantee Agreement, and the Fiscal Agent shall authenticate and deliver such temporary Notes upon the same terms and conditions as provided in subsection (a) of this Section 2. Every such temporary Note shall be executed by the Company, and the Guarantee endorsed thereon shall be executed by the Board, in the same manner and with the same effect as provided in subsection (b) of this Section 2 with respect to definitive Notes. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes at the office of the Fiscal Agent, without charge to the holders thereof. Whenever any temporary Notes are so surrendered for exchange, the Company shall execute, and the Fiscal Agent shall authenticate and deliver, definitive Notes, with the Guarantee endorsed thereon by the Board, of a like aggregate principal amount. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under the Guarantee Agreement as definitive Notes authenticated and delivered hereunder.

SECTION 3. *Registration, Transfer and Exchange.* (a) The Fiscal Agent shall maintain a register of the holders of the Notes (the "Note Register"). The Board, the Company, and the Fiscal Agent shall be entitled to treat the persons in whose names the Notes are registered as the owners thereof for all purposes of the Guarantee Agreement and this Agreement and shall not be affected by notice to the contrary. The Notes shall be freely transferable and exchangeable for Notes of other authorized denominations of like aggregate principal amount at the office of the Fiscal Agent in the Borough of Manhattan, The City of New York, but Notes shall be transferable or exchangeable as to the Company and the Board only upon the registration of any such transfer or exchange upon the Note Register. The Fiscal Agent shall make available for inspection to the registered holders of the Notes upon request at such office a copy of the Guarantee Agreement, the Agreement to Guarantee, and this Agreement.

(b) Upon surrender for transfer of any Note at the office of the Fiscal Agent, the Company shall execute, and the Fiscal Agent shall authenticate and deliver, in the name of the designated

transferee or transferees, one or more new Notes, with the Guarantee endorsed thereon by the Board, of any authorized denomination, of a like aggregate principal amount, all as requested by the transferor.

(c) At the option of the holders, Notes may be exchanged for other Notes of any authorized denomination, of a like aggregate principal amount, upon surrender of the Notes to be exchanged at the office of the Fiscal Agent. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Fiscal Agent shall authenticate and deliver, the Notes, with the Guarantee endorsed thereon by the Board, which the holder making the exchange is entitled to receive.

(d) All new Notes issued upon any transfer or exchange of Notes may be executed by the Company, and the Guarantee thereon may be executed by the Board, in the manner set forth in Section 2 hereof, and such Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under the Guarantee Agreement, as the Notes surrendered upon such transfer or exchange when the certificate of authentication thereon is manually executed by the Fiscal Agent.

(e) Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the Fiscal Agent duly executed by the holder thereof or his attorney duly authorized in writing. No service charge shall be made for any transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

SECTION 4. *Mutilated, Destroyed, Lost and Stolen Notes.* (a) If (i) any mutilated Note is surrendered to the Fiscal Agent or the Company, the Board and the Fiscal Agent receive evidence to their satisfaction of the destruction, loss, or theft of any Note, and (ii) there is delivered to the Company, the Board and the Fiscal Agent such security or such indemnity (issued by such surety) as may be required by them to save each of them harmless, then, in the absence of notice to the Company, the Board or the Fiscal Agent that such Note has been acquired by a bona fide purchaser, the Company shall execute and the Fiscal Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a new Note, with the Guarantee endorsed thereon by the Board, of like tenor and principal amount. In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, authorize payment of said Note.

(b) Upon the issuance of any new Note under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

(c) Every new Note issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Note may be executed by the Company, and the Guarantee thereon may be executed by the Board, in the manner set forth in Section 2 hereof, and each such new Note, when the certificate of authentication thereon is manually executed by the Fiscal Agent, shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Guarantee Agreement.

SECTION 5. *Payments.* (a) The Company shall deposit in trust (for the sole purpose of remittance to registered Noteholders and creating no other trust obligations under any applicable law) with the Fiscal Agent (such deposit to be made at the address indicated in Section 13 hereof) at or before 12 o'clock noon, New York City time, on the Business Day (such term to have the same meaning herein as in the Guarantee Agreement) next preceding any date on which the payment of principal of or interest on the Notes is due, including dates fixed for the redemption of Notes prior to the stated maturity thereof (the "Payment Dates"), New York Clearing House funds by certified check in an amount sufficient to pay in full the interest and any principal due on such Payment Date with respect to the Notes. The Company hereby

authorizes and directs the Fiscal Agent, and the Fiscal Agent hereby agrees, from the funds paid to it pursuant to this Section, to make payment of the principal of and interest on the Notes on the Payment Dates. The principal of, together with the last installment of interest on, the Notes is payable at the office of the Fiscal Agent, upon presentation and surrender of the Notes. All prior installments of interest on the Notes are payable by checks mailed on such interest Payment Dates by the Fiscal Agent to the registered holders of the Notes. In any case in which any Payment Date is not a Business Day, payment of interest or of principal need not be remitted by the Fiscal Agent to the holders of the Notes on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, and no interest shall accrue with respect to such payment for the period from and after such Payment Date to the next succeeding Business Day. The Company shall not be discharged of any obligation to make payment under the Notes, and the Board shall not be discharged of any obligation to make payment pursuant to the Guarantees, by any payment made by the Company to the Fiscal Agent, but shall be so discharged only by complete payment to the registered holders of the Notes of the amount then due thereon. The Board shall be discharged of its obligation to make payments pursuant to the Guarantees as provided in Sections 3.04 and 4.02 of the Guarantee Agreement.

(b) In the event that the Fiscal Agent has not received any payment by the time required in subsection (a) of this Section 5, the Fiscal Agent shall promptly notify the Board. In the event that the Company shall have failed to make any payment of the principal of or interest on any Note on the Payment Date on which such payment was due and such failure to pay by the Company shall not have been cured by 4:00 P.M., New York City time, on the fourth Business Day after such Payment Date, then the Fiscal Agent, acting on behalf of the holders of the Notes, shall immediately make a demand for payment upon the Board pursuant to the Guarantee Agreement. Any such demand shall indicate the amount due on such Payment Date and the amount remaining unpaid.

(c) In connection with any payments made by the Board to the Fiscal Agent pursuant to the Guarantee Agreement, the Fiscal Agent shall hold such payments in trust for the benefit of the registered holders of the Notes and shall remit such payments to such holders in accordance with Section 3.03 of the Guarantee Agreement.

SECTION 6. *Redemption or Purchase of Notes.* (a) In the event of the redemption of Notes by the Company pursuant to Section 2.01 of the Guarantee Agreement or the purchase of all of the Notes outstanding by the Board pursuant to Section 2.02 of the Guarantee Agreement, the Fiscal Agent shall, as promptly as practicable after receipt by it of such notice and, in the case of redemption, receipt of consent thereto by the Board and the selection of Notes to be redeemed in the case of any partial redemption, send to the holders of the Notes notice of redemption, acceleration or purchase, as the case may be, in accordance with Section 2.03 of the Guarantee Agreement, and any such redemption or purchase shall be effected in accordance with the provisions of Article II of the Guarantee Agreement.

(b) The Fiscal Agent shall not be required to (i) issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption and ending at the close of business on the day of such mailing, or (ii) register the transfer of or exchange any Note selected for redemption in whole or in part and with respect to which a notice of redemption shall have been mailed or any Note to be purchased by the Board and with respect to which a notice of purchase shall have been mailed, except, in the case of any Note to be redeemed in part, the portion thereof not to be redeemed.

(c) Upon request of the Company, the Fiscal Agent shall certify to the Board the principal amount and serial numbers of Notes theretofore issued and reacquired (otherwise than through redemption pursuant to Article II of the Guarantee Agreement) by the Company and delivered to the Fiscal Agent for cancellation and cancelled by the Fiscal Agent pursuant to Section 9 hereof.

SECTION 7. *Deposit with Fiscal Agent.* (a) The Company may at any time deposit funds (in addition to funds deposited under Section 5 of this Agreement) in trust for the benefit of the Noteholders with the Fiscal Agent for the redemption or market purchase of the Notes. Such funds shall be applied as directed by the Board and the Company within 200 days of such deposit (except as the Board may otherwise consent or direct) to such redemption (in accordance with subsection (a) of Section 2.01 of the Guarantee Agreement) or to market purchase (in accordance with subsection (c) of this Section 7) of Notes.

(b) The Fiscal Agent shall invest funds deposited pursuant to subsection (a) of this Section 7 in securities issued by, or fully guaranteed as to principal and interest by, the United States of America with a maturity as directed by the Company with the approval of the Board and shall hold such securities in trust for the benefit of the Noteholders. The Fiscal Agent shall hold any such securities to maturity or shall dispose of the same at the direction of the Company (with the approval of the Board). Unless the Fiscal Agent has been advised by the Board that an Event of Default set forth in Section 8.01 of the Agreement to Guarantee has occurred and is continuing, any income on such securities shall be paid over to the Company immediately upon receipt by the Fiscal Agent, after deducting expenses of any market purchase of Notes (to the extent such expenses have not theretofore been paid by the Company).

(c) Upon not less than 5 days notice to the Fiscal Agent, the Company (with the written consent of the Board) may direct that the Fiscal Agent dispose of any investment held in trust pursuant to subsection (b) of this Section 7 and apply the cash received therefor, together with any other cash then held in trust by the Fiscal Agent pursuant to this Section 7, to the purchase of Notes at maximum prices as specified by the Board (net of any brokerage, taxes or other fees and expenses) or to the redemption of Notes pursuant to Section 2.01 of the Guarantee Agreement.

SECTION 8. *Authorized Signatures.* The Fiscal Agent shall, from time to time, be furnished with a certificate from the Company and a certificate from the Board designating their representatives authorized to deliver notices and instructions pursuant to this Agreement and the Guarantee Agreement.

SECTION 9. *Cancellation of Notes.* All Notes surrendered for the purpose of payment, redemption, exchange, or transfer, or purchased by the Fiscal Agent pursuant to Section 7 of this Agreement or surrendered by the Company shall be cancelled and destroyed by the Fiscal Agent and a certificate of destruction thereof shall be delivered by the Fiscal Agent to the Company and the Board. Any money held by the Fiscal Agent in respect of the principal of or interest on any Note remaining unclaimed at the end of six years after such Note shall have become due and payable shall be repaid by the Fiscal Agent to the Company or, in the event payment has been made pursuant to the Guarantee Agreement, to the Board.

SECTION 10. *Fees and Expenses.* The Fiscal Agent shall be entitled to reasonable compensation (the amount thereof to be approved in advance by the Board) from the Company for all services rendered by it hereunder and to reimbursement by the Company for all expenses paid or incurred by it in the administration of its duties hereunder, including, but not limited to, all counsel fees and disbursements. In the event that (i) the Company, or a party charged with the administration of the assets of the Company, fails to pay the Fiscal Agent such compensation or to reimburse the Fiscal Agent for such expenses, (ii) the Company has failed to make any payment of the principal of or interest on any Note when due and such failure has continued uncured for four Business Days, and (iii) the Board has not accelerated the maturity of the Notes, then the Board hereby agrees that it will request that the Office of Management and Budget, or any other appropriate instrumentality of the Federal government, make requests upon the appropriate committees of the United States Congress to appropriate monies in such amounts as shall be necessary to pay such fees and expenses and, promptly upon the enactment into law of such an appropriation act, pay such compensation to the Fiscal Agent and reimburse the Fiscal Agent for such expenses.

SECTION 11. *Scope of Authority and Responsibility of the Fiscal Agent.* (a) The Fiscal Agent's duties and its authority hereunder are limited to only such duties and authority as are specifically provided for in this Agreement. The Fiscal Agent hereby acknowledges that it shall be responsible for any loss or liability incurred by the Company or the Board as a result of the negligence or willful misconduct of the Fiscal Agent or any of its officers, agents, representatives or employees in carrying out its duties under this Agreement.

(b) The Fiscal Agent assumes no liability hereunder except for its own negligence or willful misconduct or that of its officers, agents, representatives or employees in carrying out the provisions of this Agreement. The Fiscal Agent may consult as to legal matters with counsel selected by it, who may be an employee of or counsel to the Company, and the Fiscal Agent shall be protected and shall incur no liability for action taken, or suffered to be taken, with respect to such matters in good faith and in accordance with the opinion of such counsel; provided, however, that nothing herein contained shall, in any way, affect the obligation of the Fiscal Agent to take the actions required by Sections 5 and 6 hereof. The Fiscal Agent shall be protected and shall incur no liability for or in respect of any action taken or things suffered by it in reliance upon any notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been delivered or signed by the proper parties.

(c) The Company shall indemnify and hold the Fiscal Agent harmless from and against all loss, cost, damage and expense, including counsel fees, arising out of or in connection with this Agreement and any action taken by the Fiscal Agent pursuant hereto, as well as the costs and expense of defending against any claim of liability based thereon, unless any such loss, cost, damage or expense is due to the Fiscal Agent's own negligence or willful misconduct.

(d) The Fiscal Agent may be or become a creditor, directly or indirectly, of the Company; may make any loan or loans thereto; hold any form of indebtedness thereof, including any of the Notes; may own, accept, or negotiate any drafts, bills of exchange, acceptances, or obligations thereof; may make disbursements therefor and may enter into any commercial or business arrangement therewith without limitation; with or without any real or apparent conflict of interest by reason of any such dealing and without any liability on the part of the Fiscal Agent arising out of a claim that a conflict of interest exists by reason of any such dealing.

SECTION 12. *Resignation or Removal.* The Fiscal Agent may resign at any time by giving written notice of resignation to the Company and the Board, which notice shall specify the date on which such resignation is to become effective, provided that such effective date shall be at least 90 days after the date of such notice unless the Company and the Board shall otherwise agree. The Fiscal Agent may be removed at any time by the Company and the Board by their giving written notice of removal to the Fiscal Agent, which notice shall specify the date on which it is to become effective. Such resignation or removal shall, however, not be effective until the appointment of a successor Fiscal Agent by the Company with the consent of the Board and the acceptance of such appointment by such successor Fiscal Agent. Any such successor Fiscal Agent shall be a corporation organized and doing business under the laws of the United States or the State of New York, authorized under such laws to act as Fiscal Agent and perform the functions contemplated hereby, having a combined capital and surplus of at least $50,000,000, being subject to supervision or examination by Federal or state banking authorities, and having its principal office and place of business in The City of New York, State of New York. Notwithstanding the above, if the Board shall have purchased all of the Notes, the Board may, in its sole discretion, remove the Fiscal Agent at any time.

SECTION 13. *Notices.* Any notice pursuant to this Agreement shall be given by telex or in writing by registered mail, postage prepaid, and shall be addressed in the case of the Company to Chairman of the Board, Chrysler Corporation, P.O. Box 1919, Detroit, Michigan 48288; in the case of the Board to The Secretary of the Treasury, Department of the Treasury, 15th Street and Pennsylvania Avenue, Washington, D. C. 20220; and in the case of the Fiscal Agent to United States Trust

Company of New York, 45 Wall Street, New York, New York 10005, Attention: Corporate Trust and Agency Division, Chrysler Fiscal Agent; or to such other address as specified in writing by the party in question to the other parties hereto.

SECTION 14. *Governing Law.* The rights and obligations of the United States pursuant to and under this Agreement shall be governed by and construed in accordance with the Federal law of the United States of America. Where the rights and obligations of the United States are not affected, this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 15. *Miscellaneous.* This Fiscal Agency Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CHRYSLER CORPORATION

By .....

UNITED STATES TRUST COMPANY OF NEW YORK

By .....

CHRYSLER CORPORATION LOAN GUARANTEE BOARD

By .....

Exhibit II
to
Guarantee Agreement

[Form of Face of Note]

CHRYSLER CORPORATION

% Secured Note Due July 15, 1990

(Principal and Interest are guaranteed by the United States of America, acting through the Chrysler Corporation Loan Guarantee Board)

No. $

For Value Received, Chrysler Corporation, a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), promises to pay to , or registered assigns, the principal sum of $ on July 15, 1990, unless earlier redeemed pursuant to the provisions for redemption referred to on the reverse hereof, together with interest at the rate of % per annum (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount hereof from the July 15 or the January 15 next preceding the date hereof to which interest has been paid (unless the date hereof is a July 15 or January 15 to which interest has been paid, in which case from the date hereof, or unless the date hereof is on or prior to December 31, 1980, in which case from July , 1980, or unless the date hereof is between the close of business on June 30 or December 31, as the case may be, and the following July 15 or January 15, in which case from such July 15 or January 15, provided, however, that if the Company shall default in payment of the interest due on such July 15 or January 15, then from the next preceding July 15 or January 15 to which interest has been paid unless the Chrysler Corporation Loan Guarantee Board (the "Board") shall have made such payment pursuant to the Guarantee Agreement referred to on the reverse hereof, in which case from the date of such payments, or, if no interest has been paid on the Notes, from July , 1980), semi-annually on July 15 and January 15 (the "Payment Dates") in each year commencing January 15, 1981, until payment of the principal amount hereof and all accrued interest thereon has been paid or made available for payment. The interest so payable on any Payment Date, and paid or duly provided for on or before the fifth business day following any Payment Date, will, as provided in the Guarantee Agreement and the Fiscal Agency Agreement referred to on the reverse hereof, be paid to the person in whose name this Note is registered on the Note Register at the close of business on the June 30 or December 31 next preceding such Payment Date. The principal of, together with the last installment of interest on, this Note is payable at the office of the Fiscal Agent referred to on the reverse hereof, upon presentation and surrender of this Note. All prior installments of interest on this Note are payable by check mailed to the registered holder hereof at its address shown on the Note Register maintained by the Fiscal Agent. All payments of principal and interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Any payment of principal of or interest on this Note made by the Board is payable as provided in Sections 3.02 and 3.03 of the Guarantee Agreement referred to on the reverse hereof.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the Certificate of Authentication hereon has been executed by the Fiscal Agent by manual signature, this Note shall not be entitled to any benefit of the Guarantee Agreement or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed under its corporate seal by the manual or facsimile signatures of its officers thereunto duly authorized.

CHRYSLER CORPORATION

Dated:

[CORPORATE SEAL]

By .....
President

By .....
Vice President and Treasurer

[FORM OF REVERSE OF NOTE]

This Note is one of the duly authorized issue of % Secured Notes Due July 15, 1990 of the Company which Note is issued and guaranteed pursuant to a Guarantee Agreement, dated July , 1980 (the "Guarantee Agreement"), between the United States of America, acting through the Board, and the Company, wherein the Board has guaranteed the payment of the principal and interest on this Note, and authenticated pursuant to the Fiscal Agency Agreement, dated July , 1980 (the "Fiscal Agency Agreement"), among the Company, United States Trust Company of New York (the "Fiscal Agent"), and the Board, to which Guarantee Agreement and Fiscal Agency Agreement reference is hereby made for a statement of the respective rights thereunder of the Company, the Board, the Fiscal Agent, and the holders of the Notes, and the terms upon which the Notes are and are to be authenticated and delivered. This Note is governed by and subject to the terms and conditions of the Guarantee Agreement, and the holder of this Note, by the acceptance hereof, is deemed to have agreed to be bound by such terms and conditions. Pursuant to the Guarantee Agreement, the holder of this Note (if not the Board) and the Fiscal Agent, acting on such holder's behalf, may not institute legal proceedings against the Company for the payment of amounts due under this Note. This Note is secured by an Indenture of Mortgage and Deed of Trust, dated as of June 2, 1980, between the Company and Manufacturers National Bank of Detroit and an individual. Pursuant to the Guarantee Agreement, rights to such collateral may be exercised only by the Board. Copies of the Guarantee Agreement and the Fiscal Agency Agreement are on file and available for inspection at the office of the Fiscal Agent.

This Note is subject to redemption by the Company and to acceleration or purchase by the Board upon the terms and subject to the conditions set forth in the Guarantee Agreement.

This Note is transferable by the registered owner hereof in person or by attorney authorized in writing, at the office of the Fiscal Agent, upon surrender of this Note, and upon any such transfer a new Note or Notes, for the same aggregate principal amount and of an authorized denomination or denominations, will be issued to the transferee in exchange herefor, subject to the limitation set forth in the following paragraph. This Note may not be pledged as collateral or security for obligations the income from which is excludable from gross income for purposes of Chapter 1 of the Internal Revenue Code of 1954.

The Notes are authorized and issuable only as registered Notes without coupons in the minimum denomination of $5,000 and in integral multiples thereof. As provided in, and subject to the provisions of, the Fiscal Agency Agreement, Notes are exchangeable for other Notes of a different authorized denomination or denominations, as requested by the holder surrendering the same.

No service charge will be made for any such transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for transfer, the Company, the Board, and the Fiscal Agent may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whether or not this Note be overdue, and neither the Company, the Board, nor the Fiscal Agent shall be affected by notice to the contrary.

This Note shall for all purposes be governed by and construed in accordance with the laws of the State of New York, provided that the rights and obligations of the United States pursuant to the Guarantee Agreement shall be governed by and construed in accordance with the Federal law of the United States of America.

[Form of Certificate of Authentication]

This is one of the Notes described in the within-mentioned Guarantee Agreement.

United States Trust Company of New York,
as Fiscal Agent

By .....
Authorized Officer

[Form of Guarantee of Principal and Interest].

GUARANTEE OF PRINCIPAL AND INTEREST BY THE UNITED STATES OF AMERICA, ACTING THROUGH THE CHRYSLER CORPORATION LOAN GUARANTEE BOARD

This Note is one of the Notes guaranteed by the United States of America, acting through the Chrysler Corporation Loan Guarantee Board, pursuant to the Guarantee Agreement and is expressly made subject to all the provisions thereof as if all of said provisions were expressly set forth herein.

United States of America,
Acting Through the Chrysler
Corporation Loan Guarantee Board

By .....
Secretary of the Treasury, as Chairperson of
the Chrysler Corporation Loan Guarantee Board

65-288 O - 80 - 15

Exhibit 2

CHRYSLER CORPORATION

CONFIDENTIAL

CHRYSLER CORPORATION

1980-1983

OPERATING PLAN

JULY 10, 1980 *

THIS PLAN HAS BEEN PREPARED IN COMPLIANCE WITH THE CHRYSLER CORPORATION LOAN GUARANTEE ACT OF 1979.

INCLUDES ADDITIONAL INFORMATION ON RISKS IDENTIFIED BY THE LOAN GUARANTEE BOARD.

CONFIDENTIAL

CHRYSLER CORPORATION

1980-1983 OPERATING PLAN

C O N T E N T S

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CHRYSLER CORPORATION
1980-1983 OPERATING PLAN

INTRODUCTION AND SUMMARY

This 1980-1983 Operating Plan has been prepared by Chrysler Corporation to demonstrate its ability to continue operations as a going concern in the automobile industry and outlines the changes which have occurred since the Operating Plan of April 28, 1980. The Plan is consistent with the Financing Plan of July 10, 1980 and with the company's previously submitted Energy Plan and Productivity Improvement Plan.

Chrysler Corporation has revised its projection for 1980 to a loss of $1,005 million. This deterioration of $259 million from the April 28, 1980 Operating Plan is more than explained by a reduction in Chrysler sales volume and increased market expenditures attributable directly to the depressed United States automotive industry. As a partial offset, Chrysler management is taking actions to increase 'K' car production and to reduce other operating costs. However, these actions will not impair Chrysler's ability to offer attractive, 1981 model fuel-efficient vehicles launched on time, and with quality.

After 1980, Chrysler will return to profitability, averaging $417 million per year in pre-tax profits on average yearly sales of $19,132 million, assuming an early end to the current economic recession. (The changes in 1981-1983 profits from the April 28, 1980 Operating Plan are limited to the continuing effect of 1980 cost reduction actions that have been offset by increasing the management contingency. Other changes to forward year profits including more rapid conversion to FWD cars are under review and will be incorporated in the revised Operating Plan in September, 1980. It is too early to incorporate these changes now because the industry trends are still being analyzed.)

PROFIT AND LOSS STATEMENTS 1979-1983
$(Millions)

	1979	1980	1981	1982	1983
Net Sales	$12,002	$10,193	$16,450	$19,502	$21,444
Equity in Net Earnings of Unconsolidated Subsidiaries	2	(41)	(22)	(17)	(11)
Sub-Total	$12,004	$10,152	$16,428	$19,485	$21,433
Costs, Other Than Items Below	$12,224	$10,026	$14,733	$17,307	$19,329
Depreciation & Amoritzation	401	481	566	669	797
Pension Plans	261	316	381	439	484
Interest Expense - Net	215	334	475	442	473
Earnings Before Taxes & Minority Interest	$(1,097)	$(1,005)	$ 273	$ 628	$ 350
Net Earnings/(Loss) After Taxes & Min. Int.	$(1,097)	$(1,039)	$ 247	$ 575	$ 284
Memo:					
Risk Identified by Loan Guarantee Board	-	(186)	(169)	(67)	(263)
Net Earnings/(Loss) Including Risk	$(1,097)	$(1,225)	$ 78	$ 508	$ 21

The financing needs of the Operating Plan amount to $2.1 billion in 1980 and peak at $2.4 billion by the end of 1983. Federally guaranteed loans of $1 billion will be necessary during 1980; the remaining funds will be raised through other private funding measures. The Financing Plan of July 10, 1980 shows the $1 billion will be repaid by 1985, and that $1.9 billion in financing contingency and surplus cash will be available for debt repayment and other purposes at the end of 1985.

The Loan Guarantee Board has identified what it believes are risks to Chrysler's Operating Plan. If these risks occur, it would reduce Chrysler's profits by $685 million through 1983. The financing needs of the Operating Plan adjusted for these risks would amount to $2.2 billion in 1980 and peak at $3 billion by the end of 1983. Including the Loan Guarantee Board risks to the Financing Plan, Federally guaranteed loans of $1.2 billion would be necessary by 1981 and would be repaid by 1985. This demonstrates that Chrysler will continue to be viable in the event that business conditions deteriorate from plan levels. It is, therefore, considered that the Operating Plan as presented, in conjunction with the alternative contingency actions available, is realistic and feasible.

The level of projected profits and cash available for repayment of the $1 billion federally guaranteed loans and public debt demonstrates the ability of the Corporation to continue operations after December 31, 1983, without additional guarantees or other federal financing.

Chrysler recognizes that there is still a risk of additional profit deterioration resulting from disturbances to the national economy in general, or the oil and automotive industries in particular. However, the availability of $500 million federally guaranteed loans not currently scheduled to be used and the $1.9 billion reserve in the Financing Plan provide assurance throughout the planning period that Chrysler will continue to be viable in the event that business conditions deteriorate from plan levels. It is, therefore, considered that the Operating Plan as presented, in conjunction with the alternative contingency actions available, is realistic and feasible.

Section A

CHANGE IN PROFITS YEAR OVER YEAR

Year over year changes to the profitability of the Corporation during 1981 to 1983 result from the following major factors:

- Volumes are projected to increase through the introduction of new products that are responsive to the increasing market demand for smaller, more fuel-efficient cars and trucks. The deterioration in 1983 volumes from 1982 levels is due to a cyclical downturn in both car and truck industries.

- Variable margin improvements are due primarily to the introduction of 'K' body cars. Further improvements result from design cost reductions, improved purchasing programs and improved manufacturing processes.

- Industry price realignments that have been experienced to date will provide a higher profit plateau for new Chrysler products for the balance of 1980 and for future years. In response to increasing market demand for smaller cars and trucks, prices on smaller vehicles have been increasing faster than prices on large vehicles. This realignment has a dramatic impact on Chrysler as the bulk of its production shifts to smaller products. Wage concessions from union and non-union employees limit cost exposure and ensure that Chrysler will be able to fully benefit from industry pricing actions.

- Program fixed costs increase during the planning period as a result of the major product programs undertaken. However, these increases are fully recovered through the increased volume and improved margins new products support.

- Non-program fixed cost efficiencies, including substantial manpower reductions taken recently in 1980, impact favorably on company profit levels.

- Interest expense reflects all assumptions incorporated in the Financing Plan of July 10, 1980.

- Year over year increases in contingency reserves provide insurance to the company that the basic profit objectives can be met. Recognizing the uncertainty surrounding the future operating environment of both

Chrysler and the industry, additions are provided to accommodate possible shortfalls in areas, such as volume, variable margin, fixed cost savings and price recovery.

. Profits from other operations, primarily Defense, International and Parts operations, provide significant additions to income throughout the planning period. International and Parts operation both benefit from higher volumes from Chrysler's newer, more competitive products.

The quantitative affect of these factors are summarized below:

PROFIT BEFORE TAXES
YEAR OVER YEAR CHANGES

	1981/ 1980	1982/ 1981	1983/ 1982
Profits Before Taxes			
Base Year	$(1,005)	$ 273	$ 628
Comparison Year	273	628	350
Comparison Year Better/(Worse)	$ 1,278	$ 355	$(278)
Explanation of Change			
Vehicle Volume	$ 856	$ 346	$ (53)
Variable Margin Improvements	518	287	-
Price Recovery (Incl. Wage Concessions)	500	34	29
Fixed Cost - Program	(53)	(175)	(157)
- Non-Program	65	(12)	(14)
Interest	(141)	33	(31)
Contingency	(690)	(220)	(80)
Other Operations	223	62	28
Total	$ 1,278	$ 355	$(278)

Section B

VARIABLE MARGIN IMPROVEMENT

The company's new product and plant renewal program for the 1980s outlines the requirement for substantial product and facility investments during the period to meet expected market demand for more economical cars and regulatory requirements including CAFE fuel economy. To ensure maximum cost reduction and profit potential from the investments, a product-oriented program to improve variable margins has been implemented.

The Variable Margin Improvement Program assigns specific targets for variable cost and revenue improvement to the engineering, manufacturing, sales and purchasing organizations. To ensure that the targets are achieved, a disciplined control system has been implemented. This system features a monthly review by Corporate management of the progress of each activity in achieving its targets. A significant portion of the program is related to the totally new products which provide a unique opportunity for reducing cost due to their basic concept and with specific planning prior to and during their development. The 'K' car, replacement for today's Aspen and Volare models, is the first major product line developed entirely under the Variable Margin Improvement Program The 1981 'K' car will provide a $525 per unit margin improvement over a comparable 1980 Volare. This improvement will contribute about $225 million to Corporate profits annually.

The variable margin for truck is not projected to increase during the 1980-1984 model year period. This result is attributed to the new 1983 and 1984 front-wheel-drive trucks which have variable margins that are lower than the vehicles they replace. This lower per unit profitability, however, is more than offset by an increase in volume of 37%.

The contribution by major operating divisions is shown below:

By Area of Responsibility	Improvements (Per Unit) in 1980-1984 Model Years	
	Car	Truck
Product Planning	$ 319	$ (314)
Engineering	132	63
Sales/Marketing	(171)	(67)
Purchasing	144	125
Manufacturing	230	193
Total	$ 654	$ -0-

Section B

Explanation of VMI improvements by type of program is as follows:

By Type of Program	Improvements (Per Unit) in 1980-1984 Model Years	
	Car	Truck
Product Action	$ 112	$ (533)
Options & Equipment Changes	91	136
Design Cost Reductions	126	23
Manufacturing Improvements	204	157
Component Insourcing	41	-
Warranty Improvements	67	89
Purchasing Programs	125	125
Market Demand Changes	(112)	3
	$ 654	$ -0-

Product Actions are a direct result of the all-new products and major product renewals included in the product plan. These actions, which contribute $112 per car, will provide the company with competitive replacements for present products, through the incorporation of new styling, design, or performance elements (such as, front-wheel-drive on the 1981 Aspen and Volare replacement). Consequently, these products should be able to command more profitable positions within established markets. In other cases, by reducing the number of platforms and their manufacturing complexity, the plan permits a lower investment approach of deriving models to participate in high margin markets. Specifically, the 1981 Imperial derived from the compact platform will provide Chrysler the opportunity to participate in a specialty market which is oriented toward distinct styling, more comfort, and convenience options which could not have been accommodated within previous company product lines. This program represents variable profit contribution potential of about $125 million per year.

For truck, product action results in a decrease in per unit profitability. As discussed previously, this condition is due to the 1983 T110 pick-up and 1984 T115 van/wagon.

New Option and Equipment Changes will add $91 to per unit car margins and $136 to truck margins through the 1984 model period. New options provide a means of making available new technology, such as, trip computers and electronic instrumentation, and also include a variety of new comfort and convenience items, such as, tilt steering wheels on small cars and expanded radio and sound systems. In addition, new options include many larger car features which are becoming available on smaller cars.

Design Cost Changes represent changes to existing products which permit a reduction in cost without changing the content and the value of the product. These changes include material or component substitutions, parts simplifications, and changes in design requiring less costly material or manufacturing techniques. Through 1984, design changes will increase car margins by $126 and truck margins by $23.

Manufacturing Cost Savings will contribute margin improvement of $204 per car and $157 per truck through 1984 model. Much of the improvement will result from the more efficient manufacturing techniques made possible through newly designed products whose manufacture has been engineered to utilize the latest technologies and the productive manufacturing facilities and equipment being installed concurrently with the new product programs. Examples of these actions include automatic robot welding and framing systems, new painting processes, and more efficient transmission and transaxle production. In addition, the reduced complexity of these product plans allows efficiency in manufacturing, due to increased level of common components within the model line-up.

Component Insourcing is another benefit of the new product programs, and 1980 through 1984 will improve per unit car margins by $41. These improvements result primarily from the new 'K' car program which will make it economical for Chrysler to build its own line of four-cylinder engines for both the 'K' car and Omni and Horizon series. The cost savings for Omni and Horizon models alone during this period will be approximately $350 per unit.

Warranty Improvements. Decreased warranty costs are expected to yield a $67 per unit improvement for car and a $89 improvement for truck. This result is being achieved through the redesign of components, the strengthening of quality control procedures, the addition of more inspection in manufacturing and assembly plants, and the inherent improved quality achieved from expenditures on technologically superior machinery and equipment as part of the major new product and facility programs discussed previously. In all of these programs, increased quality and reliability of the final product has been designated the first priority of the total plan.

Purchasing Programs directed at reducing material costs are expected to yield $125 per unit improvement for both average car and truck. Existing and potential suppliers are systematically requested to quote on parts and material already sourced in an effort to ensure that purchases are made at the lowest cost available. These savings are tracked and reported to management on a regular basis, utilizing a computer base data

system. This program also includes a reduction in inbound transportation costs for 1980 and 1981 models with anticipated savings of $30 per unit for car and truck.

Marketing Demand Changes - Vehicle and Option Mix. The continuation of the trend toward smaller vehicles will have a significant impact on vehicle profitability which is expected to reduce overall average margins by $(133) per car and $(20) per truck. However, the maturing of the American car market is expected to result in a proportionately greater demand for more fully equipped cars, even in the small car segment, hence boosting the installation rates of already existing options. These market demand changes for options are expected to increase per unit car margins by $21 and truck margins by $23. Targets for higher installation rates are consistent with the company's increased participation in the luxury and specialty parts of the market and installation levels achieved by competitive products. The overall effect is a reduced profit of $(112) per car and an increase of $3 per truck.

This increasing propensity of small car buyers to seek higher levels of convenience and comfort in their cars is also related to the growing acceptability of small cars as substitutes for traditional family cars. A key element of the variable margin improvement program as it relates to Sales and Marketing will be the training of the dealer body to recognize the new wants of small car buyers and, hence, maximize profitability and customer satisfaction.

YEAR OVER YEAR IMPROVEMENT IN VMI

Total variable margin improvements beyond those included in the 1980 calendar year will add, cumulatively, approximately $750 million to the company's profits through reduced costs and increased participation in more profitable markets in the 1981-1983 calendar year period.

By Model Year	Year Over Year Improvement 1980	1981	1982	1983	1984	Total
Car						
Corporate Built Units	$ 4	$ 375	$ 249	$ 58	$ 49	$ 735
Mix Effect of Imports	(47)	2	(34)	9	(14)	(84)
Average Car Sold	$ (43)	$ 377	$ 215	$ 67	$ 35	$ 651
Truck						
Corporate Built Units	$ 85	$ 211	$ 115	$ 3	$(367)	$ 47
Mix Effect of Imports	(227)	64	(10)	28	98	(47)
Average Truck Sold	$(142)	$ 275	$ 105	$ 31	$(269)	$ -0-
Average Corporate Vehicle Built	$ 20	$ 345	$ 224	$ 48	$ (57)	$ 580
Sold	(65)	357	193	60	(44)	501

Section B

During the first year of the program, car variable margin improves by $4 per unit for Corporate built units, then deteriorates $(47) for market demand changes caused by an increased mix of import vehicles which have a lower variable margin. Truck variable margin, during the same year, improves $85 per unit for Corporate built vehicles offset by a $(227) deterioration caused by a higher level of imported vehicles. Import vehicles decline for both car and truck, however, as a percent of total sales in the 1981-1984 model period as additional capacity for fuel-efficient, front-wheel-drive vehicles is available.

Section C

PLANNED EXPENDITURES 1979 TO 1985

Chrysler Corporation plans to make expenditures totaling $11.2 billion during the period 1979 to 1985. Spending levels are predicated upon the company's product plan, which:

- Provides consumers with a wide range of fuel-efficient vehicles as early as possible during the planning period.

- Limits the company's need for external financing through emphasis on common components and derivative products. Such emphasis reduces tooling investment and provides significant savings from simplification of engineering and development work.

Planned expenditures, detailed by both type and program, are shown below:

PLANNED EXPENDITURES 1979-1985
(MILLIONS OF DOLLARS AT INCURRED ECONOMICS)

Type of Expenditure	1979	1980	1981	1982	1983	1984	1985	Total
Tools, Facilities & Investments	$ 807	$ 947	$ 895	$1,127	$1,107	$ 992	$ 664	$6,539
Engineering Research & Development	352	294	291	352	353	356	415	2,413
Launch and Preproduction	107	176	142	225	217	167	117	1,151
Project Expense	69	121	131	192	329	143	118	1,103
TOTAL EXPENDITURES	$1,335	$1,538	$1,459	$1,896	$2,006	$1,658	$1,314	$11,206
Expenditure by Program								
Car Programs	$ 480	$ 646	$ 428	$ 692	$ 750	$ 847	$ 512	$4,355
Truck Programs	74	96	133	422	436	97	85	1,343
Powertrain Programs	350	399	313	202	114	113	182	1,673
Other	431	397	585	580	706	601	535	3,835
TOTAL EXPENDITURES	$1,335	$1,538	$1,459	$1,896	$2,006	$1,658	$1,314	$11,206

Section C

The following table shows the planned expenditures by major program for car, truck, and power train.

MAJOR EXPENDITURES BY 1985

Program	Action	Expenditures
Car		
Sub-Compact	New lighter fuel-efficient car	$ 601
Small Specialty	Add new sporty 2-door model	232
Compact	Replace with 1,000# lighter FWD car	915
Basic Middle	Replace with 1,000# lighter FWD car	650
Middle Specialty & Large Cars	Replace with new lighter fuel-efficient cars	707
All	Compliance with Federal and State Emission and Safety Regulations, fuel economy, Warranty and Reliability improvements; new options and features; and cost reduction program	1,250
	TOTAL CAR	$ 4,355
Truck		
Van/Bus	New lighter fuel-efficient vehicle	$ 469
Pickup/Sport Utility	New lighter fuel-efficient vehicle	430
All	Compliance with Federal and State Emission and Safety Regulations, fuel economy, Warranty and Reliability improvements; new options and features and cost reduction programs	444
	TOTAL TRUCK	$ 1,343
Power Train		
4 Cylinder Engine	New Corporate engine in four major volume increments	$ 768
6 Cylinder Engine	Diesel derivative	102
Transmissions & Transaxles	Expanded capacity and added fuel economy features	595
All	Other Power Train actions	208
	TOTAL POWER TRAIN	$ 1,673
All	Engineering and Research support personnel and facilities	$ 1,102
	Plant rehabilitation and maintenance	454
	Manufacturing improvements and automation	910
	Dealership and service programs	273
	International and outside sales programs	332
	Plant Emission and Safety (OSHA)	419
	Other Miscellaneous Actions	345
	TOTAL OTHER	$ 3,835
TOTAL EXPENDITURES BY 1985		$11,206

Section D

ECONOMIC ASSUMPTIONS

An important element in the projection of profitability is the impact of future economic cost increases and the ability of the Corporation to recover these additional costs by increasing selling prices and remaining competitive in the market.

Following are the economic assumptions that have been made with respect to the operating expenses and capital expenditures.

- Material - Composite of various macro economic forecasts weighted by the expected Chrysler vehicle usage.
- Labor - 1980 to 1982 based on current contract settlement. 1982 and beyond is a composite of external macro economic forecasts.
- Inbound Transportation - The forecasted rates are principally determined by expected labor and fuel cost changes. The forecasts for these elements were derived from various inhouse and external forecasting services.
- Capital Expenditures
  - .. Building - Developed from Chase index for industrial/commercial structures.
  - .. Equipment - Developed from Chase index for industrial metal cutting, forming, welding and other machine tools.
  - .. Tooling, Vendor - Developed from Chase indices for steel, labor, burden and Corporate G & A forecast weighted by historical Chrysler content.
  - .. Project Expense - Same as equipment.
- Other
  - .. Warranty - Composite of expected labor and material cost changes. Labor based on consumer price index and planned dealer mechanic pay increases; material based on weighted average producer and consumer price indices.
  - .. Advertising - Forecast developed from a survey of advertising agencies.
  - .. Other Manufacturing Expense - Based on specific Chase indices for fuel oil, natural gas and other industrial related products and supplies.
  - .. Outbound Transportation - Same as Inbound Transportation with differences reflecting different modes of transportation and labor rates.

Section D

ECONOMIC ASSUMPTIONS

	% Increase Over Prior Year			
	1980	1981	1982	1983
Material	12.0	8.9	10.1	8.9
Labor	10.0	10.5	13.5	11.5
Inbound Transportation	19.6	15.0	15.0	14.0
Capital Expenditures:				
Buildings	10.0	10.3	11.1	10.8
Equipment	10.0	6.1	6.8	8.6
Tooling - Vendor	9.2	8.4	8.2	10.1
Project Expense	9.0	6.1	6.8	8.6
Other:				
Warranty	14.0	12.0	10.5	9.5
Advertising	15.0	10.0	10.0	10.0
Other Mfg. Expense	10.0	10.0	10.0	9.0
Outbound Transport.	11.4	11.0	12.0	11.0

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CHRYSLER CORPORATION

1980-83 OPERATING PLAN

A P P E N D I X

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Appendix A

ECONOMIC ENVIRONMENT

The more important economic factors considered in estimating car and truck industry performance are:

GNP Growth

The rate of growth of real GNP (and related disposable personal income) is a major influence on car and truck sales. The growth trend during 1980-1985 will be adversely affected by rising energy prices which will cause lower rates of capital formation and productivity growth, and a shift in composition of jobs from manufacturing to services. Real GNP growth during 1980-1985 is likely to fall below a 3.5% annual trend compared with a 4% trend during 1960-1973.

At various times, imbalances in the economy will cause fluctuations about this trend and thus cause cyclical patterns of car and truck sales.

Current Economic Setting - 1980

Since the first of the year, declines in economic activity have been large and broadly based. A recessionary pattern of growing weakness is developing. Most major economic indicators, such as retail sales, housing starts, industrial production and employment continue to weaken.

This recession is due mainly to the following imbalances in the economy: rapid rates of inflation, high energy costs, large trade deficits and the dollar weakness abroad.

The decline in consumer spending for goods and services sparked the downturn, due to sharply reduced ability and willingness to buy. Households have been affected by: (1) declines in real income, because earnings have not kept up with high inflation rates, (2) falling employment, (3) high debt burden, (4) low savings rates, (5) high interest rates and, (6) credit restrictions.

The speed and severity of the downturn is causing concern. Real GNP is expected to fall a seasonally adjusted rate of 7% in the second quarter of the year and over 4% in the third quarter. Auto industry sales are at depressed levels; car sales during the second quarter were at a seasonally adjusted annual rate of just over 7 million units, truck sales were at a 2.3 million annual rate.

Some hopeful signs are visible, however. The value of household financial assets, such as stocks, bonds and houses are rising. Consumer installment debt outstanding is dropping. Real incomes should improve as inflation moderates - and an expected federal income tax cut would improve purchasing power. The drop in spending will improve savings ratios. Interest rates are falling and the Federal Reserve Board is ending the credit restrictions imposed in March.

These improvements, and other corrections to the imbalances in the economy, should trigger a general recovery in the fourth quarter of 1980. As is generally the case in economic upturns, auto sales will likely be one of the first areas to improve, aided significantly by increased availability of domestically produced, small, fuel-efficient vehicles.

Demographic Trends

Demographics will be an important factor supporting the demand for cars during the time span of this Operating Plan. Working age population is expanding around 2% per year due to baby-boom children moving into the 25-54 age group. In addition, the participation rate is increasing -- especially female participation rates. The prime-age female work force is growing over 5% per year. Over half the women of working age are now in the labor force; 44% of these are working wives. Besides adding to the need for cars, working women enhance the ability to pay for them with their supplemental paychecks, which are largely discretionary funds.

Automotive Fuel Prices

U.S. national policy is shifting from cheap toward expensive energy due to costly and uncertain oil supplies and the resultant need for conservation. Domestic crude oil prices will reach world oil levels by October, 1981 and U.S. automotive fuel prices could also approach world levels. Consequently, gasoline prices will rise significantly in 1980, 1981 and 1982, and it is possible that the national average pump price will more than double by 1985. Diesel prices may follow a similar pattern.

In addition, there is the possibility of an increase in Federal excise tax on gasoline in response to tightening petroleum supplies and international pressures to raise U.S. taxes to levels more in line with other industrial countries.

In response to these sharply and continuously increasing fuel prices, the U.S. consumer will opt for smaller cars and trucks, on average, over the next five years. In order for consumers to contain their dollar outlays for fuel at current levels, a doubling of mileage fuel economy would have to occur between now and 1985.

However, there are indications that people are willing to allocate larger portions of their spending for personal transport as fuel prices rise. Western Europe could be a leading indicator. There, taxes have risen to more than $1 per

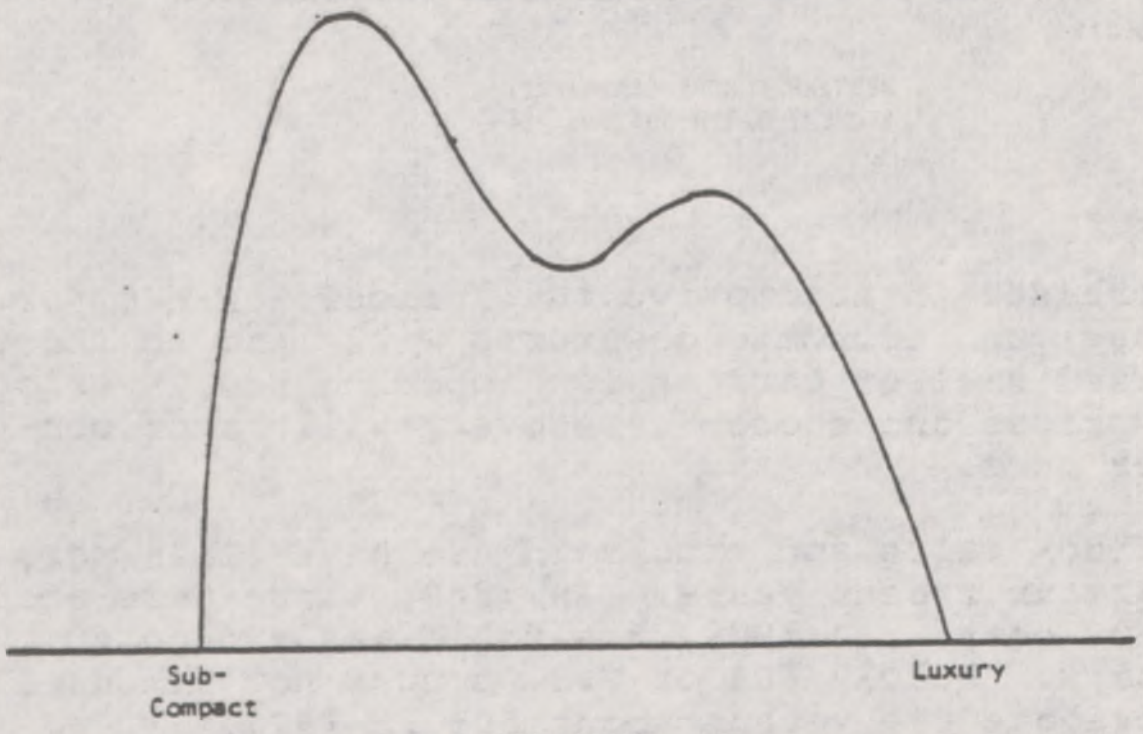
gallon and pump prices of regular gasoline range from $2 to $3 per gallon, public transportation is well developed and the geographic density of vehicles generally is greater than in the U.S. Yet, the current and expected growth trends for the automotive industry in Western Europe exceed the consensus outlook for the U.S. industry.

Market Structure

Cars - Following the fuel crisis of 1973-74, the demand for small cars peaked at 46.7% of the total car market in 1975. As consumer fear of fuel unavailability declined, and as the economy recovered from its low point in early 1975, the relative strength of the middle and large cars increased at the expense of small cars, dropping small car penetration to 41.9% of total market in 1977. Although the demand for large cars improved, it never returned to the pre-1973-74 levels, suggesting that the 1973-74 fuel crisis had some lasting effect. Now it is forecasted that the small segment will continue to grow to nearly 62% by 1983.

Fuel cost has become an important factor in determining the segmentation structure of the U.S. car industry, in addition to price, image and package.

Concerns about the price and availability of gasoline are now influencing buyers to concentrate their purchases in the small end of the market where cars now are significantly more fuel-efficient.



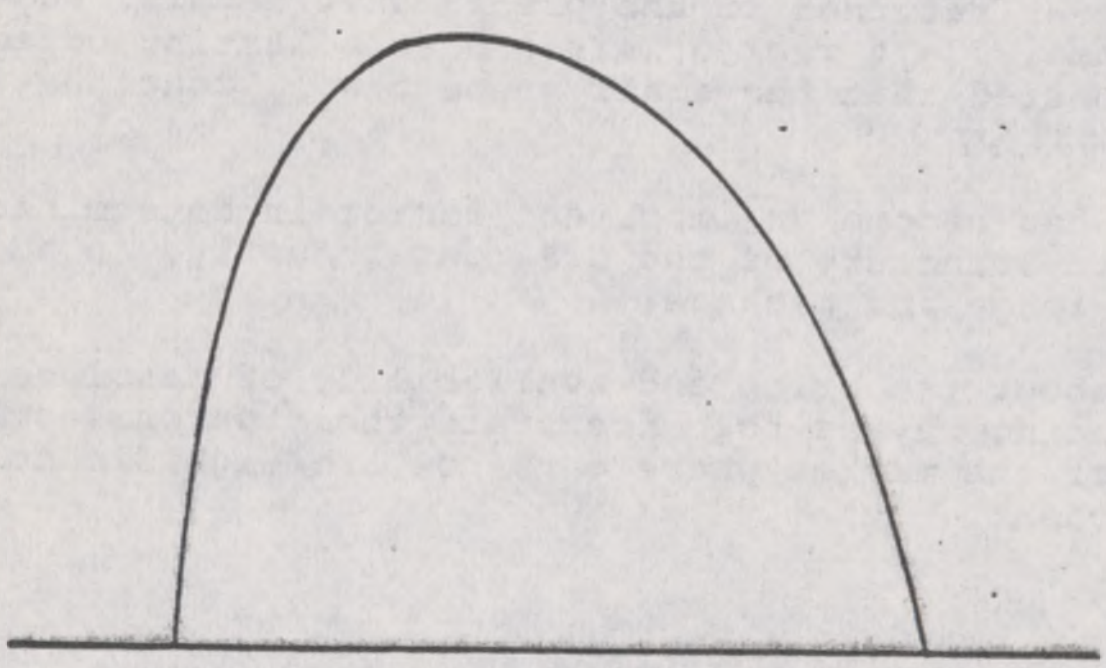
U.S. CAR MARKET
SEGMENT DISTRIBUTION, 1980

Appendix A

Capacity constraints limit the availability of domestically produced small cars, as U.S. manufacturers adjust from the era of cheap energy. Thus, foreign makes can now capture 44% of the small car market.

By 1985, over 80% of the cars sold in the U.S. will have wheelbases of 105" or less. This size decrease, associated weight saving and more fuel-efficient engines could reduce the fuel cost penalty of operating a family size car versus a subcompact from 60% today to only 17% in 1985.

Thus, fuel economy by 1985 will lose its importance as a segmentation factor. The U.S. segmentation distribution could approach the current pattern in Western Europe, where size, weight, and the fuel economy range is not wide now.



WESTERN EUROPE CAR MARKET
SEGMENT DISTRIBUTION, 1980

Abrupt increases in automotive fuel prices (or a major fuel tax increase) and economic downturns will lead to short-term shifts toward smaller cars as is happening now. Periods of stable fuel prices and economic recovery will favor purchases of larger cars.

Trucks - Truck sales and trucks in use have risen more rapidly than cars in recent years. In 1969, there were about 20 trucks per 100 cars. In 1979, the ratio was around 40 trucks to 100 cars. Nearly 60% of U.S. trucks now are used primarily for private use versus about 50% in 1972.

As the truck market continues to grow faster than cars, the small bus and small pick-up segments should increase their share. This reflects continuing concern about fuel economy and substitution of truck purchases for cars.

APPENDIX B

PRODUCT STRATEGY AND ENGINEERING

C O N T E N T S.

Section	
1	Product Strategy
2	Engineering Organization
3	Government Regulations - Safety
4	Government Regulations - Emission
5	Government Regulations - Fuel Economy

Appendix B

SECTION B.1 - PRODUCT STRATEGY

Vehicle Action

Chrysler's product strategy has been developed to respond to the economic and regulatory environment discussed elsewhere and to the increasing customer demand preference for smaller, more economical vehicles, as evidenced by the increasing sales of the smaller Japanese cars. This strategy recognizes the limited financial resources available to Chrysler, and emphasizes the need for improved margins in order to restore profitability.

All new passenger cars must be developed to meet the comprehensive Federal Government regulations concerning fuel economy, emissions and safety, which become progressively more stringent by 1985. The exterior dimensions of future family-size cars will be markedly reduced from current models, in fact, they will be smaller than current compact cars.

Downsizing will be accomplished without sacrificing the comfort and room demanded by consumers in a six-passenger vehicle. This will be accomplished, in part, by converting all passenger cars to front-wheel drive. By the 1985 model year, Chrysler family-size cars will be 33 inches shorter and weigh 1,000 lbs. less than a comparable car in 1980. Fuel economy will improve by 12 mpg or 75% in relation to a 1980 compact, the 1984 family-size car will be 17 inches shorter, weigh 600 lbs. less and the composite fuel economy will be improved by 8 mpg or 40%.

Chrysler's 1980-1985 Product Plan for cars and trucks is designed to increase penetration through aggressive competition in 80 percent of the U.S. market segments. Chrysler will offer a competitive range of cars and trucks in response to consumer demand -- small cars to meet fuel economy requirements, and family-size cars to meet the continued needs of larger families and long-distance driving. It is recognized that competitors are also proceeding with aggressive new product programs, but Chrysler will improve market position by offering fully competitive products and expanding market coverage. Key elements of the plan also include improved product quality, and better participation in the youth and luxury markets.

To remain a viable competitor, Chrysler has developed an efficient product plan to maximize market coverage at substantially lower investment than traditional product development procedures would normally require. This has been accomplished through minimizing the use of unique platforms.

Appendix B

The number of car platforms will be reduced from the five of today to a total of two:

1) The 'L' Body available in 5-door compact version of the Omni and Horizon and 3-door subcompact Dodge 024 and Plymouth TC3.

2) The 'K' Body, which is the new front-wheel-drive replacement for the Volare/Aspen in the 1981 model year, will be available in 4-door sedans, 2-door sedans and 5-door station wagons. Premium 'K' Body models will compete in the Basic Middle and Small Specialty segments of the market. In addition, a stretched version of the 'K' Body will be offered. This 'K-Stretch' Body will be substantially smaller than the mid and full-size cars it will replace and yet still provide adequate six-passenger seating.

In addition to the above actions, Chrysler will add a luxury 2-door car in 1981 to attract new kinds of buyers. Additional sales, and more importantly, higher profit margins will result. The 1981 luxury car will subsequently be replaced by a downsized high-mileage, front-wheel-drive car.

To satisfy changing truck market demands, all new, downsized, front-wheel-drive pick-ups will be introduced in 1983 model to meet the demands for more fuel-efficient vehicles as the demand for rear-wheel-drive trucks decreases.

In the 1984 model year, all new front-wheel-drive small vans/wagons will be introduced to provide a more fuel-efficient alternative to large vans/wagons while offering more utility than passenger car station wagons.

Power Train Actions

New power train components required for greater fuel efficiency, are among the most expensive elements of the new products for the 1980s. The planned expenditures include approximately $1.7 billion for new small engines, and new transaxles (a combination front axle and transmission for front-wheel-drive cars). Approximately one-half of the company's cars and trucks will be front-wheel-drive in 1981, increasing substantially by 1984. Front-wheel-drive is the most reasonable method of reducing the size and weight of vehicles for substantial gains in fuel economy, without sacrificing interior room and comfort.

Reduction of Product Complexity

Use of three basic car platforms will allow a reduction of complexity. A simplification of engineering, design, and manufacturing work loads, improved vehicle quality and a standardization of many now unique parts will follow. Chrysler will be able to offer a wide variety of products without the high cost normally associated with the development of unique platforms.

Appendix B

Industry Segmentation Trends

As the size difference between the largest and smallest cars is reduced, the traditional market segmentation is expected to change to a simpler discriminator -- number of passengers.

Although vehicle exterior dimensions are shrinking, the more efficient packaging obtained with front-wheel drive has preserved and often improved passenger and cargo space. In parallel with these product changes, consumer needs and expectations are also changing. It is anticipated that each car segment (4-passenger, 5-passenger and 6-passenger) will have a low and a high price requirement.

There will be several ways to satisfy customer needs and requirements within each segment, but vehicle size (overall length and wheelbase) will become less significant as passenger and cargo capacity become the key discriminators.

This change will allow Chrysler to effectively satisfy the total spectrum of consumer needs with three platforms compared to the current five platforms.

MMC Products

In 1971, Chrysler made an equity investment in MMC and signed a distribution agreement for the sale of MMC products in North America and certain international markets. The objective was to have a source of subcompact cars, with a minimum of investment, to complement the Chrysler range of products in the U.S. In 1980, nearly 15% of total Chrysler annual sales of cars and trucks will be MMC products, representing a significant contribution to Corporate and dealer profitability.

Chrysler plans to continue the highly complementary product line of MMC vehicles through the 1983 period. These vehicles include extremely fuel-efficient FWD models that are smaller in size than Omni and Horizon; compact, conventional drive, higher priced sporty models and small, highly competitive pick-up trucks smaller than Chrysler D150 Dodge pick-ups.

In addition, Chrysler intends to expand the range of fuel-efficient engines available for the 'K' Body in the U.S. by using a 2.6 liter gasoline engine produced by MMC.

SECTION B.2 - ENGINEERING ORGANIZATION

Efficiency Improvement Plan

A number of areas in the Engineering Office have been under study with respect to the improvements of efficiency. As indicated below, the various actions are in different stages of study and/or implementation.

Appendix B

Organizational Optimization

A restructuring of the Engineering Office is under study. Efforts to eliminate duplication, to group like functions and generally to minimize overhead where possible are under way. Past success with the Technical Computer and Instrumentation Center indicates that further centralization of certain mechanical services and information processing centers can lead to improved operating efficiency.

Management Cost Information System (MCIS)

The MCIS is a computerized system for budgeting, forecasting, and controlling costs by engineering program. Still in the process of implementation, this system will enable all levels of engineering management to better control their costs. Through a variety of reports from a common data bank, visibility is given to progress and variance against program budgets; this permits attention to be directed to problem areas on a significantly earlier basis.

Vehicle Variable Cost Reduction Activity

Over the past two years a program to systematically reduce the variable costs of vehicles has been implemented within the Engineering organization. The key elements of this program are the identification of the most cost beneficial projects with regard to specific parts, systems, or components and the application of engineering resources on a priority basis to accomplish the cost reductions. A corollary to this activity is the avoidance of change and wasted resources where the returns are marginal. This program is now in process of expansion with the objective of establishing specific plans at the individual design/development engineer level.

Computer Aided Design

Programs are continuing to link each phase of vehicle design, tooling, and manufacturing, from clay model to die to production and inspection in an integrated common data base computerized system. Clay model surface digitizing, computer aided design and drafting, structural modeling, N/C die and component machining, and photogrametric surface definition all form key links in the system, which is providing increased productivity. Some 400 engineering and design professionals have been trained in the usage of CAD to date; plans call for approximately 100 additional engineers and designers to be trained each year going forward.

Appendix B

Computer Aided Development

Many aspects of Engineering Development have been or are being computerized to increase productivity and improve accuracy. An increasing number of laboratories have local computer-operated tests and data acquisition systems which are linked through a centralized Host Computer. Under construction is a new 10 engine dynamometer facility, which will be completely computer-controlled, utilizing the Host Computer system. It will provide full "engine mapping" capabilities - i.e., engine data will be acquired for many parameters simultaneously under dynamic conditions. Other major developments include automated mileage accumulators to "drive" stationary cars on long-term durability tests, and automated wind tunnel operations.

SECTION B.3 - GOVERNMENT REGULATIONS - SAFETY

During the 1981-85 model years, a number of new safety standards will have to be met in addition to those in effect for 1980 model vehicles. Many of the new standards already are in place and others have been proposed either by the initiation of rulemaking or through inclusion in the NHTSA's 5-Year Rulemaking Plan. The major adopted and proposed standards or amendments are summarized in the table below.

Of the adopted standards, compliance with the requirements for passive front seat restraints will be the most difficult. To reduce the costs of our development programs, we are purchasing technology from General Motors on both passive belt and air bag systems. In addition, potential suppliers of automatic belt systems are doing much of the hardware development.

1981 Model Year

ADOPTED

MVSS 101, Control and Display - Cars and Trucks
Symbol identification of controls, telltales, and displays

MVSS 115, Vehicle Identification Number - Cars and Trucks
17-character VIN; truck VIN plate on instrument panel

1982 Model Year

ADOPTED

MVSS 201, Occupant Protection In Interior Impact - Trucks
Car instrument panel and seat back impact re-requirements extended

Appendix B

MVSS 203, Steering Control Impact Protection - Trucks
Car steering column/wheel energy absorption requirements extended

MVSS 204, Steering Column Rearward Displacement - Trucks
Car barrier impact steering column penetration requirements extended

MVSS 208, Occupant Crash Protection - Cars Over 114 in. Wheelbase
Automatic front seat restraints.

PROPOSED

MVSS 105-75, Hydraulic Brake System - Trucks
Car requirements for stopping distance, etc. to be extended. Expect at least one year delay in effective date.

MVSS 111, Indirect Fields of View - Cars and Trucks
Substantial increase in area to be seen through mirrors. Expect at least one year delay in effective date.

NEW, Direct Fields of View - Cars and Trucks
Would limit maximum view obscuration by roof pillars. Expect at least 1-2 year delay in effective date.

MVSS 208, Occupant Crash Protection - Cars and Trucks
Seat belt comfort and convenience - passive belts in cars, manual belts in trucks; sequential belt warning - trucks.

1983 Model Year

ADOPTED

MVSS 208, Occupant Crash Protection - Cars Over 100 in. Wheelbase
Automatic front seat restraints.

PROPOSED

MVSS 108, Lighting - Cars
Stop lamps at backlight level.

NEW, Pedestrian Impact Protection
Energy absorbing materials on front end.
Effective date felt to be premature.

Appendix B

1984 Model Year

ADOPTED

MVSS 208, Occupant Crash Protection - Cars
Automatic front seat restraints.

PROPOSED

MVSS 214, Side Impact Protection - Cars and Trucks
Moving barrier side impact systems test with injury criteria performance requirements measured by test dummy.

1985 Model Year

PROPOSED

MVSS 101, Controls and Displays - Cars and Trucks
Standardized control locations.

Compliance with some of the proposed requirements could be quite costly if sufficient leadtime is not provided by the NHTSA. For example, meeting side impact, visibility or pedestrian impact requirements potentially could require extensive structural and/or sheet metal modifications. Incorporating these changes when vehicles are redesigned, rather than to extensively modify and retool carryover vehicles which may be redesigned in 1-2 years anyway, makes much more efficient use of resources.

The Chrysler plan assumes that NHTSA will establish compliance timetables for the more expensive proposed standards (such as, improved side intrusion protection and pedestrian impact protection) on such basis.

SECTION B.4 - GOVERNMENT REGULATIONS - EMISSIONS

Vehicle emission standards and regulations will become increasingly more stringent between 1980 and 1985. The new requirements add to the existing body of regulations which has grown since government's first imposed vehicle emissions controls over ten years ago. The major additional requirements are shown in Table A.

These new standards and regulations present an unprecedented challenge to the automotive industry and especially to Chrysler and other smaller manufacturers. To meet these requirements, Chrysler has made major commitments to developing new engines, fuel systems and emission control systems.

Appendix B

In the period between 1980 and 1985 we plan to introduce several new engines and fuel systems in our cars and trucks. Additionally, the three-way catalyst system with feedback carburetor, which was introduced on Chrysler's California cars in 1980, will be used on our federal cars starting in 1981. We also will continue to upgrade our present engines, fuel systems and emission control systems for as long as they are capable of meeting regulatory requirements.

Chrysler Corporation with the approval of the Justice Department has entered into a technical consulting agreement with General Motors Corporation whereby GM is providing Chrysler valuable advice and technical information. Continuation of this contract with GM is fundamental to our ongoing effort to develop fuel-efficient vehicles that meet emission standards in that the cost to Chrysler would be significantly higher in the absence of the consulting arrangement.

Appendix B

TABLE A

EMISSION STANDARDS AND REGULATIONS

1980-1985 Model Years

Emission Standards (grams/mile)

		1980	1981	1982	1983	1984
Passenger Cars	HC	.41	.41	.41	.41	.41
	CO	7.0	3.4**	3.4**	3.4	3.4
	NOx	2.0	1.0	1.0	1.0	1.0
	Evap	6	2	2	2	2
Trucks	HC	1.7	1.7	1.7	0.8*	0.8*
	CO	18	18	18	10*	10*
	NOx	2.3	2.3	2.3	2.3	2.3
	Evap	6	2	2	2	2

**7.0 for engine families with CO waiver

* Proposed

Major Additional Emission Regulations

1981 Parameter adjustment limitations.
Performance warranty and short test standards.

1982 Light duty diesel particulate standards.
High altitude standards and system modification requirements.
Altitude adjustability requirements.

1983 Light duty truck test procedure requirements.
Heavy duty engine test procedure requirements.

1984 All-altitude emission control requirements.

Appendix B

SECTION B.5 - REGULATORY REQUIREMENTS FOR VEHICLE FUEL ECONOMY

Fuel economy standards have been established for passenger cars at increasingly more stringent levels through 1985 model year, with the major incremental requirements occurring in 2 mpg per year increases in 1981, 1982 and 1983. The truck fuel economy standards also increase each year, although the truck standards beyond 1982 are not yet firm, and at this point in time are expressed as a range.

Compliance with the standards will be accomplished through two means--primarily the downsizing of vehicles and secondarily the improvement of power train technology through the usage of new items such as 5-speed manual transmissions, electronic engine controls and fuel metering, diesel engines, improved aerodynamics, and lower rolling resistance tires. Our product plans relative to body shell downsizing are discussed elsewhere in this report.

The planned combination of vehicle downsizing and the usage of enhanced power train technology is forecasted to produce CAFE levels in compliance with the law with the exception of 1981 and 1982 for the 4x4 trucks:

	Model Year - EPA Fuel Economy					
	1980	1981	1982	1983	1984	1985
Passenger Car						
Law	20.0	22.0	24.0	26.0	27.0	27.5
4x2 Truck						
Law	16.0	16.7	18.0	(20.0	(21.4	(22.4
Proposed Law*				(18.0	(18.8	(19.7
4x4 Truck						
Law	14.0	15.0	16.0	(18.0	(19.3	(19.9
Proposed Law*				(15.6	(16.1	(16.2

*Proposed law for 1983 and beyond is expressed as a range at this point in time.

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Appendix C

INDUSTRY ANALYSIS AND SALES VOLUMES

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9	Penetration by Competitors - Cars
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Appendix C

SECTION C.1 - U.S. CAR AND TRUCK INDUSTRY

Car industry sales are expected to total 8.8 million units in 1980. This estimate is in line with major independent forecasting service whose forecasts range from 8.7-8.8 million units and average 8.8 million units.

For 1981 to 1983 Chrysler has used total industry cyclical volumes. The cyclical volumes are based on studies of the main economic factors affecting automotive sales, analysis of past cyclical patterns and the especially slow recovery from the 1974-1975 recession. A peak of 12.1 million units is forecast in 1982 with a cyclical decline in 1983 to 10.8 million. Normal forecasting techniques lead to a forecast of a long-term trend but, for financial planning purposes, it is essential to take account of the cyclical nature of the industry.

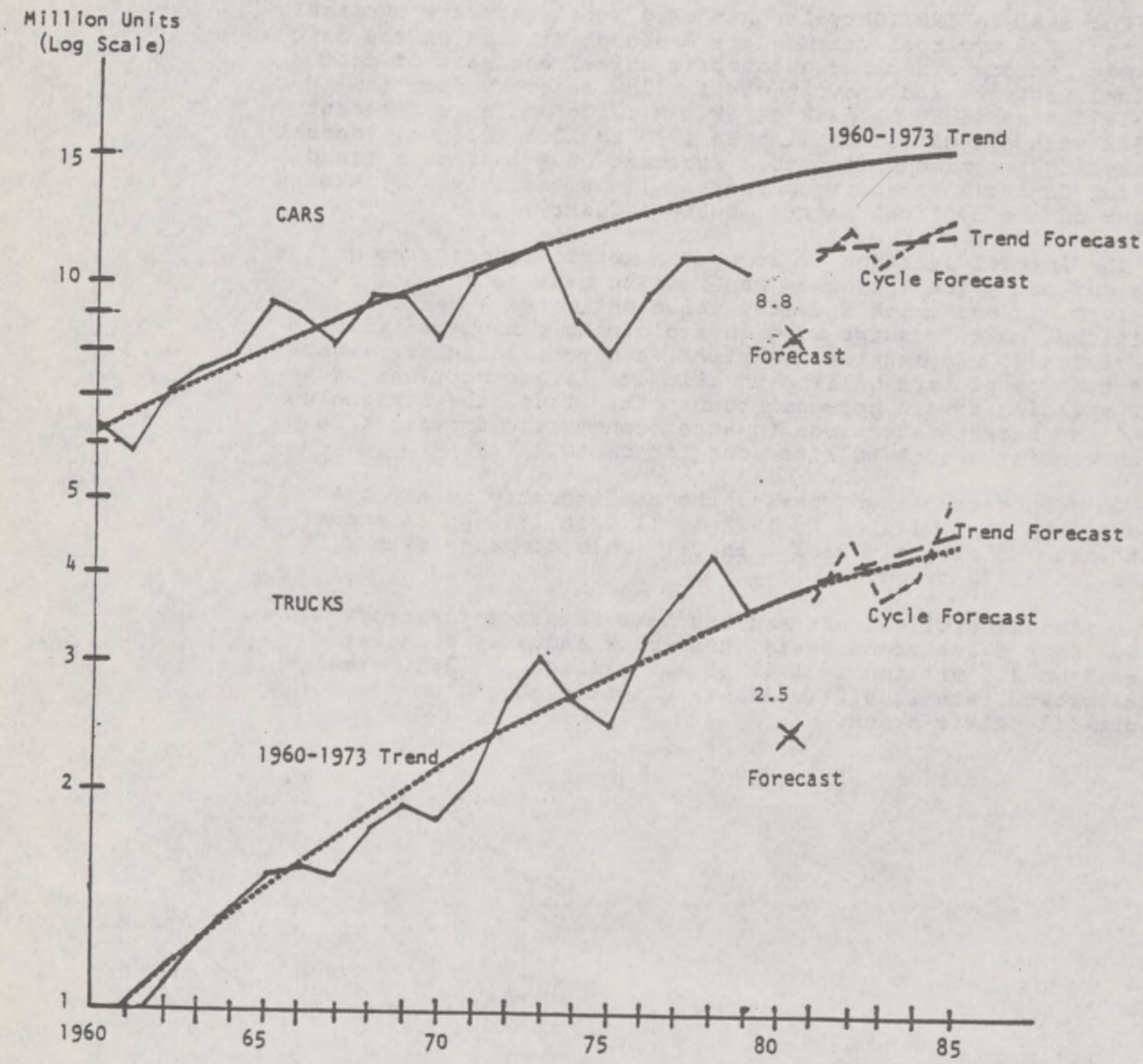
The initial reaction of some econometric forecasting groups to recent oil price increases has been to make reductions in long-term car and truck industry sales estimates - based on traditional relationships used in explaining consumers' allocation of funds. As mentioned earlier, however, there are indications that people are willing to allocate larger portions of their spending toward personal transport. Thus, the rationale behind the recent reductions in some econometric forecasts is not convincing enough to alter our forecasts.

On a long-term trend basis, the car industry is expected to move from 11.1 million in 1981 to 11.9 in 1985 at an annual growth rate of slightly less than 2%. This compares with 2.5% on the 1960-1973 trend.

A similar cyclical pattern has been forecast for truck sales. On a sales trend basis, the truck industry forecast ranges from 3.9 million in 1981 to 4.7 million in 1985. The annual growth rate is 4.5% which is slightly above the rate of the pre-oil crisis trend.

Appendix C

U.S. CAR AND TRUCK INDUSTRY RETAIL DELIVERIES
(In Calendar Years)



Appendix C

SECTION C.2 - CAR AND TRUCK PROJECTIONS - U.S. INDUSTRY INDEPENDENT ANALYSTS

Car
(Millions of Units) Calendar Year

	1980*	1981	1982	1983	1984	1985
Chase Auto	8.8	10.6	10.8	11.4	11.7	11.9
D.R.I.	8.7	10.1	11.0	11.0	10.9	11.4
Wharton	8.8	9.7	10.4	11.7	12.0	11.9
Merrill-Lynch	8.8	9.9	11.4	11.5	11.5	11.6
Avg. Independent	8.8	10.1	10.9	11.4	11.5	11.7
Chrysler Forecast	8.8	11.0	12.1	10.8	11.7	12.3

Truck
(Millions of Units) Calendar Year

	1980*	1981	1982	1983	1984	1985
D.R.I.	2.6	3.6	3.9	4.0	4.1	4.4
Merrill-Lynch	2.7	3.2	4.1	4.4	4.6	4.6
Avg. Independent	2.7	3.4	4.0	4.2	4.4	4.5
Chrysler Forecast	2.5	3.7	4.5	3.7	4.0	5.1

* 1980 independent forecasts as of late June; forward years unchanged at this time due to widely varying opinions regarding the timing and magnitude of the auto industry rebound.

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SECTION C.3 - U.S. CAR INDUSTRY BY SEGMENT 1977-1983

CALENDAR YEAR
RETAIL UNITS

INDUSTRY (000 UNITS)	ACTUAL 1977	1978	1979	ESTIMATES 1980	1981	1982	1983
Subcompact	1,989	2,104	2,602	2,644	2,455	2,675	2,385
Compact	1,559	1,630*	1,561	1,643	2,200	2,445	2,205
Small Specialty	1,063	1,205	1,458	1,174	1,725	1,960	1,750
Total Small	4,611	4,939	5,621	5,461	6,380	7,080	6,340
Basic Middle	1,915	1,615	1,190	959	1,100	1,160	1,025
Middle Specialty	1,650	1,852	1,520	919	1,440	1,600	1,460
Total Middle	3,565	3,467	2,710	1,878	2,540	2,760	2,485
Basic Large	2,270	2,138	1,708	1,094	1,560	1,695	1,435
Luxury	564	586	499	336	520	565	500
Total Large	2,834	2,724	2,207	1,430	2,080	2,260	1,935
Total Industry	11,010	11,130	10,538	8,769	11,000	12,100	10,760
MIX (%)							
Subcompact	18.1%	18.9%	24.7%	30.2%	22.3%	22.1%	22.2%
Compact	14.2	14.7	14.8	18.7	20.0	20.2	20.5
Small Specialty	9.6	10.8	13.8	13.4	15.7	16.2	16.2
Total Small	41.9	44.4	53.3	62.3	58.0	58.5	58.9
Basic Middle	17.4	14.5	11.3	10.9	10.0	9.6	9.5
Middle Specialty	15.0	16.6	14.4	10.5	13.1	13.2	13.6
Total Middle	32.4	31.1	25.7	21.4	23.1	22.8	23.1
Basic Large	20.6	19.2	16.2	12.5	14.2	14.0	13.4
Luxury	5.1	5.3	4.8	3.8	4.7	4.7	4.6
Total Large	25.7	24.5	21.0	16.3	18.9	18.7	18.0
Total Industry	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Appendix C

SECTION C.4 - U.S. TRUCK INDUSTRY BY SEGMENT 1977-1983

CALENDAR YEARS
RETAIL UNITS

INDUSTRY (000) UNITS	ACTUAL 1977	1978	1979	ESTIMATES 1980	1981	1982	1983
Bus - Small	24	20	16	21	19	27	100
- Standard	134	148	110	68	111	135	101
Total Bus	158	168	126	89	130	162	201
Van - Small	-	-	-	-	-	-	60
- Standard	508	608	524	298	407	504	382
Total Van	508	608	524	298	407	504	442
Pick-Up - Small	323	337	470	526	577	778	862
- Std.	2,047	2,206	1,688	1,145	1,787	2,056	1,384
Total Pick-Up	2,370	2,543	2,158	1,671	2,364	2,834	2,246
Motor Home - Van	90	114	51	7	66	81	63
- Light	42	52	18	2	30	36	30
Utility	252	355	280	143	303	405	377
Car/Truck	78	80	77	43	66	77	59
Medium/Heavy	341	361	372	277	334	401	325
Total Industry	3,839	4,281	3,606	2,530	3,700	4,500	3,740

MIX (%)

Bus - Small	.6%	.5%	.4%	.8%	.5%	.6%	2.7%
- Standard	3.5	3.4	3.1	2.7	3.0	3.0	2.7
Total Bus	4.1	3.9	3.5	3.5	3.5	3.6	5.4
Van - Small	-	-	-	-	-	-	1.6
- Standard	13.2	14.2	14.5	11.8	11.0	11.2	10.2
Total Van	13.2	14.2	14.5	11.8	11.0	11.2	11.8
Pick-Up - Small	8.4	7.9	13.0	20.8	15.6	17.3	23.0
- Std.	53.3	51.5	46.9	45.3	48.3	45.7	37.0
Total Pick-Up	61.7	59.4	59.9	66.1	63.9	63.0	60.0
Motor Home - Van	2.4	2.7	1.4	.3	1.8	1.8	1.7
- Light	1.1	1.2	.5	.1	.8	.8	.8
Utility	6.6	8.3	7.8	5.6	8.2	9.0	10.1
Car/Truck	2.0	1.9	2.1	1.7	1.8	1.7	1.6
Medium/Heavy	8.9	8.4	10.3	10.9	9.0	8.9	8.6
Total Industry	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Appendix C

SECTION C.5 - CHRYSLER PENETRATION OF U.S. MARKET

Chrysler's share of the U.S. car market averaged about 12 percent for the period 1976-1978, but this dropped to 9.9% in 1979 due to lack of new models and uncertainties of Chrysler's future, both of which significantly reduced customer interest.

The product action planned for the period 1981 to 1985 will improve Corporate penetration for a variety of reasons.

- The new FWD models - introduced in model years 1981, 1982, 1983 will be highly attractive to Chrysler and competitive owners in an era of high cost gasoline. Omni and Horizon subcompacts currently attract large numbers of competitive buyers - 57% of our sales are to people trading competitive products.

- The Rogers survey reports that buyers of Omni, 024, Horizon and TC3 showed well above average levels of overall satisfaction in their respective segments. This will translate into improved loyalty rates when these models are replaced.

- Significant improvements in quality were achieved with the total retooling of the Belvidere Assembly Plant to build Omni, Horizon cars. Each Chrysler car assembly plant will undergo a similar renewal as new FWD products are introduced.

- The 'K' car to be introduced in late 1980 will offer roomy, economical transportation to buyers of all ages. Owners of larger cars who need more fuel efficient vehicles will make a major contribution to 'K' body sales.

- The Plymouth TC3 and Dodge 024 will be joined in the fall of 1982 by stylish front-wheel-drive specialty K24 models which will appeal to younger, affluent buyers (25-34) who will be the leading edge of the market for the next several years.

- This steady stream of new products will be accompanied by new and innovative merchandising and advertising to raise levels of awareness and consideration among shoppers. An example is the current Chrysler guarantees which include an unprecedented money-back guarantee if the customer is not satisfied with his purchase.

In developing the Chrysler market share forecast, each segment of the industry has been examined in detail with respect to Chrysler's product plans and anticipated competitive plans.

Appendix C

1981 - 11.1%

An all new family of front-wheel-drive (FWD) 'K' Body cars will be introduced to replace the rear-wheel-drive (RWD) Volare/ Aspen models in the compact market segment. The 'K' Body will be available in 2-door, 4-door, and wagon models. Powered by 2.2 liter and 2.6 liter 4-cylinder engines, the 'K' Body subfleet is projected to have an EPA composite fuel economy that will be best in the class. The volume potential of these attractive, FWD, fuel-efficient cars will be further enhanced by GM's limited 'X' body production capability.

The middle specialty segment will increase in 1981, as the economy recovers. A normal share of promotional emphasis on our offerings in this segment should insure that Chrysler will share in this growth and thus help increase overall market penetration.

Also to be introduced in 1981 is the 'J' Body derived 'Y' car. This entry will provide Chrysler's first participation in the luxury segments since the Imperial was dropped in 1976.

1982 - 11.1%

Two-door FWD premium models, upscale derivatives of the 'K' Body, will be added to the basic middle market segment. In addition to a Dodge entry, the Chrysler nameplate will be given to these FWD cars and boost penetration - as we experienced with the Chrysler LeBaron. The compact and basic middle segments will tend to merge, as Chrysler offers a basic middle carline derived from the 'K' car and GM offers a new carline off its 'X' car base. Fuel economy and size gaps will narrow between these two segments.

Chrysler will have the advantage of offering the only FWD wagon in these merging segments. Another competitive advantage is that Ford products in these segments, although renewed in 1982, will probably still be RWD.

In spite of the introduction of new products, market penetration is expected to be lower due to the overall strength of the total industry which is forecasted to be 12.1 million. Chrysler, with capacity limitations on 'L' and 'K' Body will not be able to take advantage of the strength of industry demand.

1983 - 12.4%

A sporty front wheel specialty car, derived from the 'K' Body platform, will be a part of the small car lineup. It's aimed at the younger buyer who values style and roadability, along with economy. Premium 'K' cars, in two-door, four-door and station wagon FWD configurations now will be available for the entire year - replacing LeBaron/Diplomat RWD carlines.

The fourth quarter will see the introduction of new smaller standard, specialty and luxury models in the upper end of the car market. These cars will be based on a stretched version of the 'K' Body and will be much smaller than the mid-size and large cars they replace. In addition, they will offer high levels of fuel efficiency and interior space.

Power train component choices will be broadened by the addition of a smaller 1.8 liter engine and a 2.2 liter turbo-charged engine both derived from the basic Corporate built 4-cylinder engine family. A 5-speed manual transaxle (MTX) derived from the Corporate built 4-speed MTX will also be added.

By 1983, the full capacity to produce 'K' Body regular and premium models will have been installed and an adequate supply of vehicles will be available in the market place. The volume of Chrysler retail sales is, therefore, expected to increase over 1982. For conservative reasons, a cyclical downturn has been forecast for 1983 and total industry sales have been shown as 10.8 million. Due to the fact that the industry mix shifts toward smaller, more fuel-efficient cars during recessionary years and Chrysler is strongest in these market segments, Chrysler's penetration shows an increase for 1983.

It is believed that the planned product program will bring Chrysler into a more competitive posture each year, with each new product acting to strengthen and reinforce the market share of the prior year.

Chrysler's share of the truck market fades through 1982 due to minimal new product expenditures. In the fourth quarter of 1983, an innovative new vehicle designated T-115 will be introduced. A small, FWD, van/wagon will provide space, utility and economy in a wagon version for passenger carrying jobs, and in a van version for commercial and recreational applications.

Appendix C

SECTION C.6 - CHRYSLER U.S. CAR AND PENETRATION BY SEGMENT 1979-1983

CALENDAR YEARS
RETAIL UNITS
(000)

CHRYSLER UNITS	Actual 1979	Profit Budget 1980	Estimates 1980	1981	1982	1983
Subcompact	266	264	269	241	258	250
Compact	285	225	234	467	452	389
Small Specialty	144	144	140	157	177	259
Total Small	695	633	643	865	887	898
Basic Middle	149	132	99	132	230	248
Mid Specialty	87	122	79	122	134	119
Total Middle	236	254	178	254	364	367
Basic Large	116	82	61	77	77	51
Luxury	-	7	7	21	20	18
Total Large	116	89	68	98	97	69
Total Chrysler	1,047	976	889	1,217	1,348	1,334
CHRYSLER SHARES (%)						
Subcompact	10.2%	12.4%	10.2%	9.8%	9.6%	10.5%
Compact	18.3	13.1	14.2	21.2	18.5	17.6
Small Specialty	9.9	10.8	11.9	9.1	9.0	14.8
Total Small	12.4%	12.2%	11.8	13.6%	12.5%	14.2%
Basic Middle	12.5%	14.1%	10.3	12.0%	19.8%	24.2%
Middle Specialty	5.7	9.9	8.6	8.5	8.4	8.2
Total Middle	8.7%	11.7%	9.5%	10.0%	13.2%	14.8%
Basic Large	6.8%	5.6%	5.6%	4.9%	4.5%	3.6%
Luxury	-	1.6	2.1	4.0	3.5	3.5
Total Large	5.3%	4.7%	4.7%	4.7%	4.3%	3.6%
Total Industry	9.9%	10.5%	10.1%	11.1%	11.1%	12.4%

Appendix C

SECTION C.7 - CHRYSLER U.S. TRUCK AND PENETRATION BY SEGMENT 1979-1983

CALENDAR YEARS
RETAIL UNITS
(000)

CHRYSLER UNITS	Actual 1979	Profit Budget 1980	Estimates 1980	1981	1982	1983
Bus - Small	-	-	-	-	-	47
- Std. (Sports.)	41	32	28	35	30	15
Total Bus	41	32	28	35	30	62
Van - Small						33
- Std. (Trades)	111	84	68	85	70	43
Total Van	111	84	68	85	70	76
Pick-Up - Small	47	73	66	77	79	109
- Std.	146	95	92	132	148	103
Total Pick-Up	193	168	158	209	227	212
Motor Home - Van	13	21	3	-	-	-
- Light	9	16	1	14	15	13
Utility (Ramcharger)	20	15	11	23	29	17
Total Chrysler	387	336	269	366	371	380
SHARE OF SEGMENT (%)						
Bus - Small	-	-	-	-	-	47.0%
- Standard	37.3%	31.3%	41.2%	31.5%	22.2%	14.9
Total Bus	35.3%	26.9%	41.2%	26.9%	18.5%	30.8%
Van - Small						55.0%
- Standard	22.1%	20.4%	22.8%	20.9%	13.9%	11.3
Total Van	22.1%	20.4%	22.8%	20.9%	13.9%	17.2%
Pick-Up - Small	10.1%	16.6%	12.5%	13.3%	10.2%	12.6%
- Standard	8.6	6.0	8.0	7.4	7.2	7.4
Total Pick-Up	6.8%	8.8%	9.5%	8.8%	8.0%	9.4%
Motor Home - Van	25.4%	47.7%	42.9%	-	-	-
- Light	50.0	65.0	50.0	46.7	41.7	43.3
Utility	7.2	6.4	7.7	7.6	7.2	4.5
Total	10.7%	10.9%	10.6%	9.9%	8.2%	10.2%

Appendix C

SECTION C.8 - COMPETITIVE ENVIRONMENT

The following tables show the increasing penetration of imported cars and trucks from 1976 to 1979. Car imports have increased from 14.8% of industry in 1976 to 21.9% for the year of 1979 and are currently achieving over 26% penetration. During the first quarter of 1980, sales of imports were up 17.5% from last year. The increased penetration of imports is due to the strength of demand for smaller, more economical fuel-efficient vehicles which Chrysler has not been able to take advantage of due to limited availability of engines for the Omni and Horizon vehicles.

The 1980 forecast for U.S. car industry is 9,831,000, of which 2,728,000 or 27.7% is expected to be imports. The strong import sales will push the total small car penetration to 59.8% in 1980. The continued shift to fuel-efficient, more economical cars will be a plus factor for Chrysler when the 'K' cars are launched in the fall of 1980.

A similar trend towards smaller more economical vehicles is evident in the truck industry where imports have increased from 7.7% in 1976 to 13.5% in 1979. Based on the actual sales in the first quarter of 1980, it is now anticipated that imports will amount to 21% of the total industry.

Appendix C

SECTION C.9 - PENETRATION BY COMPETITORS - CARS

U.S. CAR MARKET BY CALENDAR YEAR
(In Percent of Total Market)

	1976	1977	1978	1979	Jan.-May 1980
GENERAL MOTORS					
Domestic	47.9	46.5	48.0	46.4	45.6
Imports	.1	.2	.2	.1	-
Total	48.0	46.7	48.2	46.5	45.6
FORD					
Domestic	22.3	22.8	22.8	19.9	16.7
Imports	.3	.6	.7	.8	.8
Total	22.6	23.4	23.5	20.7	17.5
CHRYSLER					
Domestic	12.5	10.6	9.7	8.6	7.1
Imports	.8	1.0	1.0	1.3	1.8
Total	13.3	11.6	10.7	9.9	8.9
AMC	2.5	1.7	1.5	1.6	1.7
VW					
Domestic	-	-	.2	1.6	2.0
Imports	2.4	2.7	2.3	1.6	1.0
Total	2.4	2.7	2.5	2.8	3.0
TOYOTA	3.5	4.5	4.0	4.8	6.7
DATSUN	2.7	3.5	3.0	4.5	6.1
HONDA	1.5	2.0	2.5	3.4	4.0
OTHER IMPORTS	3.5	3.9	4.1	5.4	6.5
TOTAL	100.0	100.0	100.0	100.0	100.0
MEMO:					
Domestic	85.2	81.6	82.2	78.1	73.1
Imports	14.8	18.4	17.8	21.9	26.9
Total	100.0	100.0	100.0	100.0	100.0

Appendix C

SECTION C.10 - PENETRATION BY COMPETITORS - TRUCKS

U.S. TRUCK MARKET BY CALENDAR YEAR
(In Percent of Total Market)

	1976	1977	1978	1979	Jan-May 1980
GENERAL MOTORS					
Domestic	41.0	38.3	40.1	36.8	35.1
Imports	1.4	1.8	1.6	2.8	3.8
Total	42.4	40.1	41.7	39.6	38.9
FORD					
Domestic	29.0	30.9	31.3	30.7	28.0
Imports	1.6	1.7	1.7	2.2	3.1
Total	30.6	32.6	33.0	32.9	31.1
CHRYSLER					
Domestic	14.7	13.8	12.7	9.4	8.0
Imports	-	-	.1	1.3	2.5
Total	14.7	13.8	12.8	10.7	10.5
OTHER DOMESTIC	7.6	7.9	7.4	9.6	7.8
OTHER IMPORTS	4.7	5.6	5.1	7.2	11.7
TOTAL	100.0	100.0	100.0	100.0	100.0
MEMO:					
Domestic	92.3	90.9	91.5	86.5	78.9
Imports	7.7	9.1	8.5	13.5	21.1
Total	100.0	100.0	100.0	100.0	100.0

Appendix D

SALES AND MARKETING

C O N T E N T S

Section

1. Marketing Strategy
2. Distribution - Dealer Body
3. Service and Parts Division
4. Marketing Investment
5. Marketing Organization

Appendix D

SECTION D.1 - MARKETING STRATEGY

The key to success of the New Chrysler Corporation will be the ability of the Corporation to convince the automotive buyer of the consumer benefits of buying and using Chrysler cars and trucks.

Chrysler will convince customers of the unique and positive features of the new Chrysler products that distinguish them from competitors and avoid a "me too" reputation which does not provide a compelling reason for consumers to buy or even consider Chrysler products.

The New Chrysler Corporation Guarantee Program was the first positive step in the implementation of the new marketing strategy and will be the prime means of establishing a bond of caring with the American consumer.

This new philosophy will include the following basic tenets:

i. The money-back guarantee will be continued as a significant New Chrysler Corporation consumer benefit.

ii. Customer satisfaction will be emphasized throughout the entire product chain.

iii. Chrysler will become disassociated from the "Big three" mindset and the stigma of a "me too" company.

The major tasks during 1981 will be to:

i. Establish unique appeals and specific images for the all-new 'K' Body in order to maximize consideration by buyers seeking package and fuel efficient products.

ii. Reinforce the Y22 positioning as a stylish, luxury car, thus maximizing sales and benefiting the Corporate image.

iii. Launch the 'K' 2-door Premium Chrysler and Dodge cars as upscale, stylish, highly efficient models.

These products represent the first offerings of the New Chrysler Corporation requiring maximum promotional support to build a new image as a platform for future market/product strategies and establishing reasons for buying.

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Subsequently, Chrysler will have entries in the highly competitive youth market, which is so critical to long-term growth of the Corporation.

Chrysler will also launch new and innovative products targeted at consumers who need the utility and capacity of larger cars, along with style-oriented standard and specialty models in the upper end of the market. These vehicles will be significantly reduced in size and highly package and fuel efficient. Chrysler plans to place itself in a highly competitive position in the major segments of the U.S. industry in order to reach a maximum number of consumers with the limited financial resources available to the Corporation.

SECTION D.2 - DISTRIBUTION - DEALER BODY

There were 4,434 Chrysler dealers at December 1979 compared to 4,806 at end of 1978. A loss of 418 dealers was recorded in the first half of 1980 during a time when the profitability of many dealers was significantly affected by the high interest rates and an extraordinarily low new car market.

It is considered that the dealer body is capable of achieving the sales volumes that have been forecast for the period 1980 to 1983 because:

i. Overall, the remaining dealer body has maintained working capital and net worth at reasonable levels.

ii. It is primarily the weaker dealers who have closed down which should strengthen the remaining stronger dealers.

The number of dealers really is not the issue; the key is improved productivity measured by sales per dealer.

Appendix D

Unit Sales Per Dealer	1977	1978	1979
G.M.	545	581	569
Ford	567	595	531
Chrysler	378	361	338

Chrysler dealers can operate profitably at lower average sales volumes than those of G.M. and Ford.

Chrysler's task must be to increase productivity per dealer to achieve the planned volumes and enable dealers to operate more profitably.

	1980	1981	1982	1983
Retail Sales (000)				
Car	889	1217	1348	1334
Truck	269	366	371	380
Total	1158	1583	1719	1714

	Number of Dealers	Sales Per Dealer			
June 1980	4016	288	394	428	427
Assume	3900	297	406	441	439
Assume	3800	305	417	452	451

There is a problem to be met in 1980 as the average sales per dealer would be lower than in 1979 due to depressed industry performance and natural reluctance of buyers prior to the introduction of a new car. This is one of the reasons why Chrysler has launched new, imaginative merchandising programs to assist the dealers until the new FWD cars are available.

In addition, the new Dealer Vehicle Order Planning System will free the dealer body from the irrational "sales bank", which, in itself, reduced dealer productivity since effort was directed to disposing of cars not specifically required by customers. A rational distribution system alone has improved and will continue to improve dealer productivity.

The progressive installation of new equipment during the conversion of plants to front-wheel-drive will result in greatly improved product quality. Merchandising innovations will continue and eventually result in increased consumer consideration of all Chrysler products. The crystallization of the New Chrysler image, plus a general strengthening of the economy, will result in substantial improvement in sales per dealer.

Appendix D

DEALER PRODUCTIVITY

Dealer productivity in 1980 will be influenced by:

- Improved retail/wholesale training. A new Dealer Vehicle Order Planning System is currently being installed in the field with all Chrysler Corporation dealers. This new system develops equitable distribution for all zones and all dealers by product line, taking into consideration sales trends, seasonal trends, dealer sales history and market segment history, to develop an earned share of production. All vehicles will be built to dealer orders reflecting product demand in the market place.

- Improved programming and distribution: This is an ongoing program to improve all areas of programming, ordering, scheduling, shipping and distributing vehicles to meet dealer market requirements.

- Innovative merchandising: This is reflected in the successful rebate programs and the Chrysler Guarantee Program currently in the market place.

Dealer productivity in 1981 and future years will be a function of:

- Products that meet market demand
  - Vehicles with 4 cylinder engines
  - New K cars
  - L cars
  - Other new vehicles (Y car, etc.)
  - Complementary import cars
  - FWD, small van/wagon

- A better product quality which is a major corporate program.

MARKET REPRESENTATION

- A new emphasis is being placed on quality dealer market representation. The objective is to determine that there is an adequate market opportunity for both sales and profits for each dealer. The development of this program will strengthen the opportunity for existing Chrysler Corporation dealers as well as attract proven competitive dealers to Chrysler franchises.

Appendix D

SECTION D.3 - U.S. SERVICE AND PARTS DIVISION

There are three major objectives of the Service and Parts Division.

i. Increased customer satisfaction

ii. Higher sales volumes

iii. Improved productivity and profitability

Details of these objectives are as follows:

i. Increased Customer Satisfaction

The replacement of the product range in a relatively short period of years will permit Chrysler to concentrate on designing vehicles requiring minimum service by improving product repairability, crash worthiness and ease of diagnosis. Service Division will continue the fast feedback information system to assist the Corporate objective of manufacturing better quality products for the benefit and convenience of our consumers.

A new Chrysler Service System will be systematically implemented throughout the dealer body and will involve intensive field, dealer and service personnel training. The fast feedback information system will help to improve manufacturing quality by focussing early attention on defects.

Chrysler products will be backed by a fair warranty which will meet or exceed the government warranty guidelines and there will be expanded components coverage on Service Contract Programs. Chrysler plans to implement a nation-wide Arbitration Program to further its commitment to the consumer.

At the same time, significant reduction in warranty expense is targeted in the VMI Program - see Appendix E. These joint objectives of reduced warranty cost and improved customer satisfaction will be achieved by improving the responsiveness of our measurements and concentrating on high cost warranty areas for improved diagnosis and service procedures and recurring customer dissatisfaction items.

ii. Higher Sales Volumes

The two major areas for achieving higher sales volumes are through the dealer body and with competitive sales outside the dealer body. We will develop the dealer's ability to satisfy consumer service needs by establishing disciplined

quality control and diagnostic procedures and re-training mechanics and our field force in new technology. With regard to the Mopar range of competitive parts, Chrysler plans to capture a larger portion of this market by developing retailer accounts and concentrating on a somewhat smaller range of products with improved margins so that total turnover will be increased. The number of dealers using the Parts Connection Terminal System and the Dealer Inventory Management System is expected to continue to increase.

iii. Improved Productivity and Profitability

General and Administrative staff manpower will be held at current levels, with variable adjustments to line activities. Dealer service development offers the greatest payout for additional field personnel. Operating expenses will be reduced by the consolidation of warehouses which has already commenced. These measures when related to higher sales will result in higher levels of profitability for the Corporation.

A more stringent control over inventories is expected to increase inventory turnover to 1.5 times. The profit return on assets is forecast to increase by almost 50% by 1985.

SECTION D.4 - MARKETING INVESTMENT

For several years, Chrysler has applied a policy for expanding market coverage and increasing the dealer network. This program included a financial participation in new dealerships whereby Chrysler participated in the initial equity 75% as to 25% by the investor/manager. Subsequently, by bonus and dividends from profitable operations, the investor was encouraged and enabled to increase his equity and eventually become an independent private capital dealer. In following this policy, Chrysler has had to absorb some operating losses where dealerships were installed in developing areas in anticipation of a satisfactory level of market demand.

Starting in 1979, Chrysler has put the main emphasis on improving the profitability of existing dealerships and has effectively suspended the prior policy of market development. Consequently, attention has been focussed on loss operating dealers and where prospects for profitable operation have not been probable, dealerships have been closed. The number of M.I. dealers reduced by 32 in 1979 and a further reduction of 44 to 114 is forecast by the end of 1980.

The results of this management action will partially offset the effects of the current adverse retail market conditions. The combined effect, however, will result in losses on operations of $25.2 million in 1980 as compared to $17.1 million in 1979.

For 1979, four dealers purchased the balance of Chrysler equity participation to own their dealership 100% and a further eight are expected to become private capital dealers in 1980.

Provision has been made in the planned capital expenditures to recommence the program from 1981 if it is considered necessary and essential to protect particular dealer points and it is not possible to find a private capital dealer.

SECTION D.5 - MARKETING ORGANIZATION

Major actions being taken to improve the effectiveness of the Marketing Division.

. A New Marketing Management Team

A new team has been appointed to the key senior positions of Executive Vice President, Sales and Marketing, Vice President of Sales, and Director of Marketing.

. New Dealer Ordering System

Chrysler has eliminated its prior policy of building units for a "sales bank" in anticipation of receiving dealer orders. Under the new system, vehicles are assembled only for specific orders placed by dealers. This will reduce inventory risks and avoid dilution of the sales effort into unloading unwanted units. It will also permit faster response to changing market demand. Incentive programs, where used, can be directed at market opportunities through salesmen contests, etc., rather than at straight discounting of excess stocks.

. Objective Setting at the District Manager Level

A new system is being developed to establish for each District Manager, objectives for volume, model and price class mix and option installation rates consistent with the overall Corporate planning objectives. It is anticipated that the system will be operating by the first quarter of 1980. Exception reports will identify those areas which may require corrective action.

Appendix D

- New Option Tracking Systems

  To further ensure that Corporate objectives will be achieved, a new dealer option tracking system for cars has been established during the 1980 model year. Actual option installation rates for each dealer are compared against Corporate objectives, and a monthly report will ensure timely identification of dealers who are not achieving their option installation rates. The same system for trucks is targeted for the 1981 model year launch.

- Distribution System

  In order to support the new vehicle ordering system, we must have a responsive, reliable distribution system. To accomplish this, our overall project to define problems and identify and implement solutions in the entire distribution system has been started. The project encompasses all those activities which occur from the time the dealer places an order until a vehicle is delivered.

- 1980 Blue Print for Profit

  This is a concept in dealership management to be used as a guide in planning the dealers' operation for the year. It is an analysis approach to planning based on goal setting. The action section of the Blue Print for Profit outlines what management actions must be taken in order to obtain dealer profit goals for 1980. The Blue Print for Profit Program recognizes that sound planning and financial strength in every dealership is essential.

Appendix E

MANUFACTURING OPERATIONS

Section

1. Plant Loadings

2. Manufacturing Burden

3. Launch, Preproduction, Phase-out

4. Quality/Warranty

5. Plant Safety - OSHA

Appendix E

SECTION E-1 - PLANT LOADINGS

Vehicle Assembly Plants

Plant loadings for the Corporation's vehicle assembly plants provide for a maximum capacity (including overtime) of 1.6 million cars and .6 million trucks for the 1981 model year.

Stamping/Assembly Division	Capacities by Model Years (Units 000) 1981	1982	1983
Car Assembly			
Belvidere Assembly	341 L	336 L	329 L
Jefferson Assembly	257 K	305 K	271 K
Lynch Road Assembly	221 R	224 R	171 R/K
Newark Assembly	291 K	313 K	312 K
St. Louis Assembly	272 M	198 M	298 K
Windsor Assembly	270 J/Y	269 J/Y	204 J/Y
Total Car Assembly	1,652	1,645	1,585
Truck Assembly			
Missouri Assembly	178 C	178 C	179 C
Pillette Assembly	110 C	108 C	109 C
Warren Main	221 L/D	238 L/D	238 L/D
Warren R.V.	45 M/H	45 M/H	45 M/H
Total Truck Assembly	554	569	571
Total Car/Truck	2,206	2,214	2,156

These capacities exceed current sales projections; numerous studies are under way to close and/or dispose of unneeded facilities to reduce fixed costs. Several closings have already been announced, e.g., Missouri Truck and the Warren R.V. plant, and the associated fixed cost reductions will be reflected in the September 1, 1980 Operating Plan.

Stamping Plants

There are five stamping plants, one tool and die plant and one steel slitting and warehouse building. The stamping plants possess the capacity to produce 100% of Corporate requirements.

. Stamping Plants - Sterling
Twinsburg
Warren
Mack
Eight Mile

. Vernor Tool and Die

. Northern Steel Warehouse

Appendix E

Stamping Plants -(Continued)

These plants produce all the body stampings for passenger cars and trucks. Based on present body platforms and model complexity, stamping plants' annual capacity is 1.6 million cars and .6 million trucks.

Since the product plan for the future years results in reduced complexity which requires less total stamping press lines to produce the same volumes, stamping capacity requirements are reduced as indicated by the announced closing of Eight Mile in 1980.

Engine Plants

The Corporation currently operates four engine plants - Trenton, Mound Road, Windsor, Mexico. As of the 1980 model year, the plants produce the 225 cubic inch six cylinder, 318 cubic inch and 360 cubic inch eight cylinder engines. The Volkswagen 1.7 liter four cylinder engine is imported and completed at Trenton engine.

Due to the extensive downsizing and increased production of fuel efficient vehicles in the product plan, the engine program of the Corporation will undergo major changes as follows:

	Model Years		
	1981	1982	1983
Initial production at Trenton of 2.2 liter four cylinder engine with annual capacity of 400,000	x		
Expand Trenton production capacity of 2.2 liter four cylinder engine to 500,000		x	
New plant in Mexico will produce 200,000 2.2 liter four cylinder engines with expansion to 270,000 by mid-year. From 150,000 - 220,000 of these engines will be exported to the U.S. for domestic vehicle production		x	
Further expansion of Trenton to annual capacity of 800,000 2.2 liter four cylinder engines with addition of a 1.8 liter four cylinder version. (Volkswagen 1.7 liter engine will no longer be purchased with introduction of 1.8 liter.)			x
Purchase from Mitsubishi Motor Corporation the 2.6 liter four cylinder engine with a maximum volume of 200,000 in 1981 and 180,000 in 1982 and 1983	x		

As a result of these product programs, the Windsor Engine Plant production will not be required beyond 1980 model. Alternate uses are being explored.

Appendix E

Foundries/Casting Plants

There are three foundries and two casting plants operated in the 1980 model year:

. Foundries - Huber
- Indianapolis
- Fostoria

. Casting Plants - Kokomo
- Etobicoke

The following major changes will take place in the forward years:

	Model Years			
	1980	1981	1982	1983
Fostoria Foundry will be closed due to reduction in capacity requirements	x			
Huber Foundry will be consolidated to produce 1.5 million crankshafts and 2.8 million camshafts				x
Aluminum cylinder heads will be 100% vendor sourced (in 1984, a portion will be Corporate sourced)		x		

General Manufacturing Plants

The group produces a variety of original equipment for installation in passenger cars and trucks. In addition, some components are sold to original equipment manufacturers. Plants included in this group are:

. Kokomo Transmission
. New Process Gear
. Dayton Plant I
. New Castle Machining and Forge
. Toledo Machining
. Indianapolis Electrical
. McGraw Glass
. Eldon Axle, Detroit Forge and Universal

Appendix E

General Manufacturing Plants - (Continued)

Major changes that will take place follow:

	Model Years		
	1981	1982	1983
Kokomo Transmission Plant production of front-wheel-drive automatic transaxles expanded to:			
675,000 annual capacity	x		
800,000 annual capacity		x	
1,000,000 annual capacity			x
Facilitization of New Process Gear Plant to produce front wheel drive manual transaxles at annual volumes of:			
250,000	x		
300,000			x
Facilitization of New Process Gear Plant for production of up to 1.8 million manual and automatic transaxle differentials	x	x	x
Facilitization of Indianapolis Electrical Plant for new 80 amp alternator with annual capacity of 2.0 million			x

SECTION E-2 - MANUFACTURING BURDEN

Manufacturing fixed burden includes the following:

. Fixed Indirect Labor

Support labor not directly involved in the actual manufacturing, assembly function. All labor other than direct labor.

. Fixed Overtime Premium for Indirect Labor

. Fixed Other Manufacturing Expense

This includes tools, maintenance materials, utilities, office supplies.

Appendix E

SECTION E-2 - MANUFACTURING BURDEN - (Continued)

. Taxes

. Insurance

Major Reasons for Changes

	Calendar Years 1981	1982	1983
Consolidation of engine manufacturing facilities	x		
Consolidation of foundry production facilities	x	x	
Reduction of Detroit Forge/Axle Detroit Universal production		x	x
Conversion of Lynch Road Assembly Plant for 'K' body production			x
Reduction in Stamping plant production requirements			x
Reduction in production requirements of New Castle Plant			x

SECTION E-3 - LAUNCH, PREPRODUCTION, PHASE-OUT

. Launch

Excess labor and overhead costs resulting from launching a new model, product, or new or expanded plant. Examples include overmanning, shortfall of production to standard.

. Preproduction

Expenses prior to the start of production required to place a new or expanded facility in a position to

Appendix E

SECTION E-3 - LAUNCH, PREPRODUCTION, PHASE-OUT - (Continued)

begin productive operations. Examples are plant engineering, machinery design, manpower training.

. Phase-Out

The labor and overhead costs associated with the phaseout of production.

The major reasons for these types of extraordinary period costs are listed below:

	Calendar Years			
	1980	1981	1982	1983
Launch of all new 'K' and 'Y' body cars, and 'K' derivatives	x	x		
Launch of 1981 model reskinned pick-up and sport utility	x			
Expansion of automatic transaxles at Kokomo Transmission	x	x	x	
Introduction of 1981 model four speed manual transaxle at New Process Gear plant	x			
Launch of 2.2 liter four cylinder engine at Trenton and subsequent expansion	x		x	
Preproduction and launch of 1983 model six cylinder turbo diesel for trucks			x	
Launch of 1984 model 'K-Stretch' body with related power train				x
Launch of 1984 model small van/wagon.				x

Appendix E

SECTION E-4 - QUALITY/WARRANTY

The Corporation is committed to design and manufacture vehicles whose quality is "best in class" in each market segment where they are positioned. This is a total commitment to quality that will substantially contribute to increased sales and reduce warranty costs.

Chrysler has made a strategic change in its quality philosophy. Quality is the number one priority and, in response, the various disciplines are working as a team to assure that design and processing are accomplished concurrently for each component or system of the vehicle so that design and process are completely compatible to meet design intent, from the first day of the product cycle to the end of the product cycle. Numerous actions are already in effect and additional actions, many of which are defined, will be undertaken to implement this philosophy.

The dedication of the Manufacturing organization to pursue quality in an aggressive, disciplined way is one of the most important changes underway at Chrysler. During the past year, Manufacturing was reorganized. One of the top manufacturing consultants in the industry was brought on board. A new Quality and Reliability Office was established at the Corporate level. An Engineering and Manufacturing Feasibility Committee was formed to establish "cradle to grave" design and process integrity. An unprecedented joint U.A.W.-Chrysler quality improvement program to encourage the participation of our workers in quality problem resolution at their workplace has been announced. Assembly plant process control has been implemented to help ensure that design and process meet design intent and improve first time through the system capability.

The Corporation has intensified its quality audit programs of finished vehicles and components. It has added new 5,000 mile and 50,000 mile reliability tests at the Proving Grounds of randomly selected production vehicles and power train components; these tests are in addition to regular engineering development and durability testing. A new system providing for a fast feedback of field service problems has been established. A system providing for customer evaluation of a vehicle at time of delivery has been implemented. Extensive use is also made of independent survey data to evaluate customer satisfaction. A new system that tracks plant audit and proving ground results to individual targets which are based on specific commitments was launched in January. This tracking system is a leading indicator of warranty costs since the hard evidence of paid warranty lags the production cycle by many months.

Appendix E

SECTION E-4 - QUALITY/WARRANTY - (Continued)

The quality of purchased parts is vital to Chrysler since it purchases a higher proportion of parts than its domestic competitors. A new outside supplier sign-off procedure on critical components whereby the suppliers guarantee that purchased components meet stringent quality standards is being implemented. A sign-off on over 500 critical 1981 model components will be completed in the third quarter. Reliability standard coverage is being expanded with an additional 50 targeted for implementation on 1981 model vehicles. A new system giving supplier top management visibility of Chrysler defective material experience has been implemented, and meetings with supplier chief executives have been instituted.

A new Problem-Solving Technique has been launched within the Corporation and supplier network. This is an action-oriented, disciplined approach to presenting and attacking problems so that uniformity and thoroughness are assured. The technique requires verification of problem resolution and is self-tracking.

The Corporation is placing additional emphasis on service and warranty administration with its dealer body. Programs have been implemented with the duel objective of further enhancing service capabilities which are vital to customer satisfaction, and ensuring that quality improvements are reflected in warranty savings.

Over 500,000 hours of in-dealership training of Service Technicians was conducted during the past year to improve servicing of Chrysler products. As a result of recent improvements, including a computer link-up with dealerships and using more Chrysler operated trucks, parts availability is considered the best in the business.

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Appendix E

SECTION E-4 - QUALITY/WARRANTY - (Continued)

In the area of warranty administration, numerous actions have also been implemented. A control sample program provides estimates of what warranty costs should be against which actual warranty costs are measured. Dealers with above normal warranty experience are highlighted for further examination. Under a returned material program, warranty parts are returned by dealers for both control and quality feedback purposes. A prior work approval program requires prior repair authorization for a number of repairs. Dealer warranty repair frequency analysis is compared with national and control sample experience. And the warranty cost control program is a systematic program to control high cost dealers.

Chrysler's 1981 model launch is the most important and extensive the company has ever undertaken. Program timing is ahead of schedule with launch of the 'K' car advanced two weeks. Engineering, Purchasing and Manufacturing are involved in various actions to ensure "best in class" quality of the new products from the very beginning.

Numerous tool and facility improvements are in process which will significantly enhance quality. For the new fuel-efficient FWD compact cars, automatic body framing (Robogate) and automatic subassembly machine welding systems are being installed at our Jefferson and Newark operations. When these systems are in place, 98 percent of the car body welds will be made by machine which means accurate, consistent welds and tighter, stronger bodies, with less chance of squeaks, rattles and leaks. A special "Y" Body (Imperial) process and predelivery program will be utilized to ensure delivery of the finished product with superior quality.

Chrysler is making the same commitment to quality in all its manufacturing plants. For the new 2.2 liter four-cylinder engine, processing equipment will include the electronic sizing of bores, 100 percent compression testing of each cylinder, and 100 percent pressure testing of valve seat seals. Before the engines reach computer-controlled final hot test stands, they will have passed through 130 inspection points on the new engine line, which is about 50% more than on previous engine assembly lines. The same process and quality control emphasis is being placed on the manual and automatic transaxles.

At other plants, the Corporation is reinforcing its process and quality capabilities by replacing or upgrading equipment such as water test, wheel alignment, air conditiong and paint systems, and intensifying the use of the sophisticated Chrysler designed/produced electronic testers.

Appendix E

SECTION E-4 - QUALITY/WARRANTY - (Continued)

For vehicles further upstream in the development cycle, Chrysler has developed and will shortly begin implementation of an Advance Product Verification Control Program that provides for a team approach to product creation in a total sense. The system will ensure "cradle to grave" concurrent design and processing; ensure prior mistakes are not repeated; and provide for corrective action before the customer is involved.

12 MONTHS/12,000 MILES REPAIR CONDITIONS PER 100 CARS
WITH LAUNCH PENALTY INCLUDED

CAR RELIABILITY PLAN STATUS

	Model Years			
	1980	1981	1982	1983
L/A Body	500	450	370	310
K Specialty				330*
F/K Body	470	400*	370**	320
M/K Body	560	520	420	320**
J Specialty	680	550	450	370
R Body	740	640	550	450
Y Luxury		500*	450	420
Corporate Car	560	480	400	340

TRUCK RELIABILITY PLAN STATUS

Small Pick-Up	-	-	-	380*
Compact Van/Wagon	490	410	340	280
Light Conventional	580	500*	430	350
Sport Utility	750	670*	560	460
Corporate Truck	550	480	400	340

Major launch penalty of 20% included. Shown *
Minor launch penalty of 10% included. Shown **

Appendix E

YEAR TO YEAR WARRANTY IMPROVEMENT PROGRAM

U.S. MARKET

(At 1980 Economics)

	$ Per Unit			
	1980	1981	1982	1983
Corporate Car				
Warranty Improvement				
Product Related	$ 10	$ 20	$ 21	$ 16
Administration	21	1	(2)	-
Total	31	21	19	16
Cost of Achieving Warranty Improvement				
Manufacturing	3	5	4	2
Engineering	-	6	3	6
Total	3	11	7	8
Profit Improvement	$ 28	$ 10	$ 12	$ 8
Corporate Truck				
Warranty Improvement				
Product Related	$ 21	$ 23	$ 22	$ 16
Administration	20	2	-	-
Total	41	25	22	16
Cost of Achieving Warranty Improvement				
Manufacturing	7	3	5	2
Engineering	1	5	5	5
Total	8	8	10	7
Profit Improvement	$ 33	$ 17	$ 12	$ 9

Appendix E

SECTION E-5 - PLANT SAFETY - OSHA

Chrysler plans to provide good working conditions for its employees and comply with OSHA-EPA environmental regulations. Usually compliance with OSHA-EPA regulations involves significant capital expenditures and operating cost penalties which sometimes can be partially offset by cost savings. The OSHA-EPA programs with major cost implications to Chrysler are:

1. OSHA Lead and Arsenic Standards - Strict compliance with new standards would be very costly and solder grinders would still have to wear air-supplied hoods. If Chrysler's request for a variance is approved, the capital expenditures would be reduced from $36 million to $1 million. The planned capital expenditures include an amount of $1 million for this requirement.

2. Silica Dust Abatement Plans at Foundries - Both Huber and Indianapolis Foundries are under mandatory abatement schedules with OSHA to be completed in 1981 at Huber and 1982 at Indianapolis. Program funds of $24.1 million were approved in 1977 of which $11.7 has yet to be expended. There has been considerable success in reducing silica dust levels, and OSHA has agreed to certain deferrals, pending completion of other facility changes and further employee exposure testing. It appears possible that the full amount of $11.7 million will not be required.

3. OSHA Carcinogen Policy and New (January 22, 1980) Rules on Carcinogens - Because the implications of the U.S. policy on Chrysler operations are not known, no funding has been provided to comply with the standard. The specific substances to be regulated and the stringency of each standard must be known before the impact on Chrysler can be determined. It is understood that the new policy is being litigated by the chemical and petroleum industries.

4. Reduction of Paint Emissions - All U.S. automakers must use Reasonably Available Control Technology (RACT) at each existing vehicle assembly plant to reduce emissions of Volatile Organic Compounds (VOC's) according to a plant-by-plant schedule approved by the U.S. EPA and the states. This program requires -

   a. Electrophoretic prime dip systems
   b. High voltage electrostatic spray painting of topcoats
   c. High solids enamels and primers

SECTION E-5 - PLANT SAFETY - OSHA - (Continued)

The planned expenditures include $255 million for these paint regulations.

5. Other Environmental Issues - There are many other environmental issues, but in general, the Chrysler facilities are in a good state of compliance. As new issues develop and regulations are promulgated, the impact on Chrysler facilities will be evaluated for adequate compliance. No provision has been made for the possibility that additional expenditures may be required for regulations not known at this time.

Appendix F

PURCHASING

Variable Margin Improvement Program 1980-1985

The Variable Margin Improvement Program for the Purchasing Office consists of two basic actions - reinquiry and resourcing. The reinquiry program is basically a program of reviewing carryover parts prices in the market place for downward price movement and aggressive negotiation with the existing supplier to adjust his price downward in line with this market place trend. If the supplier is cooperative in reducing his price, he will maintain the business but at a reduced price. If the current supplier refuses to meet a lower price that is available in the market place, then the part is moved to a lower priced source and this action is called resourcing.

The 1981 model year target for reinquiry and resourcing is $30 per average vehicle. The 1981 program is higher than any program that we have accomplished in recent years, but we feel it is obtainable because of the low level of industry activity resulting in aggressive supplier bids.

During 1982 the target of $10 is somewhat below the historical average because the industry will return to more normal activity levels, thereby reducing the opportunity for resourcing and also because our 1981 model year program of reinquiry was so vast. In the years 1983 through 1985 we return to a normal program of $20 per vehicle.

Part of our data base program is the extension of current systems to allow us to complete our plans for mechanizing the request for quote system, thereby allowing us to react quicker in the market place, and at the same time instantly monitor results.

Supplier Relations

The current mood of our supplier body is such as being very supportive of Chrysler Corporation in the special 1980 programs that have been requested of them due to our financial condition. These programs are such as:

- The 1% reduction program
- Change in payment terms

Since the first of the year, the supplier body in general has been extremely cooperative in accepting delayed payments. Certain payments due in January were deferred by three and four months, and February through April payments were deferred by three months.

Additionally, payments due April 25 and 30 were deferred ten days, May payments were deferred until early June, while all payments due between June 9 and June 24 were deferred until June 25, at which time Chrysler received $500 million draw-down of the government guaranteed loan.

We are, however, experiencing a less receptive supplier body as we continue to reject and/or reduce their requests for price increases operating with the current 1980 economic negotiated strategy as previously stated. The current deflated overall industry volume, while allowing us to resource some commodities with more ease, is also creating financial difficulties in much of the supply body as they start to show serious profit deterioration or even incur losses.

The current product plan will result in an increased percentage of the car being purchased as we begin to phase down manufacturing operations. In view of this and in conjunction with maintaining strict economic posture in relation to price increases, we must at the same time rebuild supplier/Chrysler relationships to a point of mutual trust and cooperation. We have been very successful to date with our supplier cost reduction program and plan to maintain and pursue this program during the time period.

Timing and Quality Objectives

We realize the importance of timing and quality objectives in order to increase our position in the market place. In view of this, we will continue to work downstream with the supply body in order to improve timing on new model launch during the Operating Plan period. We also are expanding our involvement in the purchased parts quality area over and above what is already begun during the calendar year 1979. This will be done on a continuing basis in order to achieve as near perfection in the supplier body as it relates to quality. It is our plan to continuously review and identify suppliers who cause us timing and/or quality problems and take appropriate steps to remove them from the approved source list of this Corporation.

Appendix G

P E R S O N N E L

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Section

1. Labor Relations

2. Management Employees

3. Pension Plans

Appendix G

SECTION G.1 - LABOR RELATIONS

Relationships with the major unions representing Chrysler employees are good.

- Each of those unions made substantial initial concessions, as well as, the subsequent concessions necessary to meet the requirements of the Loan Guarantee Act.

- Negotiations at the plant level are proceeding on an orderly basis and we see no reason why they should not be successfully completed without strikes or other disruptions of production.

- The employee communication program, "We Can Do It", has generally been well supported by the unions assisting greatly in its implementation.

- Chrysler continues to lead in its Joint Union-Management Committee approach. Among Joint Committees now functioning are those involving Quality of Work Life, New Technology, Absenteeism, Apprenticeships, Insurances, Pensions, SUB, Health & Safety and Alcohol & Drug Abuse.

- In addition, on June 27, 1980 Chrysler and the U.A.W. announced an unprecedented new joint approach to Product Quality Improvement. The program will be installed initially at the plants producing the new 'K' car and eventually in all remaining plants.

- Chrysler's safety record, which compares very favorably with that in other industrial companies, nevertheless continues to improve each year.

- Both our absenteeism and turnover experience are improving, reflecting perhaps the effect of our concentrated efforts over the past year or two.

In summary, Chrysler considers that the relationships with employees and their unions will present a real positive force in Chrysler's return to profitability.

SECTION G.2 - MANAGEMENT EMPLOYEES

Chrysler has strengthened the senior management team in the past several months by bringing into the organization several outstanding experienced executives to supplement our existing talent and by re-assigning several senior executives to positions which make better use of their managerial talent.

Chrysler has been generally successful in maintaining outstanding senior and middle management executives. At the same time, a number of promising young executives have been attracted to the company.

Appendix G

We believe we now have the managerial talent to carry out the Operating Plan. We will continue to make changes in the organization, bring new people into the company when required, and re-assign executives to new positions whenever we can improve operations.

Basic manpower plans are in place, and will be updated on a periodic basis.

- Compensation and benefit plans to provide essential financial incentives for key managers and outstanding performance are being developed within the framework of concessions required by the Loan Guarantee Act and cost constraints imposed by the market place.

- College recruiting will be continued. Even when total manpower is not increased, normal turnover requires a constant input of talent to our managerial and professional work force.

- Succession-Progression Plans have been developed for our top 250 positions to insure planned management continuity.

- Clear Affirmative Action goals have been established and the company's strong commitment has been re-emphasized by our senior management. Quarterly progress reports against goals are made to senior management.

- Communication and training programs are being developed to improve the managerial skill and the cohesiveness of our management work force.

We are confident that with these plans and programs, Chrysler has the ability to manage the personnel challenges we face as we carry out this operating plan.

SECTION G.3 - PENSION PLANS

Chrysler Corporation has three major pension plans in the United States (with similar plans in Canada). The Chrysler-UAW Pension Plan is a non-contributory plan covering hourly and salaried employees represented by the UAW. The Chrysler Corporation Pension Plan is a non-contributory plan covering non-represented employees and provides the same benefits as the Chrysler-UAW Pension Plan. The Salaried Employees' Retirement Plan is a contributory plan covering represented and non-represented salaried employees.

Current service costs of pension plans are accrued on a current basis and past service costs are accrued based on amortization periods of 30 years. Prior to 1979, these

costs were funded currently. 1979 costs accrued under the U.S. non-contributory plans of $209 million will be funded over a future period of 30-40 years. Effective January 1, 1980, accrued costs will be generally funded in the following year. 1980 costs in the U.S. will be approximately $307 million, of which $291 million will be deferred.

Chrysler's world-wide pension costs in 1979 were $261 million. Estimated world-wide pension costs for 1980, 1981 and 1982 are $332 million, $381 million and $439 million respectively. The increases are a result of collective bargaining agreements negotiated in 1979, expected employment increases and costs of funding deferrals.

The collective bargaining agreements negotiated by Chrysler for its U.S. and Canadian employees in 1979 provided for reduced initial pension improvements as compared to the GM-UAW and Ford-UAW agreements. However, pension benefits provided by the Chrysler agreements will be equal to those provided under the GM and Ford agreements effective August 1, 1982.

Monthly pension benefits totaling $21.9 million are currently being paid from the U.S. plans to 57,400 retirees, terminated vested employees and surviving spouses.

The market value of Chrysler's U.S. pension funds as of March 31, 1980 was $1.4 billion.

As of December 31, 1979 the actuarially computed value of vested benefits for U.S. and Canadian pension plans exceeded the actuarially computed value of pension funds and accruals by approximately $1.2 billion. In large measure, the unfunded vested benefits under Chrysler's U.S. pension plans are insured by the Pension Benefit Guarantee Corporation.

Appendix H

FINANCIAL CONTROL SYSTEMS

The current financial control systems at Chrysler Corporation can be divided into four major categories:

- Establishment of Current Year Financial Objectives
- Measurement of Actual Results
- Reassessment of Financial Forecast
- Forward Years Financial Objectives

Establishment of Current Year Financial Objectives

- Annual Profit Budget - is the basic control element of the financial control system. Budgets are prepared by all locations and represent their commitment for the calendar year. Preparation of the Profit Budget is based on volumes and other assumptions which are published to plant, group and divisions. Certain elements are developed at the Corporate level; such as, price action, interest expense, labor and material economics. The Profit Budget is approved by the Board of Directors.

- Performance Budgets - are prepared by all locations. Manufacturing performance budgets represents expense objectives for plants applicable to normal ranges of production. General & Administrative performance budgets establish the manpower and dollar limits for each staff activity.

Measurement of Actual Results

The primary means of measuring actual results to the Profit Budget is the monthly financial statement. Submitted actual data includes comparisons to budget, prior forecast and explanations of causal factors for variance. Manufacturing locations also submit weekly reports on their performance budgets.

The Key Indicator report is an early warning monitor of the financial forecast. The report summarizes actual month data early in the month for senior management review.

Reassessment of Financial Forecast

The primary monitoring device to assess our current objectives is the monthly financial forecast. The volume base of this forecast is the monthly production program. Locations construct a profit forecast for the calendar year by revenue and cost element. All variances to budget are explained in detail.

Appendix H

Each week a risks and opportunities assessment is developed as an early warning monitor of the forecast. Locations submit items which are projected to result in a deterioration to the prior forecast and opportunities for improvement. This provides a subjective evaluation of where the company's forecast could be and allows management to initiate actions at an early date.

Forward Years Financial Objectives

The Operating Plan incorporates the Corporation's financial objectives for future years. The Plan normally covers a five year planning horizon. The primary components of the Plan include: a product plan; financial planning volumes that are a conservative projection of production and sales for planning purposes; the Variable Margin Improvement (VMI) Program containing variable margin objectives on future product investments; the capital plan covering the long-term commitment of resources for facilities, tooling and new products.

Financial Control System Enhancement

To strengthen the financial planning, control, and reporting system described above, significant enhancements are being developed. Examples of some of these efforts include: the Standard Cost Audit and Tracking System which is designed to monitor and compare current cost and forward year cost objectives; the Option Performance Forecasting System which integrates price data, the Product Cost Study and the volume forecast and permits determination of expected revenue and variable profit; and a manpower tracking system which centrally monitors actual manpower levels from payroll data and makes comparisons to authorized budget levels.

In addition to the above, a project has been initiated to review the present financial control system and to develop improvements.

Appendix I

INVENTORIES

Inventories are projected to range from $1.7 billion to $2.3 billion for 1980 through 1983 based on incurred economics. Inventory turnover for the same period of time improves from 5.9 turns in 1980 to 8.4 turns in 1983. Basically, three areas of improvement are responsible for this.

Volume and Capacity

The Operating Plan is based on significant production volume increases in the forward years. Increased volume results in a higher inventory turnover of material because in-plant float levels do not increase linearly with volumes. The consolidation of parts depots will also contribute to an improvement in inventory turnover.

Product Standardization

Chrysler Corporation has established a department to address product simplification and standardization. In 1978, the total number of parts used in manufacturing was 53,900. In 1979, the number was reduced to 48,000. In 1979, there were 2,500 part numbers which were common for car and truck. This number will more than double by 1982.

The reduction in the number of parts reduces inventory levels because material control and vendor releasing become less complex at manufacturing plants. Inventory reserves and float levels can be determined in a more optimal manner. Parts Depots would also experience reduced stocking requirements.

Material Control System

Chrysler Corporation has developed new material control systems to provide improved capabilities to manage our inventories.

- Build to Dealer Order

  Elimination of the sales bank will reduce inventories of new vehicles since they will be produced only against specific dealer orders to be shipped on build.

- Computerized Float Assignments

  This system provides current information on material float levels in plants. The system is parametrically controlled so that floats are adjusted automatically as volumes and mix change. Computerized float monitoring is also installed at parts depots.

Appendix I

- On-Line Receiving

  This system is operational at three assembly plants and being installed at Jefferson Assembly where the 'K' car will be produced. Via remote computer terminals, material received and used is input thus providing on-line information of material on hand to prevent ordering of excess material. This system has also been implemented at Service Parts Depots.

- Overship Control System

  This system now operating in manufacturing plants and parts depots identifies a supplier overshipment or quantities in excess of the release and a charge-back penalty is made to the supplier.

- Secondary Releasing System

  This centralized computer system presently being developed integrates assembly plants with supplier plants. When assembly plants experience a volume change, the supplier plants will be able to adjust immediately their releases for material to vendors to prevent excess material being shipped. This system will reduce inventory at supplier plants and reduce the overshipment of material to assembly plants.

Appendix I

CHRYSLER CORPORATION
NET INVENTORIES AT SERIES ECONOMICS
AS OF DECEMBER 31
$(Millions)

	1980	1981	1982	1983
Manufacturing	$ 747.3	$ 855.9	$ 924.1	$1,037.0
Sales	$ 308.0	$ 403.7	$ 425.0	$ 445.6
Service	255.6	287.7	320.4	331.1
Total Sales & Mkt.	$ 563.6	$ 691.4	$ 745.4	$ 776.7
Component/Elect.	$ 130.4	$ 107.6	$ 117.3	$ 130.5
Defense	58.9	66.1	51.6	62.4
Total Div. Prod.	$ 189.3	$ 173.7	$ 168.9	$ 192.9
Mexico	$ 140.9	$ 162.5	$ 195.2	$ 222.2
C.I.D.O.	24.9	32.8	39.5	47.5
Total International	$ 165.8	$ 195.3	$ 234.7	$ 269.7
Proc./Supply	$ 21.0	$ 26.0	$ 27.6	$ 31.2
Engineering	9.3	10.0	10.6	11.2
TOTAL CORPORATION	$ 1,696.3	$1,952.3	$2,111.3	$2,318.7
Turnover	6.0	7.9	8.8	8.4

Inventories include MMC imported product amounting to $77 million in 1980 and about $150 million in each of the following years.

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Appendix J

ADDITIONAL FWD VEHICLE CAPACITY

Chrysler Corporation has requested the Loan Guarantee Board's approval of a new long term Supply Agreement for Chrysler to purchase small fuel-efficient four-cylinder engines from Automobiles Talbot (a subsidiary of PSA Peugeot - Citroen). The proposed purchase of engines beginning June, 1981 is critical for Chrysler to accelerate and expand its production of small fuel-efficient vehicles.

National Energy priorities and projected changing consumer preferences indicate that the Domestic Automobile Industry should accelerate, as much as possible, its product conversion to small energy-efficient vehicles. Earlier this year Chrysler adjusted its medium range product plan to accelerate the conversion of its fourth assembly plant to small front-wheel-drive fuel-efficient vehicles by six months (from August, 1982 to February, 1982) and included this change in the April Operating Plan. Further acceleration, although desirable, was not planned because of a lack of assured supply of small engines and other major powertrain components. Because of capital spending restrictions and extended lead times to acquire tools and facilities, Chrysler could not accelerate production of engines and related powertrain components to support vehicle production earlier than February, 1982.

The proposed Purchase Agreement, however, permits Chrysler to begin purchase of small four-cylinder engines in June, 1981. This action is consistent with Chrysler's intention to accelerate 'K' car production in a third assembly plant from February, 1982 to August, 1981 and provides Chrysler with the opportunity to enhance its profitability that otherwise would not be available without this acceleration. Further, the change in timing of these plans allows for the consolidation of the remaining conventional drive passenger cars (same car lines as in our present plan) in one assembly plant. Sales volumes and profit changes related to acceleration will be incorporated in the September, 1980 revision to the Operating and Financing Plans.

The proposed engine purchase agreement assures the supply of 100,000 incremental engines in the 1982 Model Year -- and, therefore, permits the production of 100,000 additional fuel-efficient vehicles. Contracts are presently being negotiated that would permit Chrysler to accelerate the purchase of other major powertrain components in support of the accelerated schedule.

Another benefit of the contract is to provide backup supply of engines in the event that any difficulties develop during the launching (or in the production cycle) of Chrysler's three all new four-cylinder engine production assembly lines that are planned for the 1981, 1982, and 1983 Model Years. Further, by having an assured supply of engines provided in this contract, Chrysler will have greater flexibility and leverage in negotiating with other engine suppliers.

The contract also provides greater flexibility for Chrysler to respond to consumer preferences for fuel-efficient engines (Chrysler will offer three engines in the 1982 model Omni/Horizon vs. one today).

Chrysler will be able to accommodate both the purchased engines and the acceleration of FWD assembly capacity in the Operating and Financing Plans. Capital spending changes associated with the acceleration are:

$(Millions)				
1980	1981	1982	1983	Total
$(11)	$(66)	$ 60	$(17)	$(34)

The above capital spending changes reflect Chrysler's accelerated commitments to tooling and facility vendors; however, the cash payment to the vendors normally follows completion and prove-out of the equipment -- 6-12 months later. Chrysler commits that the accelerated spending requirement will be offset through reductions in other programs. The offsets will be accomplished in the areas of project and launching expenditures which are in addition to existing 1980 cost reduction programs. Specifically, Chrysler will reduce 1981 model rear-wheel-drive launching and preproduction by $33 million, new model project expense by $10 million, and manufacturing project expense (i.e, rehabilitation costs for rear-wheel-drive plants) by $34 million.

Exhibit 3

CHRYSLER CORPORATION

CONFIDENTIAL

CHRYSLER CORPORATION

1980-1985

FINANCING PLAN

JULY 10, 1980*

THIS PLAN HAS BEEN PREPARED IN COMPLIANCE WITH THE CHRYSLER CORPORATION LOAN GUARANTEE ACT OF 1979.

CONFIDENTIAL

* INCLUDES ADDITIONAL INFORMATION ON RISKS IDENTIFIED BY THE LOAN GUARANTEE BOARD.

FINANCING PLAN

1980-1985

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SECTION A

INTRODUCTION

This Financing Plan has been prepared by Chrysler Corporation as a part of its application to the Chrysler Corporation Loan Guarantee Board for $300 million of guarantees pursuant to the Agreement to Guarantee. It is a revision of the Financing Plan dated April 28, 1980 which was submitted with Chrysler's initial guarantee request for $500 million, approved on May 10, 1980 and closed on June 24, 1980.

Chrysler Corporation's Financing Plan for 1980-1985 has been prepared based upon the following:

1) projected profits as shown in the Operating Plan dated July 10, 1980;

2) a level of planned capital expenditures projected to be $11.2 billion for the period 1979 to 1985; and

3) the restructured arrangements with lenders which were implemented on June 24, 1980.

Annual projections have been made for the period 1980-1985 to show the effect of the new financing actions identified in Section B, and quarterly projections have been included for 1980.

In addition to the management contingency in the Operating Plan, a financing contingency has been established to provide for unforeseen profit deterioration or delays in achievement of the Financing Plan objectives. The amounts placed in reserve increase from $200 million in 1980 to $500 million in 1983. By 1985, the indicated cash reserve is $1.6 billion which provides the possibility for significant prepayment of debt in order to reduce annual interest costs and further strengthen the company's debt to equity ratio and interest coverage position.

The projections in the Financing Plan show the expected cash and financial position at the end of each year. With the exception of 1980, there is no indication of the seasonal fluctuation of cash flows within each year. The cash reserves outlined above provide a degree of flexibility to cope with seasonal fluctuations. The federally guaranteed loans also serve as a standby line of credit to protect against seasonal and other fluctuations.

The Operating Plan outlines the macroeconomic and competitive factors which can exert a significant impact on Chrysler's future profitability. The profit projections are based on a wide range of factors both inside and outside the company. There are a number of factors which could change, and result in a reduction in profitability and a re-timing of capital expenditures.

Events included in this category are:

a) a lower level of total car industry, reflecting further reduced economic activity, higher interest rates and higher fuel costs.

b) an increased competitive situation which might prevent Chrysler from recovering the full cost increase from inflation.

c) a further drop in damand for middle and large size cars, with loss of expectad revenues and profits.

d) a further acceleration in the trend to smaller, more fuel-efficient cars which could cause Chrysler to accelerate expenditures for new facilities.

e) seasonal fluctuations within any year may be more volatile than normal.

While there have been some favorable developments in the last three months, such as the drop in interest rates and a reduction in the rate of fuel price increases, there have also been other changes which have caused a further deterioration in the market for automotive vehicles. These adverse developments are discussed in more detail in Chrysler's Operating Plan dated July 10, 1980.

This Financing Plan is heraby submitted to the Loan Guarantee Board for approval.

SECTION B

FINANCING PLAN

This Financing Plan has been developed to meet the capital requirements of the company's Operating Plan, conform to the primary guidelines contained in the "Chrysler Corporation Loan Guarantee Act of 1979", satisfy all lender requirements and provide a financing contingency for future uncertainties. The plan includes significant sacrifices from all constituent groups. It is similar to the April 28, 1980 Plan, but all known changes have been implemented.

That portion of the Financing Plan which addresses the required $1,430 million of non-Federally guaranteed assistance is summarized below.

(Amounts in $ Millions)	Allocation in the Act	Chrysler Plan
I. New loans, credits, or concessions from lenders	$ 650	$ 655
II. Disposition of assets	300	730
III. Assistance from state, local and other governments	250	357
IV. Assistance from suppliers and dealers	180	150
V. Sale of additional equity	50	-
VI. Pension fund contribution deferral	-	342
TOTAL	$1,430	$2,234

Additional detail for each of these categories is identified in Table 1.

Section 4 of the Loan Guarantee Act requires at least $1,430 million of non-Federally guaranteed assistance from Chrysler's constituent groups as outlined in the first column above, but the Loan Guarantee Board has modified individual amounts within the overall total. In addition to the $2,234 million shown above, Chrysler's Plan includes the following requirements applicable to employees:

- $462.5 million in concessions from employees represented by unions.
- $125 million in concessions from employees not represented by unions.
- An Employee Stock Ownership Plan (ESOP) amounting to $162.5 million.

Other financing arrangements not specifically required by the Act have been included and will be identified subsequently in this section.

The company's objective is to minimize the amount and duration of interest-bearing debt by using non-debt financing, tightly controlling capital expenditures, and returning to profitable operations as quickly as possible.

I. LENDER ASSISTANCE IN THE FORM OF NEW LOANS, CREDITS OR CONCESSIONS

Chrysler's restructuring of privately-held debt includes extensions of term loan maturities presently due before the end of 1983, interest concessions and deferrals of interest. To the best of our knowledge, the following table is an accurate summary of the assistance obtained by lender group.

1980 - 1983

	Present Outstanding Amount	Extension of Term Loan Maturities	Non-Recoverable Interest Concessions a/	New Notes to Finance Deferred Interest b/	Total Assistance
U.S. Revolving Credit Agreement	$ 408.6	$ -	$ 40.9	$152.0	$192.9
U.S. Regular Lines	63.8	-	4.5	26.3	30.8
Insurance Companies	231.5	34.4	13.9	49.3	97.6
Eurodollar Credit Agreement	305.0	15.0	12.2	115.3	142.5
Canadian Term Loans c/	136.0	64.9	11.9	42.8	119.6
Canadian Regular Lines c/	29.0	-	2.5	9.1	11.6
Chrysler Leasing Ltd. c/	20.0	-	1.8	6.3	8.1
Sub Total	$1,193.9	$114.3	$ 87.7	$401.1	$603.1
Blue Cross/Blue Shield	$ 50.0	$ 25.0	$ -	$ -	$ 25.0
COCNV Private Placement	26.4	14.4	-	-	14.4
Japanese Letters of Credit	156.0	-	12.5	-	12.5
Public & Other Debt	567.0	-	-	-	-
Total	$1,993.3	$153.7	$100.2	$401.1	$655.0

a/ The $100 million in interest concessions is the amount actually conceded; at the direction of the L.G.B. staff, the deemed interest savings on the conceded amount has been ignored.

b/ The $401 million in deferred interest reflects both the amount for which deferred notes are given ($321 million) and interest on the deferred interest notes ($80 million). Interest on the deferred interest notes is compounded quarterly.

c/ The assistance period for all Canadian lender groups is June 24, 1980 to June 24, 1984. Amounts shown in the table exclude $2 million of concessions and $11 million of deferrals which will be realized during the period January 1, 1984 to June 24, 1984.

The U.S. and European financial institutions receiving interest bearing notes also participate with Chrysler in a Preferred Stock Option and Additional Deferred Program. Under this program, if certain conditions are satisfied, then beginning January 1, 1984, the financial institutions will permit adjustments in the interest rate and payment terms of their restructured indebtedness. Specifically under several agreements 5.5 percentage points of the interest owing on the restructured debt will be paid in cash and deferred interest notes will be given for the balance. Chrysler will have an option to issue new Cumulative Preferred Stock to these participants in exchange for their outstanding deferred interest notes at agreed times during the period of deferral. Chrysler's Financing Plan assumes that all interest on this restructured debt during 1984 and 1985 will be subject to the Additional Deferred Program and that there is no exercise of the Preferred Stock Option.

II. DISPOSITION OF ASSETS, ETC.

Chrysler is involved in active negotiations toward raising cash from disposition of assets and other similar types of assistance, identified below.

	Amount	
	Total	Completed
· Sale of 51% equity of Chrysler Financial Corporation as part of joint venture arrangement.	$320	$ -
· Sale of real estate in U.S. and Canada (net of leaseback expense)	196	11
· Arrangement of non-recourse term loan from Peugeot secured by Peugeot stock (replacing present interim loan arrangement)	100	100
· Sale of Chrysler Australia	58	58
· Sale of Chrysler Argentina	36	36
· Sale of certain assets in Brazil (notes)	14	12
· Sale of Surplus Equipment	4	2
· Sale of Chrysler Boat	2	2
TOTAL	$730	$221

The company is committed to sell 51% of the equity of Chrysler Financial Corporation if and when satisfactory arrangements can be negotiated. The amount of $320 million is based on book value, which is an assumption being used until an actual sale amount is developed.

Chrysler Financial Corporation has completed a restructuring of certain private debt and funding facilities. One element of this plan is an extension of maturities at least through 1983 on such private debt and funding facilities aggregating approximately $3.0 billion.

The sale of real estate identified above includes both the outright sale of surplus properties, and the sale and leaseback of other properties that the company intends to continue to use. The amounts are shown at appraisal values net of leaseback expense. Chrysler Board of Directors approval has been obtained for these sale transactions.

The company's ownership of 1.8 million shares of the common stock of Peugeot is being retained as part of evolving further commercial and industrial cooperation between the two companies. This stock has been used to secure a new non-recourse loan of $100 million on a long-term basis (rather than to sell the stock) and thereby preserves for the company participation in the expected improved future outlook for Peugeot. The new loan arrangement is included in the "Asset Dispositions" category rather than elsewhere because (a) Peugeot is not a "lender" in the traditional sense, and (b) the transaction represents the conversion of this nonautomotive asset into cash.

As a part of Chrysler's policy of concentrating efforts and resources in North America, the company has arranged and included in the Financing Plan for meeting the Act's requirements the sale of Chrysler Australia, Chrysler Argentina, Chrysler Boat and notes of Chrysler do Brazil. Of the $14 million reflected for the sale of notes, $4 million represents the release of Chrysler from its obligation to pay for its share of development costs. To the extent development costs under-run the contemplated levels, Chrysler would receive the balance in cash. The $4 million sale of equipment relates to surplus machinery and other assets made available by the restructuring of company facilities.

III. ASSISTANCE FROM STATE, LOCAL, AND OTHER GOVERNMENTS

Chrysler plans to receive assistance from a number of state and local governments (typically on a secured basis), as follows:

	Amount ($ Millions)	Tentative Form of Assistance	Estimated Time Cash to be Received
Michigan	$150	Secured Loan	2nd Quarter - 1980
Indiana	32	Secured Loan	3rd Quarter - 1980
Delaware	5	Secured Loan	2nd Quarter - 1980
Total U.S.	$187		
Canadian Governments:			
Fed. Govt.	$170	Insured Loans	1983
Ontario Govt.	9	Grant	1982-1985
Total Canada	$179		
Total	$366		

In Michigan, the state loaned Chrysler $150 million, secured by the Trenton Engine Plant. Indiana has enacted a bill providing for secured loans from the public deposits insurance fund, and Chrysler has a commitment for a $32 million loan. Delaware has provided a $5 million secured loan to Chrysler from the state's surplus funds. Under this financing Chrysler vehicles can be accepted in payment of interest on the loan.

In addition, the Illinois' State Legislature has authorized a loan of $20 million to be secured by a lien on the Belvidere Assembly Plant. The bill still must be signed and funds appropriated, but all arrangements should be completed prior to year-end. Loan requests to the States of Ohio ($20 million), New York ($10 million) and Alabama ($2 million) are being actively considered and could firm up at any time. These new funds will help Chrysler to keep its use of Federal Loan Guarantees to a minimum.

The Canadian Government has committed for C$200 million (U.S. $170 million) of insured loans for the support of the new front-wheel drive van/wagon planned for 1984 model. The Government of Ontario has committed to provide C$10 million (U.S. $9 million) in grants to Chrysler Canada to finance, on a 50% matching basis, new Research and Development facilities in Canada.

IV. ASSISTANCE FROM SUPPLIERS AND DEALERS

Chrysler expects to obtain $150 million of new financing from dealers, suppliers, and others with an economic stake in the company. The current recessionary character of the automotive supplier industry, however, makes it particularly difficult to obtain financial assistance from the group at this time. Nonetheless, the company will continue its efforts to obtain maximum support from this group. Of the total, $78 million has been provided by an issue of 12 percent subordinated debentures convertible into 8 percent preferred stock. The subordinated debentures have a ten year maturity, redeemable in equal installments beginning in the 6th year. Conversion will be at the option of the holder, which probably would not occur until a time when the payment of dividends is possible, as the Loan Guarantee Act does not permit payment of dividends while any loan guarantees are outstanding. No principal repayments may be made until all Federally guaranteed loans are repaid. The remainder of the $150 million included in the plan will come from the extension of payment terms with certain suppliers. These new terms will be negotiated over the next several months and phased in based on agreements with individual suppliers.

V. SALE OF ADDITIONAL EQUITY

Since the Act prohibits dividends until such time as there are no U.S. Government loan guarantees outstanding, the sale of preferred stock is not a practical alternative at present. An offering of common stock would also face significant legal and market problems. Delaware law prohibits the sale of common stock at less than par value, which is $6.25 per share. Any significant decline in the market value of the stock, a distinct possibility in the event of a large new issue, would endanger the company's ability to sell stock without first gaining shareholder approval to reduce par value.

Even if shareholder approval to reduce par value could be obtained, it is doubtful whether an underwriting group could be assembled to market an equity issue of a size approaching that mandated by the Act. While the company could theoretically offer equity directly, such an offering would have a limited probability of success.

Finally, the company recognizes that it may be advisable to issue more equity at some point in the future to restore itself to a sound financial condition. However, at the present time, the company is of the opinion that it is both impractical and unwise to consider the equity market a material source of new capital.

Chrysler is nevertheless prepared to commit itself to issue shares of its common stock or preferred stock for a net consideration of at least $100 million as soon as it is practicable, in the opinion of Chrysler's financial advisors, to do so on terms and conditions reasonable to Chrysler.

As part of the debt restructuring arrangements, certain lenders to Chrysler Corporation in the United States will receive 12.1 million warrants. The exercise of the warrants would provide an additional $157 million of equity financing, but such exercise would be after 1983.

VI. PENSION FUND CONTRIBUTION DEFERRAL

Under the current UAW Contract through 1983, Chrysler can defer payment of pension contributions for a given year until the succeeding year. The Corporation plans to defer annual contributions to all employee funds over the period 1980-1985, thereby providing a cash benefit of $308 million in 1980 and $342 million by 1983, after adjustments required by the L.G.B.

This deferral of funding is permitted under the Internal Revenue Code and has a minimal effect on the security of employees' pension benefits because of Plan Termination Insurance under the Employee Retirement Income Security Act of 1974 (ERISA). The financing benefit of this deferral has been incorporated in the financial statements, and is counted as "assistance" toward meeting the requirements of the Loan Guarantee Act.

OTHER FINANCING ACTIONS INCLUDED IN THE FINANCING PLAN

Concessions by Organized Labor

The Loan Guarantee Act contemplates concessions of $463 million from Chrysler's union employees. Contract negotiations were reopened and Chrysler Corporation obtained prompt agreement and ratification for providing $260 million in additional concessions beyond the $203 million included in the contract signed in November. This additional amount brings the unions' total commitment to the $463 million required by the Act.

Concessions by Nonunion Employees

Arrangements for realizing this $125 million requirement have been reviewed with appropriate Government officials. Care was taken to ensure that these concessions will not impair Chrysler's ability to attract and retain the professional and managerial talent required to achieve the anticipated turnaround.

Employee Stock Ownership Plan

The Loan Guarantee Act requires an employee stock ownership plan (ESOP) amounting to $163 million. Because the shares must be newly issued and will not be paid for in cash, the only balance sheet effect will be a restructuring of net worth between retained earnings and paid-in capital. (Per share net worth will, of course, be diluted.) For planning purposes, it is assumed that 16,250,000 new shares will be issued and spread evenly over a four-year period beginning July 1, 1980.

Mexico Engine Plan

Arrangements are being developed for a syndicated term loan of $70 million from a group of banks in Mexico to finance expenditures at the new engine plant. Negotiations for this loan are expected to be concluded in 1980.

The following Table displays the items in the Financing Plan for non-Federally guaranteed assistance in connection with the Federal Loan Guarantee Act by item.

TABLE 1

NONFEDERALLY GUARANTEED ASSISTANCE
IN CONNECTION WITH THE FEDERAL LOAN GUARANTEE ACT
($ Millions)

	1980	1981	1982	1983	Total
Disposition of Assets					
Surplus Real Estate and Equipment	$ 70[a]	$ 169	$ (15)	$ (15)	$ 200
Chrysler Financial Corporation (51%)	-	320	-	-	320
Non-Recourse Fin. with Peugeot Stock	100	-	-	-	100
Chrysler Argentina	36	-	-	-	36
Notes Receivable from Brazil	12	2	-	-	14
Chrysler Australia	58	-	-	-	58
Chrysler Boat	2	-	-	-	2
Sub Total	$ 278	$ 482	$ (15)	$ (15)	$ 730
Assistance From Financial Institutions					
Restructuring of Debt Maturities	$ 5	$ 21	$ 45	$ 83	$ 154
Interest: Concessions	23	26	26	25	100
Deferrals	75	82	82	82	321
Interest on Deferrals	3	13	25	39	80
Sub Total	$ 106	$ 142	$ 178	$ 229	$ 655
Assistance From State, Local & Other Government*					
Michigan	$ 150	$ -	$ -	$ -	$ 150
Delaware	5	-	-	-	5
Indiana	32	-	-	-	32
Sub Total	$ 187	$ -	$ -	$ -	$ 187
Assistance From Canadian Governments	$ -	$ -	$ -	$ 170	$ 170[b]
Assistance From Suppliers/Dealers					
12% Subordinated Debentures	$ 31	$ 31	$ 16	$ -	$ 78
Increase in Payment Terms	72	-	-	-	72
Sub Total	$ 103	$ 31	$ 16	$ -	$ 150
Pension Fund Contribution Deferral [c]	$ 308	$ 34	$ -	$ -	$ 342
TOTAL	$ 982	$ 689	$ 179	$ 384	$2,234

[a] Includes $4 million from 4th Quarter, 1979.

[b] Excludes Ontario Government Grant of US$ 9.

[c] Reduction in benefits from deferred pension contributions required by L.G.B. ($114 million) applied in years 1981-1983.

*Arrangements for a $20 million loan from Illinois should be completed prior to year-end 1980. In addition, the states of Ohio, New York and Alabama are actively considering various forms of loan assistance.

SECTION C

PROJECTED FINANCIAL STATEMENTS 1980 - 1985

The projected annual financial statements included in this section are based on the Operating Plan dated July 10, 1980 and include the effects of implementing the Financing Plan described in the prior section.

SUMMARY TABLE
($Millions)

		Net Earnings/ (Loss)*	Guaranteed Loans Outstanding At End of Period		Contingencies (Cumulative)		
			Chrysler Plan	Memo: Including Risk to Plan**	Operating	Financing	Total
1980:	1st	$ (436)	$ -	$ -	$ -	$ -	$ -
	2nd	(555)	500	500	-	-	-
	3rd	(271)	1,000 a/	1000	-	50	50
	4th	257	1,000	1000	-	200	200
	Year	$(1,005)			$ -	$ 200	$ 200
1981		273	800	1,200	690	200	890
1982		628	800	1,100	1,600	500	2,100
1983		350	500	950	2,590	500	3,090
1984		875	100	650	3,605	600	4,205
1985		$ 1,062	$ -	$ -	$4,920	$ 1,600	$6,520

*Before Taxes

**Reflects Operating and Financing Plan risks identified by the Loan Guarantee Board and incorporated on Pages 12 and 13.

a/ It is intended to borrow $300 million in July provided an adequate amount of unguaranteed assistance has been accrued by month-end. The $1,000 million total assumes there will be a third guaranteed borrowing in September 1980 which is subject to agreement between the Loan Guarantee Board and Chrysler.

Interest expense assumes an average rate of 12% per year after 1980 for all debt, except for borrowings that have different fixed rates.

The company is projected to have the capacity to repay all guaranteed loans by the first quarter of 1985. Repayments of principal to lenders whose loans were restructured are included in 1985.

The detailed cash effects of the Financing Plan are shown in the following table. The items listed show financing actions which have been completed or are planned, but which were not included in the base Operating Plan. For example, the full repayment of all short-term debt in U.S. and Canada during 1980 is an assumption in the Operating Plan. Therefore, the table indicates that payment will be deferred, and continued use of such funds provides financing for the projected Operating Plan needs. As a further example, interest expense has been adjusted for the savings resulting from new financings, such as asset disposals, which do not incur interest costs.

For financial conservatism, the total amount of cash expected to be generated each year from new sources of financing has been reduced to provide a cushion against unforeseen profit deterioration or delays in achievement of the Financing Plan objectives. In addition, no debt prepayments have been included in these Financial Statements.

TABLE 2
CASH EFFECTS OF FINANCING PLAN - 1980-1985
$(Millions)

	1980	1981	1982	1983	1984	1985
OPERATING PLAN NEEDS - Annual	$2,073	$ 252	$ (30)	$ 96	$ (467)	$ (894)
Financing Plan						
Non-Interest Bearing						
*Sale of Chrysler Financial	$ -	$ 320	$ -	$ -	$ -	$ -
*Sale of Surplus Real Estate & Fac.	66	160	(15)	(15)	(15)	165
*Sale of Chrysler Argentina	25	-	-	-	-	-
*Sale of Brazilian Notes	12	2	-	-	-	-
*Sale of Chrysler Australia	58	-	-	-	-	-
*Sale of Chrysler Boat	2	-	-	-	-	-
*Pension Fund Contribution Deferral	291	32	52	38	42	46
Sub-Total	$ 454	$ 514	$ 37	$ 23	$ 27	$ 211
Interest Bearing						
*State/Local Governments	$ 187	$ -	$ -	$ -	$ (29)	$ (26)
*Supplier/Dealer Securities	11	31	16	-	-	-
*Restructuring of Debt Maturities	5	21	45	83	-	(30)
*Japanese Bank Term Loan	156	-	-	-	-	(31)
*U.S. Credit Agreement	408	-	-	-	-	(68)
*U.S. Regular Lines	64	-	-	-	-	(13)
*Insurance Companies	-	-	-	-	-	(6)
*Eurodollar Credit	-	-	-	-	-	(61)
*Canadian Term Loan	-	-	-	-	(5)	(10)
*Canadian Regular Lines	29	-	-	-	(1)	(2)
*Chrysler Leasing Ltd.	20	-	-	-	(1)	(2)
*Canadian Govt. Guaranteed Loans	-	-	-	170	(26)	(34)
*Loan Secured by PSA Shares	100	-	-	-	-	-
*Mexico Engine Plant Term Loan	70	-	-	-	-	-
*Federally Guaranteed Loans	1,000 a/	(200)	-	(300)	(400)	(100)
Sub-Total	$2,070	$ (148)	$ 61	$ (47)	$ (462)	$ (394)
Interest						
*Net Expense Before Concessions	$ (357)	$ (501)	$ (468)	$ (498)	$ (486)	$ (416)
*Concessions	23	26	26	25	2	-
*New Notes: - Principal	76	82	82	82	89	77
- Interest	2	13	25	39	64	77
*Net Expense in Operating Plan	374	448	419	449	397	317
Net Benefit/(Need)	$ 118	$ 68	$ 84	$ 97	$ 66	$ 55
Tax & Other Adjustments, Net	$ (131)	$ 81	$ (194)	$ (31)	$ 135	$ 241
Financing Contingency	$ (200)	$ (200)	$ (100)	$ -	$ (100)	$(1,000)
TOTAL FINANCING PLAN b/						
-Annual	$2,311	$ 315	$ (112)	$ 42	$ (334)	$ (885)
-Cumulative	$2,311	$2,626	$2,514	$2,556	$2,222	$1,337
Memo:						
Financing Plan Including Risks Identified by the Loan Board						
.Operating Plan Needs	$2,208	$ 421	$ 17	$ 159	$ (150)	$(1,005)
.Financing Plan as Above	$2,311	$ 315	$ (112)	$ 42	$ (334)	$ (885)
.Risk to Financing Plan	114	(261)	159	296	46	7
.Reduction in Financing Contingency & Cash	-	(100)	200	(100)	100	300
.Increase in Federally Guaranteed Loans	-	400	(100)	150	100	(550)
Total Financing Plan	$2,425	354	$ 147	$ 388	$ (88)	$(1,128)

a/ The $1,000 million total assumes there will be a third guaranteed borrowing in September 1980 which is subject to agreement between the Loan Guarantee Board and Chrysler.

b/ Other elements of the Financing Plan include concessions of $463 million from union employees and $125 million from non-union employees. These amounts are not shown above, because they are included in the Operating Plan.

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Profit projections for the period are shown by year in the following table. These operating results reflect the volume assumptions, planned capital expenditures, carryover effects of the variable margin improvements and fixed cost reductions already described in the Operating Plan. Equity in net losses of unconsolidated subsidiaries in 1980 primarily reflects the results of the Chrysler owned dealerships. Taxes for 1981 through 1985 reflect the impact of operating losses and other carry-forward tax credits. As indicated in the Investment schedule which appears later, Chrysler Australia is deconsolidated in 1980.

TABLE 3

FINANCING PLAN

PROFIT AND LOSS STATEMENTS 1979 - 1985
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Net Sales	$12,002	$10,193	$16,450	$19,502	$21,444	$24,610	$27,583
Equity in Net Earnings of Unconsolidated Subsidiaries	2	(41)	(22)	(17)	(11)	(5)	(1)
Sub Total	$12,004	$10,152	$16,428	$19,485	$21,433	$24,605	$27,582
Costs, Other Than Items Below	$12,224	$10,026	$14,733	$17,307	$19,329	$21,842	$24,602
Depreciation & Amortization	401	481	566	669	797	870	913
Pension Plans	261	316	381	439	484	534	589
Interest Expense - Net	215	334	475	442	473	484	416
Earnings Before Taxes & Minority Interest	$(1,097)	$(1,005)	$ 273	$ 628	$ 350	$ 875	$ 1,062
Taxes on Income (Credit) and Minority Interest	-	34	26	53	66	76	148
Net Earnings/(Loss)	$(1,097)	$(1,039)	$ 247	$ 575	$ 284	$ 799	$ 914
Memo:							
Risk Identified by the Loan Guarantee Board	-	(186)	(169)	(67)	(263)	(317)	111
Net Earnings/(Loss) Including Risk	$(1,097)	$(1,225)	$ 78	$ 508	$ 21	$ 482	$ 1,025

INTEREST EXPENSE

The interest expense projections for 1980-1985 are developed as shown below. The Financial Accounting Standard Board has recently stipulated a new accounting procedure entitled "Capitalization of Interest Cost" (FASB #34). Under this standard, it has been assumed that interest will be capitalized in each of the years 1980-1985.

. Long Term Debt (Represents all existing long term debt and all debt in the Financing Plan including deferred interest notes)	. Used actual fixed interest rates and principal repayment schedules.
. Other Routine Financing Arrangements	
- Capital Leases	. Actual Costs.
- Discount of Accounts Receivable	. Actual formula based on rates projected for new financings.
- Mitsubishi Import Financing	. Letters of Credit at 12%.
- Miscellaneous Interest Expense (Intransit payments to dealers, subsidies for certain vehicle lease arrangements, etc.)	. Used 1979 actual expense (May be conservative if interest rates decline).
. Guaranteed Debt	. Calculated at 12%.

PROJECTED INTEREST EXPENSE
($ Millions)

	1980	1981	1982	1983	1984	1985
Long-Term Debt	$246	$281	$296	$321	$357	$347
Other Routine Financing Arrangements	88	125	130	135	140	145
Short-Term Debt and Contingency	17	37	46	44	49	48
Capitalized Interest	(42)	(33)	(65)	(47)	(47)	(19)
Guaranteed Debt	55	115	95	85	50	5
Interest Income:						
*Base	(25)	(25)	(25)	(25)	(25)	(25)
*Financing Contingency/ Cash Surplus	(5)	(25)	(35)	(40)	(40)	(85)
Net Expense*	$334	$475	$442	$473	$484	$416

*Projected Interest Rates are Contractual or at 12%.

BALANCE SHEET

Balance sheets for actual 1979 and the projected 1980 through 1985 period are shown below. Details of individual line categories are included on the following pages.

Substantial amounts are shown in the line labelled "Financing Contingency". If all other elements of the plan were achieved, then this contingency amount would be available as cash and could be used to pay down Chrysler's debt. This amount represents a safety factor in addition to available Federal Loan Guarantees to meet possible lower profitability or greater capital spending needs.

TABLE 4

FINANCING PLAN BALANCE SHEET
1979 - 1985
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Cash	$ 474	$ 388	$ 451	$ 369	$ 315	$ 448	$ 457
Accounts Receivable	610	503	795	944	989	1,159	1,305
Inventories	1,874	1,696	1,952	2,111	2,319	2,432	2,550
Other	162	163	175	175	175	175	175
Total Current Assets	3,120	2,750	3,373	3,599	3,798	444	4,487
Investments & Other Noncurrent Assets	1,184	1,180	815	824	838	857	880
Property, Plant & Equipment	2,349	2,718	2,934	3,431	3,763	3,908	3,474
Total Assets	$6,653	$6,648	$7,122	$7,854	$8,399	$8,979	$8,841
Accounts Payable	$2,338	$2,087	$2,400	$2,736	$3,007	$3,187	$3,376
Short-Term Debt:							
U.S. and Canada	570	-	-	-	-	-	-
U.S. Guaranteed Loans	-	1,000 a/	800	800	500	100	-
International (Mexico, Etc.)	11	10	10	10	10	10	10
Long-Term Debt Due Within One Year	276	46	32	32	126	362	355
Other	17	14	14	14	14	14	43
Total Current Liabilities	3,232	3,157	3,256	3,592	3,657	3,573	3,784
Other Noncurrent Liabilities	605	579	573	563	554	550	550
Long-Term Debt	992	2,327	2,421	2,512	2,677	2,468	2,267
Net Worth	1,824	785	1,072	1,687	2,011	2,888	3,840
Financing Contingency	-	(200)	(200)	(500)	(500)	(600)	(1,600)
Total Liabilities & Net Worth	$6,653	$6,648	$7,122	$7,854	$8,399	$8,979	$8,841
Memo:							
Balance Sheet Items Including Risks Identified by the Loan Guarantee Board							
Cash/Financing Contingency	$ 474	$ 422	$ 515	$ 578	$ 693	$ 686	$1,438
Total Assets	6,653	6,567	7,440	8,339	8,440	9,312	9,929
U. S. Guaranteed Loans	-	1,000	1,200	1,100	950	650	-
Total Liabilities	4,829	5,868	6,694	7,015	7,007	7,296	6,828
Net Worth	$1,824	$ 599	$ 746	$1,324	$1,433	$2,016	$3,101
Working Capital	$ (112)	527	$ 781	$ 830	$ 849	$ 960	$1,605
Current Ratio	.97	1.25	1.30	1.28	1.26	1.27	1.44
Total Debt to Net Worth	1.02	5.50	4.79	2.69	2.49	1.69	0.88

a/ The $1,000 million total assumes there will be a third guaranteed borrowing in September 1980 which is subject to agreement between the Loan Guarantee Board and Chrysler.

CASH

In this projection the cash level is the balancing item, that is, the amount shown is the residual cash balance after consolidating the proposed financing actions with the base Operating Plan and deducting the amount shown on the "Financing Contingency" line. Chrysler requires a minimum cash level of approximately $150 million for maintaining compensating balances on unsecured lines of credit and retaining sufficient flexibility to accommodate normal operating activities. Amounts in the "Financing Contingency" and the excess over $150 million cash, constitute contingent funds available to offset delays in achieving the Financing Plan and any deterioration in the Operating Plan.

ACCOUNTS RECEIVABLE

The accounts receivable projections have been developed by location at levels consistent with historical relationships of receivables to revenues. Consideration has been given to the effects of annual pricing and volume changes, special corporate programs such as Dealer-Rent-A-Car which have unique terms, and anticipated actions to reduce outstanding levels. The following schedule identifies the projected levels by location.

CHRYSLER CORPORATION CONSOLIDATED
ACCOUNTS RECEIVABLE
($ Millions)

	1980	1981	1982	1983	1984	1985
North American Automotive*	$ 289	$ 395	$ 479	$ 514	$ 588	$ 703
Diversified Products Group	120	142	120	140	150	160
Export Import	55	90	110	130	145	160
Less Sale of Receivables to C.F.C.	(100)	-	-	-	-	-
TOTAL U.S.	$ 364	$ 627	$ 709	$ 784	$ 883	$1,023
Canada	$ 23	$ 23	$ 22	$ 24	$ 24	$ 25
International Distributor Operations	50	67	93	125	161	190
Mexico	56	111	149	180	228	252
Consolidating Entry & Improvement	10	(33)	(29)	(124)	(137)	(185)
TOTAL	$ 503	$ 795	$ 944	$ 989	$1,159	$1,305
*Excludes D.R.A.C. financed directly by C.F.C.	$ 50	$ 125	$ 133	$ 145	$ 150	$ 150

INVENTORIES

Inventories have been projected at levels within a range of $1,696 to $2,550 million. The projections are consistent with the industry trend to a lower inventory to sales ratio and Chrysler's commitment to improved inventory management. The improvement in inventory performance can be classified as follows:

Volume and Capacity - The increases in production volumes identified in the Operating Plan will result in higher inventory turnover of manufacturing material. In addition, the consolidation of some facilities will contribute to a reduction in the ratio of inventory to sales.

Product Design - New products are being designed for manufacturing efficiency through simplification, standardization and parts interchangeability.

Material Control Systems - Chrysler has aggressively developed several new material control systems to provide improved capabilities to manage inventories. For example, the New Order Procurement System which eliminates sales banks permits a more stabilized plant scheduling of material flow from suppliers.

The major categories of the projected inventories are identified below.

Net Inventories
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Manufacturing	$ 757	$ 747	$ 856	$ 924	$1,037	$1,002	$1,037
Sales and Service	627	564	691	745	777	872	907
Diversified Products	156	189	174	169	193	195	200
Engineering	11	9	10	11	11	12	13
International	323	187	221	262	301	351	393
Total Corporation	$1,874	$1,696	$1,952	$2,111	$2,319	$2,432	$2,550

OTHER CURRENT ASSETS

This category includes such items as prepaid insurance, taxes and other expenses, and income taxes allocable to the following year. The company is attempting to reduce the level of prepaid items and it is believed that these efforts will offset any future economic increases associated with these assets. Accordingly, the amounts for this item are projected to remain relatively constant at current levels.

INVESTMENTS AND OTHER NONCURRENT ASSETS

The projected year-end positions reflect annual profits and dividends of unconsolidated subsidiaries, incremental investments and deconsolidations and asset sales included in the Proposed Financing Plan.

Investments and Other Noncurrent Assets
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Beginning of Period	$1,396	$1,184	$1,180	$ 815	$ 824	$ 838	$ 857
Profits from Unconcolidated Subsidiaries:							
Chrysler Financial	28	(4)	-	-	-	-	-
Dealerships (Co. Owned)	(36)	(35)	(19)	(14)	(11)	(10)	(9)
International	7	(2)	(3)	(3)	-	5	8
Chrysler Realty & Other	3	-	-	-	-	-	-
Sub-Total	$ 2	$ (41)	$ (22)	$ (17)	$ (11)	$ (5)	$ (1)
Investments	42	53	26	26	25	24	24
Sale of Chrysler Argentina	(25)	-	-	-	-	-	-
Chrysler Australia-Decons.	-	(9)	-	-	-	-	-
Chrysler Financial Cor. -Sale	-	-	(320)	-	-	-	-
Income Maintenance Fee	30	49	-	-	-	-	-
Dividend to Corporate	(60)	-	-	-	-	-	-
Sale of Chrysler Realty	(179)	-	-	-	-	-	-
Disposals & Other	(22)	(56)	(49)	-	-	-	-
End of Period	$1,184	$1,180	$ 815	$ 824	$ 838	$ 857	$ 880

PROPERTY, PLANT AND EQUIPMENT

The projections for this category reflect the significant capital expenditures for new model programs and government regulations described in the Operating Plan, net of depreciation and amortization. A special adjustment is required in 1980 for the Chrysler Australia deconsolidation. The line "Disposals and Other" reflects the value of asset sales included in the Financing Plan for 1980 and 1981. The $180 million reduction in 1985 represents the disposal of certain rear wheel drive facilities.

Property, Plant & Equipment
$(Millions)

	1979	1980	1981	1982	1983	1984	1985
Beginning Balance	$2,023	$2,349	$2,718	$2,934	$3,431	$3,763	$3,908
Capital Expenditures:							
North American Automotive	676	772	753	1,022	1,039	921	603
North American Non-Auto.	12	27	23	24	25	25	25
International	61	95	93	55	18	22	12
Capitalized Interest	-	42	33	65	47	47	19
Total Capital Exp.	$ 749	$ 936	$ 902	$1,166	$1,129	$1,015	$ 659
Less: Depreciation & Amortization	$ (401)	$ (481)	$ (566)	$ (669)	$ (797)	$ (870)	$ (913)
Deconsolidation of Chrysler Australia	-	(53)	-	-	-	-	-
Disposals & Other	(22)	(33)	(120)	-	-	-	(180)
Ending Balance	$2,349	$2,718	$2,934	$3,431	$3,763	$3,908	$3,474

ACCOUNTS PAYABLE

This category includes both accounts payable (60-70% of the total) and accrued expenses (30-40% of the total). The former account includes payments for materials used in the production of cars, trucks and service parts purchased under "normal" payment terms from suppliers; employee payables; payables for imported Mitsubishi products (through June, 1980); and, payables for machinery, equipment and tools. Accrued expenses are primarily those associated with employee fringe benefits, taxes and warranty adjustments. The amounts by which total payables exceed inventory are indicated below.

Accounts Payable
$(Millions)

	1979	1980	1981	1982	1983	1984	1985
Inventories	$1,874	$1,696	$1,952	$2,111	$2,319	$2,432	$2,550
Accounts Payable	2,338	2,087	2,400	2,736	3,007	3,187	3,376
Difference*	$ 464	$ 391	$ 448	$ 625	$ 688	$ 755	$ 826
*Includes Deferred Pension Payments	$ -	$ 291	$ 323	$ 375	$ 413	$ 455	$ 501

SHORT-TERM DEBT

The usage of short-term debt facilities is on an actual basis for 1979 and on the restructured basis contained in the Financing Plan for 1980 and beyond. The amount shown for 1979 includes both Chrysler de Mexico and Chrysler Australia Ltd., but Chrysler Australia is deconsolidated in 1980. U. S. Guaranteed Loans are reflected in Short Term Debt although most if not all will be issued with Long Term maturities.

LONG-TERM DEBT DUE WITHIN ONE YEAR

The projections assume that existing long-term debt is paid as it becomes due or rescheduled as outlined in the Financing Plan. The amounts shown as due within one year represent debt due to be repaid in the following year. The total is detailed below by location and by issue.

CURRENT PORTION OF LONG-TERM DEBT
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Chrysler Corporation:							
8% Debentures - 1998	$ -	$ -	$ -	$ -	$ 13	$ 13	$ 13
8-7/8% Debentures - 1995	-	6	7	6	7	6	7
Eurodollar Credit	250	-	-	-	-	61	61
9.3% Note - 1993 - Prudential	-	-	-	-	-	35	35
8-7/8% Note - 1993 - Aetna	-	-	-	-	-	12	11
13% Note - 1984 - Blue Cross/BS	-	-	-	-	25	25	-
7% Deutschemark - 1984	9	9	8	9	3	-	-
7% Eurodollar - 1984	-	1	3	2	3	-	-
Mortgages	-	2	-	-	1	-	-
Other Notes	-	14	-	-	-	-	-
Deferred Interest Notes	-	-	-	-	7	20	20
U.S. Credit Agreement	-	-	-	-	-	68	68
U.S. Bank Regular Lines	-	-	-	-	-	13	13
State & Local Governments	-	-	-	-	29	26	24
Supplier/Dealer Debentures	-	-	-	-	-	-	-
Loan Secured by PSA Shares	-	-	-	-	-	-	-
Japanese Bank Term Loan	-	-	-	-	-	31	32
IBM Agreement	-	-	-	-	-	-	-
Sub-Total Corporate	$ 259	$ 32	$ 18	$ 17	$ 88	$ 310	$ 284
Chrysler Overseas Capital Corp.							
5% Convertible Deb.-1988	$ -	$ 6	$ 6	$ 6	$ 6	$ 6	$ 6
4-3/4% Convertible Deb.-1988	-	6	6	6	6	6	6
Sub-Total COCC	$ -	$ 12	$ 12	$ 12	$ 12	$ 12	$ 12
Chrysler Overseas Capital N.V.							
7-3/4% Note - 1988	$ 4	$ -	$ -	$ -	$ -	$ 6	$ 6
Chrysler Canada							
Bank Term Loans	$ 2	$ -	$ -	$ -	$ -	$ -	$ 14
Regular Lines	-	-	-	-	-	-	3
Chrysler Leasing Ltd.	-	-	-	-	-	-	2
Canadian Government Loans	-	-	-	-	26	34	34
Sub-Total Canada	$ 2	$ -	$ -	$ -	$ 26	$ 34	$ 53
Chrysler Mexico	$ 2	$ 2	$ 2	$ 3	$ -	$ -	$ -
Chrysler Australia	$ 9	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 276	$ 46	$ 32	$ 32	$ 126	$ 362	$ 355

LONG-TERM DEBT

The projected balances during the period are consistent with Chrysler's currently outstanding obligations adjusted for repayment requirements and the Proposed Financing Plan. The total is detailed below by location and by issue.

	LONG-TERM PORTION OF LONG-TERM DEBT ($ Millions)						
	1979	1980	1981	1982	1983	1984	1985
Chrysler Corporation:							
8% Debentures - 1998	$ 200	$ 200	$ 200	$ 200	$ 187	$ 174	$ 161
8-7/8% Debentures - 1995	100	94	87	81	74	68	61
Eurodollar Credit	55	305	305	305	305	244	183
9.3% Note-1993-Prudential	175	175	175	175	175	140	105
8.7/8% Note-1993-Aetna	57	57	57	57	57	45	34
13% Note-1984-Blue Cross/BS	50	50	50	50	25	-	-
7% Deutschemark - 1984	29	20	12	3	-	-	-
7% Eurodollar - 1984	9	8	5	3	-	-	-
Mortgages	10	8	8	8	7	7	7
Other Notes	18	-	-	-	-	-	-
Deferred Interest Notes	-	78	173	280	394	527	661
Capital Leases	15	15	15	15	15	15	15
U.S. Credit Agreement	-	408	408	408	408	340	272
U.S. Bank Regular Lines	-	64	64	64	64	51	38
State & Local Governments	-	187	187	187	158	132	108
Supplier/Dealer Debentures	-	31	62	78	78	78	78
Loan Securred by PSA Shares	-	100	100	100	100	100	100
Japanese Bank Term Loan	-	156	156	156	156	125	93
IBM Agreement	-	1	1	1	1	1	1
Sub-Total Corporate	$ 718	$1,957	$2,065	$2,171	$2,204	$2,047	$1,917
Chrysler Overseas Capital Corp.							
5% Convertible Deb.-1988	$ 48	$ 42	$ 36	$ 30	$ 24	$ 18	$ 12
4-3/4% Convertible Deb.-1988	48	42	36	30	24	18	12
Sub-Total COCC	$ 96	$ 84	$ 72	$ 60	$ 48	$ 36	$ 24
Chrysler Overseas Capital N.V.							
7-3/4% Note - 1988	$ 22	$ 26	$ 26	$ 26	$ 26	$ 20	$ 14
Chrysler Canada							
Bank Term Loans	$ 134	$ 136	$ 136	$ 136	$ 136	$ 136	$ 122
Regular Lines	-	29	29	29	29	29	26
Chrysler Leasing Ltd.	-	20	20	20	20	20	18
Canadian Government Loans	-	-	-	-	144	110	76
Sub-Total Canada	$ 134	$ 185	$ 185	$ 185	$ 329	$ 295	$ 242
Chrysler Mexico	$ 7	$ 75	$ 73	$ 70	$ 70	$ 70	$ 70
Chrysler Australia	$ 15	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 992	$2,327	$2,421	$2,512	$2,677	$2,468	$2,267

TAXES AND OTHER CURRENT LIABILITIES

The amounts projected for "other current liabilities" are the expected current tax liabilities which are consistent with the Corporate tax position and the profit projections.

OTHER NONCURRENT LIABILITIES

The category "other noncurrent liabilities" includes primarily deferred taxes on income, unrealized profits on sales to unconsolidated subsidiaries, minority interest, and deferred employee benefit plan liabilities. The projected amounts generally reflect a continuance of current relationships and computed changes in the deferred tax account. The projected $574 million in 1980 represents a decrease of $31 million from 1979 and includes $46 million related to the deconsolidation of Chrysler Australia Ltd.

DEBT REPAYMENT

The repayment of existing long-term debt and new debt incurred after October 17, 1979 is shown below.

FINANCING PLAN
DEBT REPAYMENT SCHEDULE 1980-1985
($ Millions)

	1980	1981	1982	1983	1984	1985
Short-Term Debt-International	$ 21	$ -	$ -	$ -	$ -	$ -
Long-Term Debt						
Chrysler Corporation:						
8% Debentures - 1998	$ -	$ -	$ -	$ -	$ 13	$ 13
8-7/8% Debentures - 1995	-	6	7	6	7	6
Eurodollar Credit	-	-	-	-	-	61
9.3% Note - 1993 - Prudential	-	-	-	-	-	35
8-7/8% Note-1993-Aetna	-	-	-	-	-	12
13% Note-1984-Blue Cross/BS	-	-	-	-	25	25
7% Deutschemark - 1984	9	9	8	9	3	-
7% Eurodollar - 1984	-	1	3	2	3	-
Mortgages	-	2	-	-	1	-
Other Notes	4	14	-	-	-	-
Deferred Interest Notes	-	-	-	-	7	20
U.S. Credit Agreement	-	-	-	-	-	68
U.S Bank Regular Lines	-	-	-	-	-	13
State & Local Governments	-	-	-	-	29	26
Supplier/Dealer Debentures	-	-	-	-	-	-
Loan Secured by PSA Shares	-	-	-	-	-	-
Japanese Bank Term Loan	-	-	-	-	-	31
IBM Agreement	-	-	-	-	-	-
Sub-Total Corporate	$ 13	$ 32	$ 18	$ 17	$ 88	$310
Chrysler Overseas Capital Corp.						
5% Convertible Deb.-1988	$ -	$ 6	$ 6	$ 6	$ 6	$ 6
4-3/4% Convertible Deb.-1988	-	6	6	6	6	6
Sub Total COCC	$ -	$ 12	$ 12	$ 12	$ 12	$ 12
Chrysler Overseas Capital N.V.						
7-3/4% Note - 1988	$ -	$ -	$ -	$ -	$ -	$ 6
Chrysler Canada						
Bank Term Loans	$ -	$ -	$ -	$ -	$ -	$ -
Regular Lines	-	-	-	-	-	-
Chrysler Leasing Ltd.	-	-	-	-	-	-
Canadian Government Loans	-	-	-	-	26	34
Sub-Total Canada	$ -	$ -	$ -	$ -	$ 26	$ 34
Chrysler Mexico	$ 2	$ 2	$ 2	$ 3	$ -	$ -
Chrysler Australia	$ 9	$ -	$ -	$ -	$ -	$ -
Sub-Total Long-Term Debt	$ 24	$ 46	$ 32	$ 32	$126	$362
Total Debt Repayments						
Annual	$ 45	$ 46	$ 32	$ 32	$126	$362
Cumulative	$ 45	$ 91	$123	$155	$281	$643

NET WORTH

The table includes the annual effect on net worth of net earnings, sales of common stock for the Thrift Stock Ownership Program, the issue of $162.5 million stock to ESOP as required by the Loan Act, dividends, and required preferred stock redemptions.

Net Worth
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Beginning Net Worth	$2,927	$1,824	$ 785	$1,072	$1,687	$2,011	$2,888
Net Earnings	(1,097)	(1,039)	247	575	284	799	914
Issuance of Common Shares:							
Thrift-Stock Sales	28	-	-	-	-	47	50
ESOP	-	-	40	40	40	43	-
Dividends - Common	(12)	-	-	-	-	-	-
- Preferred	(22)	-	-	-	-	(4)[a/]	(5)[a/]
Preferred Stock Redemptions	-	-	-	-	-	(8)	(7)
Ending Net Worth	$1,824	$ 785	$1,072	$1,687	$2,011	$2,888	$3,840

a/ Accrued, unpaid dividends on the redeemed shares required to be paid as part of the redemption price.

The Loan Guarantee Act prohibits the paying of dividends on common or preferred stock from the date of enactment, January 7, 1980, until all guaranteed loans have been repaid. The presently outstanding preferred stock has a provision that preferred dividends must be current on that issue in order for dividends to be paid on any other stock issue, preferred or common. With consideration for these requirements and other factors, this Financing Plan does not project any dividend payments on preferred or common stock through 1985, except for the required payment of accrued dividends on the redeemed preferred shares noted above.

It has been conservatively assumed that none of Chrysler's outstanding warrants will be exercised through 1985 despite projected profits. The exercise of some of the warrants would represent an additional source of funds and correspondingly increase net worth.

TABLE 5
CHANGE IN FINANCIAL POSITION 1979 - 1985
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Dispositions of Working Capital							
• Property, Plant & Equipment	$ 407	$ 471	$ 500	$ 611	$ 534	$ 589	$ 331
• Special Tools	342	423	369	490	548	379	309
• Capitalized Interest	-	42	33	65	47	47	19
• Investments & Advances (Net)	42	11	(45)	9	14	19	23
• Reduction in Long-Term Debt	338	61	32	32	126	362	355
• Preferred Redemptions	-	-	-	-	-	8	7
• Dividends - Preferred	22	-	-	-	-	4	5
- Common	12	-	-	-	-		-
• Divestitures & Deconsolidations	-	16	-	-	-	-	-
Total Dispositions	$ 1,163	$ 1,024	$ 889	$1,207	$1,269	$1,408	$ 1,049
Additions to Working Capital							
• Net Earnings	$(1,097)	$(1,039)	$ 247	$ 575	$ 284	$ 799	$ 914
• Depreciation & Amortization*	401	481	566	669	797	870	913
• Asset Dispositions	226	25	440	-	-	-	180
• Proceeds from Long-Term Borrowings	124	1,401	126	123	291	153	154
• Sale of Shares:							
ESOP	-	-	40	40	40	43	-
Thrift Stock & Other	28	-	-	-	-	47	50
• Deferred Taxes & Other	85	61	(6)	(10)	(9)	(4)	-
• Deferred Pension Payments	209	-	-	-	-	-	-
• Financing Contingency	-	(200)	-	(300)	-	(100)	(1,000)
Total Additions	$ (24)	$ 729	$1,413	$1,097	$1,403	$1,808	$ 1,211
Working Capital Increase/ (Decrease)	$(1,187)	$ (295)	$ 524	$ (110)	$ 134	$ 400	$ 162

TABLE 6
CHANGES IN COMPONENTS OF WORKING CAPITAL 1979 - 1985
($Millions)

	1979	1980	1981	1982	1983	1984	1985
Working Capital Increase/(Decrease)							
As Projected	$(1,187)	$ (295)	$ 524	$ (110)	$ 134	$ 400	$ 162
Changes in Components of Working Capital							
Cash	$ (49)	$ (86)	$ 63	$ (82)	$ (54)	$ 133	$ 9
Accounts Receivable	(238)	(107)	292	149	45	170	146
Inventories	(107)	(178)	256	159	208	113	118
Accounts Payable	85	251	(313)	(336)	(271)	(180)	(189)
U. S. Guaranteed Loans	-	(1,000) a/	200	-	300	400	100
Short-Term Debt/ Current Portion	(815)	821	14	-	(94)	(236)	7
Other Current Accounts	(63)	4	12	-	-	-	(29)
Source/(Use)	$(1,187)	$ (295)	$ 524	$ (110)	$ 134	$ 400	$ 162
Memo:							
Working Capital	$ (112)	$ (407)	$ 117	$ 7	$ 141	$ 541	$ 703

a/ The $1,000 million total assumes there will be a third guaranteed borrowing in September 1980 which is subject to agreement between the Loan Guarantee Board and Chrysler.

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SECTION D

PROJECTED FINANCIAL STATEMENTS FOR 1980 BY QUARTER

The projected quarterly financial statements included in this section are based on the Operating Plan dated July 10, 1980, including the effects of implementing the 1980 portion of Financing Plan described in Section B.

The quarterly cash effects of the Financing Plan for 1980 are shown in the following table. Some of the items represent interim financing initiatives such as the deferment of $175 million of vendor payables from the first to second quarters. The $100 million secured loan from PSA was interim and is now long-term financing. Other items are either continuing, such as the Pension Fund Contribution Deferral and sales of surplus property, or proposed actions not included in the base Operating Plan. As stated in the introduction to Section C, the full repayment of all short-term debt in U. S. and Canada during 1980 is an assumption in the Operating Plan; therefore, the continued use of such funds provides financing for the projected Operating Plan needs.

Utilization of Federal Loan Guarantees began in the second quarter and is projected to continue through year-end with repayment in 1985. For financial conservatism, the total amount of cash expected to be generated from new sources of financing has been reduced through a financing contingency to provide a cushion against unforeseen profit deterioration or delays in achievement of the Financing Plan objectives.

TABLE 7

CASH EFFECTS OF FINANCING PLAN - 1980 BY QUARTER

$(Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
OPERATING PLAN NEEDS - Quarterly	$ 290	$1,107	$ 795	$ (109)	$2,073
Financing Plan					
Non-Interest Bearing					
. Sale of Surplus Real Estate & Equip.	2	10	17	37	66
. Sale of Chrysler Boat	2	-	-	-	2
. Sale of Chrysler Argentina	25	-	-	-	25
. Sale of Brazilian Notes	-	12	-	-	12
. Sale of Chrysler Australia	-	58	-	-	58
. Pension Fund Contribution Deferral	73	73	73	72	291
Sub-Total	$ 102	$ 153	$ 90	$ 109	$ 454
Interest Bearing					
. Defer Vendor Payables	$ 175	$ (175)	$ 72	$ -	$ 72
. State & Local Governments	-	150	37	-	187
. Supplier/Dealer Securities	-	17	6	8	31
. Restructuring of Debt Maturities	-	2	3	-	5
. Japanese Term Loans	-	156	-	-	156
. U.S. Credit Agreement	-	408	-	-	408
. U.S. Regular Lines	-	64	-	-	64
. Canadian Regular Lines	-	29	-	-	29
. Chrysler Leasing Ltd.	-	20	-	-	20
. Loan Secured by PSA Shares	-	100	-	-	100
. Mexico Engine Plant-Term Loan	-	-	70	-	70
. Federally Guaranteed Loans [a]	-	500	500	-	1,000
Sub-Total	$ 175	$1,271	$ 688	$ 8	$2,142
Interest					
. Net Expense Before Concessions	$ (69)	$ (75)	$ (101)	$ (112)	$ (357)
. Concessions	-	11	6	6	23
. Net Notes: - Principal		34	21	21	76
- Interest	-	-	1	1	2
. Net Expense in Operating Plan	57	81	104	132	374
Net Benefit/(Need)	$ (12)	$ 51	$ 11	$ 48	$ 118
Other Adjustments, Net	$ 253	$ (376)	$ (81)	$ 1	$ (203)
Financing Contingency	-	-	(50)	(150)	(200)
TOTAL FINANCING PLAN - Period	$ 518	$1,099	$ 678	$ 16	$2,311
- Cumulative	$ 518	$1,617	$2,295	$2,311	$2,311
Net Cash Surplus* - Period	$ 228	$ (8)	$ (107)	$ 125	$ 238
- Cumulative	$ 228	$ 220	$ 113	$ 238	$ 238

*Assumes minimum cash of $150 million.

[a] The $1,000 million total assumes there will be a third guaranteed borrowing in September 1980 which is subject to agreement between the Loan Guarantee Board and Chrysler.

FINANCING PLAN

TABLE 8
PROFIT AND LOSS STATEMENTS
1980 BY QUARTER
($ Millions)

	1979	1980 By Quarter 1st	2nd	3rd	4th	Year
Net Sales	$12,002	$2,347	$2,254	$2,134	$3,458	$10,193
Equity in Net Earnings of Unconsolidated Subsidiaries	2	(20)	(17)	(5)	1	(41)
Sub-Total	12,004	2,327	2,237	2,129	3,459	10,152
Costs, Other Than Items Below	12,224	2,497	2,517	2,121	2,891	10,026
Depreciation & Amortization	401	118	132	105	126	481
Pension Plans	261	79	79	79	79	316
Interest Expense - Net	215	69	64	95	106	334
Earnings Before Taxes & Minority Interest	$(1,097)	$ (436)	$ (555)	$ (271)	$ 257	$(1,005)
Taxes on Income (Credit) and Minority Interest	-	13	13	1	7	34
Net Earnings/(Loss)	$(1,097)	$ (449)	$ (568)	$ (272)	$ 250	$(1,039)

TABLE 9

FINANCING PLAN

BALANCE SHEETS 1979 & 1980 BY QUARTER
$(Millions)

	Actual 1979	1980 1st Qtr.	1980 2nd Qtr.	1980 3rd Qtr.	1980 4th Qtr.
Cash	$ 474	$ 378	$ 370	$ 263	$ 388
Accounts Receivable	610	582	525	515	503
Inventories	1,874	1,746	1,611	1,740	1,696
Other	162	150	160	161	163
Total Current Assets	3,120	2,856	2,666	2,679	2,750
Investments & Other Noncurrent Assets	1,184	1,181	1,175	1,180	1,180
Property, Plant & Equipment	2,349	2,354	2,466	2,631	2,718
Total Assets	$6,653	$6,391	$6,307	$6,490	$6,648
Accounts Payable	$2,338	$2,509	$2,036	$2,059	$2,087
Short-Term Debt:					
U.S. and Canada	570	602	-	-	-
U.S. Guaranteed Loans [a/]	-	-	500	1,000	1,000
International (Mexico, etc.)	31	20	25	10	10
Long-Term Debt Due Within One Year	276	283	37	39	46
Other	17	18	14	14	14
Total Current Liabilities	3,232	3,432	2,612	3,122	3,157
Other Noncurrent Liabilities	605	635	708	571	579
Long-Term Debt	992	949	2,180	2,312	2,327
Net Worth	1,824	1,375	807	535	785
Financing Contingency	-	-	-	(50)	(200)
Total Liabilities & Net Worth	$6,653	$6,391	$6,307	$6,490	$6,648

[a/] The $1,000 million total assumes there will be a third guaranteed borrowing in September 1980 which is subject to agreement between the Loan Guarantee Board and Chrysler.

TABLE 10
CHANGE IN FINANCIAL POSITION 1980 BY QUARTER
($ Millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
Disposition of Working Capital					
. Property, Plant & Equipment	$ 92	$ 100	$ 145	$ 134	$ 471
. Special Tools	83	135	117	88	423
. Capitalized Interest	10	11	11	10	42
. Investments & Advances (Net)	12	(6)	5	-	11
. Reduction in Long-Term Debt	37	14	3	7	61
. Preferred Redemptions	-	-	-	-	-
. Dividends - Preferred	-	-	-	-	-
- Common	-	-	-	-	-
. Divestitures & Deconsolidations	16	-	-	-	16
Total Dispositions	$ 250	$ 254	$ 281	$ 239	$ 1,024
Additions to Working Capital					
. Net Earnings	$(449)	$(568)	$(272)	$ 250	$(1,039)
. Depreciation & Amortization	118	132	105	126	481
. Asset Dispositions	1	2	3	19	25
. Proceeds from Long-Term Borrowings	-	1,236	135	30	1,401
. Sale of Shares:					
ESOP	-	-	-	-	-
Thrift Stock and Other	-	-	-	-	-
. Deferred Taxes & Other	43	9	9	-	61
. Deferred Pension Payments	73	73	(146)	-	-
. Financing Contingency	-	-	(50)	(150)	(200)
Total Additions	$(214)	$ 884	$(216)	$ 275	$ 729
Working Capital Increase/ (Decrease)	$(464)	$ 630	$(497)	$ 36	$ (295)

TABLE 11
CHANGES IN COMPONENTS OF WORKING CAPITAL - 1980 BY QUARTER
($ Millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Working Capital Increase/(Decrease)				
As Projected	$(464)	$630	$(497)	$ 36
Changes in Components of Working Capital				
Cash	$ (96)	$ (8)	$(107)	$ 125
Accounts Receivable	(28)	(57)	(10)	(12)
Inventories	(128)	(135)	129	(44)
Accounts Payable	(171)	473	(231	(28)
U.S. Guaranteed Loans [a/]	-	(500)	(500)	-
Short-Term Debt/Current Portion	(28)	843	13	(7)
Other Current Accounts	(13)	14	1	2
Source/(Use)	$(464)	$ 630	$(497)	$ 36
Memo: Working Capital	$(576)	$ 54	$(443)	$(407)

[a/] The $1,000 million total assumes there will be a third guaranteed borrowing in September 1980 which is subject to agreement between the Loan Guarantee Board and Chrysler.

SECTION E

OPERATING PLAN NEEDS BEFORE FINANCING PLAN ACTIONS ANNUAL 1980-1985 AND QUARTERLY FOR 1980

The projected financial statements included in this section are based on the Operating Plan dated July 10, 1980 and exclude the effects of the financing actions described in the Financing Plan (Section B). For example, the 1980 "need" includes funds required for the full repayment of all short-term debt in the U.S. and Canada. The restructuring of this debt to permit continued use of such funds provides financing for that projected need.

It is assumed that the full amount of the "Operating Plan Need" identified in these statements is financed by new debt at 12% interest. The cost of this debt is included in the "Interest Expense - Net" amounts shown in the Profit and Loss Statements.

The projected financial statements including Financing Plan actions are presented in Sections C and D.

OPERATING PLAN

PROFIT AND LOSS STATEMENTS 1979 - 1985
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Net Sales	$12,002	$10,193	$16,450	$19,502	$21,444	$24,610	$27,583
Equity in Net Earnings of Unconsolidated Subsidiaries	2	(41)	24	32	40	46	51
Sub Total	$12,004	$10,152	$16,474	$19,534	$21,484	$24,656	$27,634
Costs, Other Than Items Below	$12,224	$10,026	$14,684	$17,283	$19,266	$21,893	$24,775
Depreciation & Amortization	401	481	566	669	797	870	913
Pension Plans	261	316	396	454	499	549	604
Interest Expense - Net	215	374	448	419	449	397	317
Earnings Before Taxes & Minority Interest	$(1,097)	$(1,045)	$ 380	$ 709	$ 473	$ 947	$ 1,025
Taxes on Income (Credit) and Minority Interest	-	34	26	53	66	76	148
Net Earnings/(Loss)	$(1,097)	$(1,079)	$ 354	$ 656	$ 407	$ 871	$ 877

Financial Statements in this section represent a special case described on Page 35. The Chrysler Plan is presented in Sections "C" and "D".

OPERATING PLAN

BALANCE SHEETS 1979 - 1985
($ Millions)

	1979	1980	1981	1982	1983	1984	1985
Cash	$ 474	$ 150	$ 150	$ 150	$ 150	$ 150	$ 150
Accounts Receivable	610	523	795	944	989	1,159	1,305
Inventories	1,874	1,619	1,802	1,961	2,169	2,282	2,400
Other	162	163	175	175	175	175	175
Total Current Assets	$3,120	$2,455	$2,922	$3,230	$3,483	$3,766	$4,030
Investments & Other Noncurrent Assets	$1,184	$1,239	$1,295	$1,353	$1,418	$1,488	$1,563
Property, Plant & Equipment	2,349	2,796	3,132	3,629	3,961	4,106	3,852
Total Assets	$6,653	$6,490	$7,349	$8,212	$8,862	$9,360	$9,445
Accounts Payable	$2,338	$1,796	$2,077	$2,361	$2,594	$2,732	$2,875
Short-Term Debt:							
U.S. and Canada	570	-	-	-	-	-	-
U.S. Guaranteed Loans	-	-	-	-	-	-	-
International (Mexico, etc.)	31	10	10	10	10	10	10
Long-Term Debt Due Within One Year	276	312	327	367	368	338	307
Other	17	14	14	14	14	14	23
Total Current Liabilities	$3,232	$2,132	$2,428	$2,752	$2,986	$3,094	$3,215
Other Noncurrent Liabilities*	$ 605	$ 625	$ 619	$ 609	$ 600	$ 596	$ 596
Long-Term Debt	992	915	838	721	603	515	458
Net Worth	1,824	745	1,139	1,835	2,282	3,231	4,146
Operating Plan Need	-	2,073	2,325	2,295	2,391	1,924	1,030
Total Liabilities & Net Worth	$6,653	$6,490	$7,349	$8,212	$8,862	$9,360	$9,445

Memo:

Operating Plan Need/(Surplus) Annual	$ -	$2,073	$ 252	$ (30)	$ 96	$ (467)	$ (894)

Financial Statements in this section represent a special case described on Page 35. The Chrysler Plan is presented in Sections "C" and "D".

OPERATING PLAN

PROFIT AND LOSS STATEMENTS
1980 BY QUARTER
($ Millions)

	1st	2nd	3rd	4th	Year
Net Sales	$ 2,347	$ 2,254	$ 2,134	$ 3,458	$10,193
Equity in Net Earnings of Unconsolidated Subsidiaries	(20)	(17)	(5)	1	(41)
Sub Total	$ 2,327	$ 2,237	$ 2,129	$ 3,459	$10,152
Costs Other than Items Below	$ 2,497	$ 2,517	$ 2,121	$ 2,891	$10,026
Depreciation & Amortization	118	132	105	126	481
Pension Plans	79	79	79	79	316
Interest Expense-Net	57	81	104	132	374
Earnings Before Taxes & Minority Interest	$ (424)	$ (572)	$ (280)	$ 231	$(1,045)
Taxes on Income (Credit) and Minority Interest	13	13	1	7	34
Net Earnings/(Loss)	$ (437)	$ (585)	$ (281)	$ 224	$(1,079)

Financial Statements in this section represent a special case described on Page 35. The Chrysler Plan is presented in Sections "C" and "D".

OPERATING PLAN

BALANCE SHEETS 1979 & 1980 BY QUARTER
$(Millions)

	Actual 1979	1980 1st Qtr.	1980 2nd Qtr.	1980 3rd Qtr.	1980 4th Qtr.
Cash	$ 474	$ 150	$ 150	$ 150	$ 150
Accounts Receivable	610	541	547	537	523
Inventories	1,874	1,656	1,543	1,673	1,619
Other	162	150	160	161	163
Total Current Assets	$3,120	$2,497	$2,400	$2,521	$2,455
Investments & Other Noncurrent Assets	$1,184	$1,191	$1,203	$1,221	$1,239
Property, Plant & Equipment	2,349	2,408	2,522	2,690	2,796
Total Assets	$6,653	$6,096	$6,125	$6,432	$6,490
Accounts Payable	$2,338	$2,509	$2,036	$1,840	$1,796
Short-Term Debt:					
U.S. and Canada	570	-	-	-	-
International (Mexico, Etc.)	31	20	10	10	10
Long-Term Debt Due Within One Year	276	296	299	307	312
Other	17	18	14	14	14
Total Current Liabilities	$3,232	$2,843	$2,359	$2,171	$2,132
Other Noncurrent Liabilities	$ 605	$ 608	$ 608	$ 617	$ 625
Long-Term Debt	992	968	959	941	915
Net Worth	1,824	1,387	802	521	745
Operating Plan Needs	-	290	1,397	2,182	2,073
Total Liabilities & Net Worth	$6,653	$6,096	$6,125	$6,432	$6,490
Operating Plan Need/(Surplus) Quarterly	$ -	$ 290	$1,107	$ 785	$ (109)

Financial Statements in this section represent a special case described on Page 35. The Chrysler Plan is presented in Sections "C" and "D".

UNGUARANTEED ASSISTANCE AVAILABLE TO MATCH THE USE OF FEDERAL GUARANTEES

	7/31/80 Gross	7/31/80 Net	Comments
Lender Assistance Restructuring	$ 56.1	$ 53.2	Amount netted includes legal costs ($1.9 million) and printing costs ($1.03 million).[1]
Assistance From State Governments			
- Michigan	150.0	149.9	Costs include title, appraisal and legal fees.
- Delaware	5.0	4.9	Costs include title, appraisal and legal fees.
- Indiana	32.0	32.0	Related costs unknown.
Assistance from Dealers and Suppliers			
- Debentures	17.7	17.2	Amount netted is 10% of $4.9 million of issue costs which are being amortized over a 10 year period. Both totals include $0.7 million of proceeds obtained by reduction of existing liabilities to two suppliers.
- Longer Terms (usable accrual expected by 7/31/80)	20.0	20.0	Average cash benefit projected from 30-day extension of payment terms agreed (and to be agreed) to for a 4-year period by certain suppliers. Amounts shown are based on actual average 1979 purchases, less 20%. For a fuller explanation, see note 2 below.
- New Debt Financing	1.5	1.5	Amount of new supplier financing which matures after 1983.
Sale of Real Estate			
- Accomplished as of 7/14/80	$ 14.7	$ 13.9	Amounts netted include brokerage commissions ($0.7 million) and closing fees and taxes ($0.1 million).

	7/31/80 Gross	Net	Comments
Sale of Equipment	3.3	3.3	Related costs are immaterial.
Sale of Chrysler Australia	57.6	57.6	Transaction consummated 4/30/80.
Sale of Argentina	36.3	36.3	Transaction consummated 3/28/80.
Sale of Notes Receivable from Brazil			
- Cash	10.0	10.0	Sold to V.W. Cash received from DG Bank on 6/24/80.
- Prepaid ER & D	1.9	1.9	Total of $4 million credit toward future Brazil ER & D expenses was obtained as part of payment for Brazilian notes. Amount shown is total accrued to 7/31/80.
Pension Fund Contribution Deferral[3]	179.2	179.2	LGB reduction in benefit not applicable until the level of $342 million is reached.
	[162.7	162.7]	[LGB reduction in benefit applied on a pro rata basis.]
Employee Concessions	139.1	139.1	Amounts of agreed accrual rates.
PSA Peugeot Citroen Loan	100.0	100.0	Related costs are immaterial.
TOTAL[3]	$824.4	$820.0	
	[$807.9	$803.5]	

1. The fees and disbursements of Salomon Brothers, Booz, Allen and Hamilton, Inc., Touche, Ross & Co. and Debevoise, Plimpton, Lyons & Gates heretofore paid by the Company in respect of services rendered to it by such firms are not included in the above-mentioned costs because, in each case, these firms were retained by

the Company to supplement its internal staff in general respects and, accordingly, such fees and disbursements were not directly allocated to any particular facet of the Company's activities and do not fall within the category of special fees or expenses directly linked to completion of any particular transaction. The fees and disbursements of Shutan & Trost heretofore paid by the Company in respect of services rendered to it by such firm are not included in the above-mentioned costs because such firm was retained by the Company as its special bankruptcy counsel and served principally in that capacity. The fees and disbursements of Wachtell, Lipton, Rosen & Katz are not included in the above-mentioned costs because such firm was retained by the Banks who are parties to the Amended and Restated Credit Agreement, dated as of May 15, 1980, among the Company, such Banks and Manufacturers Hanover Trust Company, as Agent for such Banks, as special creditors' rights counsel to such Banks and served principally in that capacity. The fees and disbursements of Shearman & Sterling are not included in the above-mentioned costs because such firm served as counsel in connection with CFC and, therefore, such fees and disbursements are not allocable to the Non-Federally Guaranteed Assistance represented by the Lender Assistance Restructuring.

2. Chrysler has requested that those among its 500 largest suppliers who did not participate in the supplier debenture issue agree with the Company to extend their normal payment terms by an additional 30 days. The Company will pay interest on this extension at rates to be agreed upon. Each agreement to amend the payment terms is to be effective immediately, to remain in effect until the end of 1983, and to apply to all invoices received by the Company from such supplier during that period.

The Company is also asking all of its 500 largest suppliers who participated in the supplier debenture issue to participate in a similar extension of terms program for one year. To date 63 suppliers have agreed to the one-year program. The 1979 average monthly purchases from suppliers participating in the one-year program aggregate $16.3 million. The economic effect for the Company of the two programs is identical for the period during which each is effective, although the Company understands that the Board may not be willing to consider the benefits of the one-year program to satisfy the statutory requirements for Non-Federally Guaranteed Assistance.

The actual cash benefit to Chrysler from the extension of terms in each of the two programs will have some variance from day to day depending on the value of the products received from the suppliers that have been fully documented and processed for payment by Corporate Accounts Payable. The processing of a supplier payment is automated, and the actual amounts to be paid to individual suppliers on any one of the five monthly payment days is unknown until a few days in advance. The Company, therefore, believes that it is impractical to quantify the accrual position from this assistance by some determination of actual payments deferred in a specific month.

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It is proposed that the accrual benefit under the 4-year program be fixed by identifying the amount of the Company's purchases from each participating supplier during 1979, dividing that total by 12 to obtain the average value of purchases in a 30-day period and using 80% of this 1979 amount. The 20% reduction would be applied to compensate for seasonal swings and reasonable changes in order levels and generally to give the amount represented a conservative bias. The positive effects on the benefit level resulting from 1980 vs. 1979 price levels would be ignored. The suppliers who have thus far agreed in writing to the 30-day extension of their normal payment terms for a 4-year period together with the date on which each of their agreements became effective and the accrual benefit resulting therefrom is set forth below:

Name of Supplier	Date of Agreement	Average Monthly Purchases for 1979 ($ millions)
Bethlehem Steel Corporation	July 1, 1980	$ 2.5
PPG Industries	June 25, 1980	4.6
Jones & Laughlin	July 1, 1980	4.9
Republic Steel	July 11, 1980	1.9
		$11.6

These suppliers, together with others expected to agree to the 4-year program before July 31, 1980, are the source of the assistance estimated in the above table. Attached is a representative form of agreement from one of the suppliers (Bethlehem Steel Corporation). Copies of each of the agreements with such suppliers will be furnished to the Board prior to the Closing Date. The Company commenced its 4-year program in late June. Responses to date justify the Company's best judgment, which it hereby represents and warrants to be that suppliers having average monthly purchases for 1979 of at least $25 million in the aggregate will have agreed to the 4-year program before July 31, 1980. The Company hereby further represents and warrants that, in its best judgment, the Company will continue to make purchases from the suppliers named above during the period from now until the end of 1983 which, in the aggregate, will be equal to at least 80% of the aggregate of all purchases made by the Company from such suppliers in 1979. The Company will make the same representation and warranty with respect to all other suppliers included in the 4-year program.

3. This item is presented under two alternative assumptions as shown above.

[ON LETTERHEAD OF BETHLEHEM STEEL CORPORATION]

July 3, 1980

Mr. Everett M. Scranton
Assistant Treasurer
Chrysler Corporation
P. O. Box 1919
Detroit, MI 48288

Dear Mr. Scranton:

This letter will confirm the understanding we reached during our July 1, 1980 phone conversation concerning the 30-day extension of our normal payment terms.

Bethlehem Steel Corporation agrees to extend its normal payment terms by 30 days. In effect, Bethlehem will be extending 60-1/2-40 payment terms to Chrysler. Bethlehem's invoices will continue to reflect our standard 30-1/2-10 terms of payment. This agreement will be in effect through the calendar year of 1983. However, Bethlehem Steel Corporation reserves the right to make a periodic review of this agreement.

In return, Chrysler Corporation agrees to pay Bethlehem Steel Corporation 12% per annum on any amount that remains outstanding beyond Bethlehem's normal 30-day terms. The 12% will remain fixed through the length of the agreement as will Bethlehem's 1/2% discount.

This agreement will go into effect with Bethlehem's invoices dated July 1, 1980. Prior to that date Chrysler will continue to pay our invoices on the previously agreed upon twice-a-month payment plan.

If this is not in accordance with your understanding, please let me know as soon as possible.

In the meantime, I appreciate your cooperation and will look forward to meeting you on one of my future trips to Detroit.

Very truly yours,

/s/ R.B. Fisher

R. B. Fisher
Credit Manager

RBF:cf

Bethlehem Steel Corporation

BETHLEHEM, PA 18016

R. C. WILKINS
PRESIDENT
A. F. SHAFFER
ASSISTANT PRESIDENT

July 3

Mr.
Assistant Treasurer
Chrysler Corporation
P. O. Box 1919
Detroit, MI

Dear Mr.

This confirms the understanding we reached during our
July conversation concerning the 30-day extension of
our normal payment terms.

Bethlehem Steel Corporation agrees to extend its normal terms
by Bethlehem will be extending 30-day terms
terms on Chrysler's invoices will continue to
standard 30-10 days of payment. This agreement will be in effect
through the end of the year of 1983. However, Bethlehem Steel Corporation
reserves the right to make a periodic review of this agreement.

In return, Chrysler Corporation agrees to pay Bethlehem Steel Corporation
12% per annum on any account that remains outstanding beyond the
normal 30-day terms. The 12% will remain fixed through the length of
the agreement with Bethlehem's ½% discount.

This agreement will go into effect with Bethlehem's invoices dated
July 1, 1980. Prior to that date Chrysler will continue to pay
invoices on the previously agreed upon twice-a-month payment plan.

If this is not in accordance with your understanding, please let us
know as soon as possible.

In the meantime, I appreciate your cooperation and will look forward
to meeting with you on one of my future trips to Detroit.

Very truly yours,

R. B. Fisher

R. B. Fisher
Credit Manager

RBF:cf

Draft--July 14, 1980

[Letterhead of Touche, Ross & Co.]

July 30, 1980

Chrysler Corporation Loan
Guarantee Board
U.S. Department of Treasury
Washington, D.C. 20220

Dear Sirs:

At your request, we have read the attached schedule of nonfederally guaranteed financing prepared by Chrysler Corporation (the "Company"), and have performed certain procedures relative to amounts (rounded to the nearest million) appearing thereon as follows:

1. Amounts representing assistance from the States of Michigan, Delaware, and Indiana ($150 million, $5 million, and $32 million respectively), proceeds from the sale of Chrysler Australia ($58 million), the sale of Chrysler Fevre Argentina and related licensing agreement ($36 million), the sale of Brazilian notes receivable ($12 million), and the PSA loan ($100 million) were agreed to journal entries in the financial records of the Company.

2. We agreed:

   a. The proceeds from sale of real estate ($14 million) to a Company prepared schedule, proved such schedule to be arithmetically correct, and traced individual amounts appearing thereon, aggregating approximately $ million, to journal entries in the financial records of the company. We were advised that entries aggregating approximately $ million are recorded in the financial records of subsidiaries.

   b. The proceeds from sale of equipment ($3 million) to a Company prepared schedule.

   c. The amount of supplier/dealer assistance (i) from debentures ($18 million) to the amount of cash actually received as disclosed to us in correspondence from E. F. Hutton & Company, Inc.; (ii) from extending terms ($17 million) to a Company prepared schedule wherein annual purchases from ___ major suppliers for the year 1979 were divided by 12 and multiplied by .8 in arriving at the total; (iii) from new debt financing ($2 million) to the total value of payments due after 1983 as listed in contracts between Chrysler and two of its suppliers.

   d. The amount of lender assistance ($56 million) to a Company prepared schedule, the total of which we proved to be arithmetically correct and which is approximately $20 million less than that in the April 28, 1980 Financing Plan.

3. We agreed the pension fund contribution deferral ($177 or $161 million) and employee concessions ($139 million) to Company prepared schedules, proved the arithmetical accuracy of the schedules, and agreed the grand totals of the employee concession schedule to amounts in our letter to you dated April 22, 1980, wherein we reported on the results of our testing of the mathematical accuracy of total employee conces-

sions to be achieved through 1982 as reported to the U.S. Department of Labor.

We have been advised that, for the amounts listed above, gross amounts and net amounts are substantially the same. Expenses incurred with respect to each item listed above are not known to be in excess of $1 million except (1) in the case of debentures offered to dealers and suppliers in which case expenses approximated $4.9 million, comprised of $3.9 million in fees to the dealer/manager and numerous other costs; these costs have been amortized over the life of the issue in accordance with generally accepted accounting principles; and (2) printing and legal costs of $1 million and $2 million respectively incurred in restructuring amounts due lenders; such costs are not properly amortizable and have been deducted by Chrysler in arriving at the net amount.

We have reviewed a Company prepared schedule of professional fees paid during the period from to aggregating approximately $26.5 million. Amounts listed thereon were categorized by the Company as being services rendered (1) to accomplish new financing, (2) to restructure existing Company financing, (3) to restructure existing CFC financing, or (4) for other or indeterminable purposes and amounted to approximately

$, $, $, and $ million respectively. We selected firms whose listed amount of fees exceeded $100 thousand for an aggregate value of $ million. We examined underlying invoices for $ million and, based upon the description of services appearing on the invoice, have categorized them as follows:

		(millions)
(1)	Accomplish new financing	$
(2)	Restructure existing Company financing	
(3)	Restructure existing CFC financing	
(4)	Other or indeterminable	
		$

Furthermore, we are aware of $500 million of Guaranteed Indebtedness Outstanding under the Agreement to Guarantee as of the date of this letter and believe additional amounts may become outstanding concurrent herewith.

This letter is provided pursuant to your request, and we make no representations as to the adequacy for your purposes of the procedures performed.

Very truly yours,

TOUCHE, ROSS & CO
Certified Public Accountants

Exhibit 5

CHRYSLER CORPORATION

Certificate as to Certain Matters
Pursuant to Sections 3.17 and 4.01
of the Agreement to Guarantee

The undersigned director of Chrysler Corporation (the "Company"), a Delaware corporation, with reference to the Agreement to Guarantee, dated as of May 15, 1980 (the "Agreement"), between the Company and the United States of America acting by and through the Board (as such term and certain other capitalized terms used herein are defined in the Agreement), hereby certifies that:

A. In his or her opinion:

1. Credit is not otherwise available to the Company and its Subsidiaries under reasonable terms or conditions sufficient to meet its financing needs as reflected in the Financing Plan, dated July 10, 1980 (the "Financing Plan").

2. The prospective earning power of the Company and its Subsidiaries, together with the character and Value of Collateral Available to the United States, furnish reasonable assurance of the repayment of the principal of and premium (if any) and interest on all Guaranteed Indebtedness Outstanding plus all Indebtedness requested to be Guaranteed by the United States pursuant to the Agreement plus all amounts which are or may be payable to the United States pursuant to the Agreement.

3. The Operating Plan, dated July 10, 1980 (the "Operating Plan"), meets the requirements of Section 4 of the Guarantee Act, including the requirement that it demonstrate the ability of the Company and its Subsidiaries to continue operations as a going concern (as such term is defined in the Guarantee Act) in the automobile business and, after December 31, 1983, to continue such operations as a going concern without additional guarantees of the

Board or other Federal financing; the Operating Plan is realistic, feasible and a fair presentation of the information purported to be shown thereby.

4. The Financing Plan meets the requirements of Section 4 of the Guarantee Act, including the requirement that it (a) meet the financing needs of the Company and its Subsidiaries (including the financing of dealers and other customers through Chrysler Financial Corporation) as reflected in the Operating Plan for the period covered by the Operating Plan, (b) provide that expenditures thereunder will contribute to the domestic economic viability of the Company and its Subsidiaries and (c) include an aggregate amount of Non-Federally Guaranteed Assistance of at least $1.43 billion; the Financing Plan is realistic, feasible and a fair presentation of the information purported to be shown thereby.

5. The CFC Financing and Operating Plan is realistic, feasible and a fair presentation of the information purported to be shown thereby.

6. The annual rate or rates of interest to be borne by the up to $300 million of Guaranteed Indebtedness to be issued pursuant to the Guarantee Agreement between the United States, acting by and through the Board, and the Company, and the Underwriting Agreement among Salomon Brothers, Merrill Lynch White Weld Capital Markets Group, The First Boston Corporation and possibly others and the Company, are reasonable in relation to obligations outstanding of the United States with remaining periods to maturity comparable to the Stated Maturity Date of such Guaranteed Indebtedness.

7. The Company is in compliance with the Financing Plan and the Operating Plan.

8. There is no substantial likelihood that the Company will be acquired by any foreign entity.

9. The Energy Savings Plan dated March 6, 1980 of the Company, with addendum of April 17, 1980, is being and can be carried out by the Company and its Subsidiaries in accordance with the terms thereof.

10. The Company and its Subsidiaries are in compliance with the terms and conditions of the Agreement.

11. Each of the representations and warranties of the Company made in or pursuant to the Agreement is true and correct in all respects material to such representation or warranty with the same force and effect as if made on the date of this certificate.

12. All conditions precedent under the Guarantee Act to the issuance of a Guarantee have been satisfied.

13. With reference to (i) the determinations made by the Board on July 14, 1980, as required by the Guarantee Act with respect to the issuance of Guarantees pursuant to the Agreement, (ii) the report with respect to such determinations, submitted by the Board to the appropriate committees of the Congress on July 14, 1980, in satisfaction of the requirements of Sections 5 and 14(b) of the Guarantee Act and (iii) the Amended and Restated Guarantee Request of the Company, dated as of July 14, 1980 (the "July 1980 Guarantee Request"), being delivered to the Board pursuant to Section 2.01 of the Agreement with respect to up to $300 million aggregate principal amount of Guarantee, an adequate basis exists for the Board to make the above-mentioned determinations, and the undersigned concurs with the Board's judgment in respect thereof in all material respects.

B. The basis for the foregoing opinions includes, among other things, (1) the general familiarity of the undersigned with the Company's business, operations, prospects and condition, (2) the reports made to the Company and its Board of Directors by the Chairman of the Board, the President, and the Executive Vice President--Finance with respect to each of the matters covered by this certificate, (3) the information contained in the Company's Application, dated April 25, 1980, to the Board for a $1.5 billion commitment to guarantee pursuant to the Guarantee Act, as amended on April 29, April 30 and May 9, 1980 and supplemented on May 12, 1980, (4) the information contained in the Company's Application, dated April 29, 1980, to the Board for $500 million aggregate principal amount of Guarantees pursuant to the Guarantee Act, (5) the Guarantee Request of the Company, dated as of June 16, 1980, with respect to such $500 million aggregate principal amount of Guarantees and (6) the July 1980 Guarantee Request.

* * *

The foregoing opinions should be considered in light of a number of factors, all well known to the Board, relating to the state of the nation's economy in general and of the automobile industry in particular. In the Company's Prospectus, dated May 15, 1980, as supplemented by supplement, dated June 18, 1980, for the offering of its 12% Subordinated Debentures due 1991, a number of high risk factors were identified which could adversely impact on the Company's estimate of its 1980 losses. However, in the opinion of the undersigned, the effect of these factors will not result in conditions which vary adversely from those projected in the Financing Plan and the Operating Plan.

Of central importance are the assumptions regarding industry sales and the Company's market share. The Company's assumptions have been that 1980 industry sales would be at least 9.5 million cars and 2.8 million trucks, with the Company's share being 9.4% for cars and 10.2% for trucks. While actual figures for the first three months of the year tended to support these assumptions, figures for April and May show the negative effects of the deepening recession and, if annualized, would not support the Company's assumptions. Thus, for May, 1980, the annualized, seasonally adjusted figures show 7.5 million cars and 2.4 million trucks, with the Company's share being 8.0% for cars and 10.3% for trucks.

Given the extraordinarily rapid, and unpredictable, changes in the economy that have been occurring, it is impossible accurately to predict the future in the automobile industry, even for the short term. Booz, Allen & Hamilton, Inc., the Company's management consulting firm, sees significant risks to the Company's 1980 loss estimate as reflected in its letter to the Company, dated June 24, 1980.

If the Company's assumptions turn out to be unduly optimistic, its losses for this year would be greater than now projected by it, and its need for use of loan guarantees would be accelerated. However, the undersigned does not believe these interim results are indicative of what the results for the entire 1980 period or for the periods covered by the Operating and Financing Plans will turn out to be. A recovery in vehicle sales should occur

in the fourth quarter of 1980. Moreover, downward adjustments in earnings for 1980 attributable to worsening industry sales and the Company's market share should result in upward adjustments to the Company's earnings for the 1981-83 period.

The undersigned notes that the Operating Plan and the Financing Plan include risks identified by the Board. The undersigned confirms that the opinions expressed herein, which apply without regard to such risks, are also applicable even if such risks are realized.

C. This certificate is given for delivery on, and shall be effective as of, the second Closing Date under the Agreement.

WITNESS, the signature of the undersigned.

_____

Director

Exhibit 6

BOOZ · ALLEN & HAMILTON Inc.
Management Consultants

NEW YORK WASHINGTON CLEVELAND
CHICAGO DALLAS LOS ANGELES SAN FRANCISCO
TORONTO MEXICO CITY SAO PAULO
LONDON PARIS DÜSSELDORF

245 PARK AVENUE
NEW YORK · 10017
697-1900
AREA CODE 212

DRAFT of July 14, 1980

Mr. Lee A. Iacocca
Chairman
Chrysler Corporation
12000 Lynn Townsend Drive
Highland Park, Michigan 48203

Dear Mr. Iacocca:

This letter summarizes the results of our review of the revised Chrysler Operating Plan dated July 10, 1980. As in previous comment letters, our findings and conclusions represent our best professional effort and judgement within the time available to us and based upon information made available to us by the Company.

In our last letter to you, dated June 18, 1980, we noted the sharp drop in U.S. car and truck volumes which had taken place in the second quarter of 1980 and estimated the profit effects of the volumes projected by the major forecasting services on Chrysler's results for the full year. Chrysler has incorporated these lower volumes in the revised Operating Plan.

Car industry volumes are projected by the independent forecasters and Chrysler to run at an annualized rate of 8.4 million units in the third and fourth quarters of the year, while truck volumes are projected to be 2.5 million units on an annualized basis for the same periods. By comparison, the annualized industry sales rates during the second quarter were 7.6 million units for cars and 2.3 million units for trucks.

Overall, Chrysler's industry volume projections for the second half appear reasonable. The recent sharp decline in interest rates should provide some stimulus to retail sales and should ease the inventory financing burden on many marginal dealers who might otherwise have been forced out of business. However, a significant upturn in retail automobile sales in 1980 beyond the 8.4 million-unit annualized-volume forecast adopted by Chrysler for the third and fourth quarters seems unlikely due to the increased levels of unemployment forecast for the second half of the year and a general lack of consumer confidence. It is too early to assess the possible impact of actions which President Carter outlined in Detroit last week on U.S. auto manufacturers.

Chrysler's U.S. market share projections, however, give cause for concern. Following a 9.5% car share in the first quarter, Chrysler's penetration fell to 7.9% in the second quarter. Chrysler now projects a 9.5% market share in the third quarter and 13.3% in the fourth quarter.

The upturn in the third quarter assumes a substantial improvement in the basic middle and middle-specialty segments over first half levels and a recovery of the Omni/Horizon share of its industry segment from its depressed 5% share in the second quarter. There appears to be an overall risk of about one percentage point in market share in the third quarter.

The introduction of the new "K" body cars is the principal reason for the projected step up to a 13.3% U.S. market share in the fourth quarter. However, included in this projection is a continued improvement in market shares for the basic middle and middle-specialty cars. Considering possible substitution by "K" body buyers and the intense competition in the depressed mid-size segments of the market, our opinion is that it is unlikely that Chrysler will achieve these penetration projections.

Truck penetration fell to 8.9% in June. Chrysler projects third and fourth quarter shares of 11.3% and 10.9%, respectively. Modification to the pickup truck in the fall is the primary reason for the improved share in the fourth quarter. The third quarter share, however, appears to be optimistic by at least one percentage point.

The loss for the first nine months is now forecast by Chrysler at about $1.3 billion. Based on the industry and market share projections in the revised Operating Plan and achievement of the profit recovery actions initiated in April, we estimate that the loss for the year 1980 would be in the range of $1 billion to $1.2 billion. However, as discussed earlier, it appears unlikely that Chrysler can achieve the third and fourth quarter market shares projected for both cars and trucks. Adjusting Chrysler's market shares for mid-size cars and trucks to more likely levels would translate to an additional loss of $70 to $100 million for the year.

Since our June 18 letter, additional profit risks have come to our attention. These include lower than anticipated sales of components to other manufacturers, a decline in parts sales, and increased write-downs for tooling, facilities and obsolete material. Partially offsetting these risks are the continued strength in industry pricing of smaller cars and favorable manufacturing cost performance. These new elements represent a net risk of about $70 to $100 million to Chrysler's 1980 results.

We are aware that Chrysler is in the process of implementing additional actions to reduce fixed costs in 1980. If successfully implemented, these actions are expected by Chrysler to offset substantially the risks outlined in the previous paragraph. However, if industry volumes do not increase to the levels projected for the second half of the year or Chrysler cannot achieve its substantial increase in market share, the 1980 loss could be considerably greater than we are currently projecting.

The launch of the "K" body cars is progressing satisfactorily. Chrysler has been able to advance the original launch schedule by two weeks. Nothing significant has come to our attention to modify the comments on the "K" car made in our letter of May 8, 1980.

It is important to note the significant difference between Chrysler's 1981 U.S. industry sales projection and the current estimates of the independent forecasting services. Chrysler's revised Operating Plan calls for a U.S. car industry volume of 11 million units and a truck industry volume of 3.7 million units. The independent forecasters are currently projecting 1981 industry levels of approximately 9.5 million for cars and 3.1 million for trucks. At Chrysler's planned penetration levels, this would represent a decline of between 200,000 and 250,000 units of vehicle sales for Chrysler, and would probably have the greater impact on the earlier months of the year.

In summary, assuming a recovery in the market and in Chrysler's penetration, the present Operating Plan could give the Company a reasonable prospect of viability. The risks that industry sales and Chrysler market share in 1980 and 1981 will not recover are considerable. To take account of those risks, the Company is preparing a plan for a substantial restructuring of its operations. In our judgement, the high level of these risks make it essential, and in our view it is feasible, that the restructuring plan be in place and ready to implement by September 1. We are informed that Chrysler will reflect appropriate contingency actions in its September 1 submission of the Operating Plan. We will be in a position to comment more specifically on the restructuring plan when more details are available.

Our review did not include any study of Chrysler's revised Financing Plan dated July 10, 1980, and our analysis and comments are therefore limited to the revised Operating Plan. We understand that this letter will be submitted to the Loan Guarantee Board as an attachment to the amended and restated Guarantee request dated July 14, 1980. This draft of our comments will be finalized at the time of the closing by the Board for additional loan guarantees.

Very truly yours,

BOOZ, ALLEN & HAMILTON Inc.

Members of the New York Stock Exchange, Inc.
One New York Plaza
New York, N.Y. 10004 (212) 747-7000

Exhibit 7

Salomon Brothers

July 14, 1980

Chrysler Corporation Loan Guarantee Board
c/o The Secretary of the Treasury
Department of the Treasury
15th and Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Re: Chrysler Corporation

Dear Sirs:

In the event that the Chrysler Corporation Loan Guarantee Board (the "Board") issues loan guarantees in form and substance similar to those described in the Preliminary Offering Circular included in Exhibit 1 to the Amended and Restated Guarantee Request dated as of July 14, 1980 (the "Guaranteed Loans"), it is our opinion that such Guaranteed Loans, under current market conditions, should be priced at not more than 125 basis points above Treasury obligations of comparable maturity (taking into account comparable call provisions). The comparable maturity is the proposed final maturity and not the maturity to the call date, given the positive yield curve and investors' pricing perceptions.

In our opinion, such interest rates would be reasonable taking into account yields on obligations of the United States of comparable maturity (and comparable call provisions) and the existence of a specific appropriation by Congress of funds necessary to cover the Board's guarantee of the Guaranteed Loans.

Very truly yours,

SALOMON BROTHERS

Members of the New York Stock Exchange, Inc.

One New York Plaza
New York, N.Y. 10004 (212) 747-7000

Salomon Brothers

July 12, 1980

Chrysler Corporation Loan Guarantee Board
c/o The Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Re: Chrysler Corporation

Dear Sirs:

Enclosed herewith is the form of opinion we expect to deliver to the Chrysler Corporation Loan Guarantee Board at the closing date referred to in the Amended and Restated Guarantee request dated as of July 14, 1980.

Very truly yours,

Robert W. Scully

Robert W. Scully

RWS:cc

Enclosure

65-288 O - 80 - 24

(Salomon Brothers Letterhead)

DRAFT of 7/12/80

July #, 1980

Chrysler Corporation Loan Guarantee Board
c/o The Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Re: Chrysler Corporation

Dear Sirs:

We understand that the Chrysler Corporation Loan Guarantee Board (the "Board") has been asked to approve the guarantee by the United States of certain loans to Chrysler Corporation (the "Company") and, pursuant to Section 4.05 of the Agreement to Guarantee dated as of May 15, 1980, between the Board and the Company, you have requested our views on several matters in connection with granting such approvals.

We welcome this opportunity, on behalf of the Company, to provide our views on the matters set forth below to assist the Board in making the statutory determinations it is required to make under the Chrysler Corporation Loan Guarantee Act of 1979, P.L. 96-185 (the "Act"). We cannot, of course, assume responsibility or liability for the statutory determinations of the Board. With the understanding that we have necessarily assumed the accuracy and completeness of, and relied on, the information furnished to us by the Company and its management, we are of the following views:

1. Given the present state of the capital markets, the gravity of the Company's financial condition and the substantial amount of debt of the Company expected to be outstanding under the Financing Plan dated July 10, 1980, it is our view that the Company could not at this time arrange to borrow without Board guarantees, on terms and conditions which we would recommend, more than an insignificant portion of the credit represented by the loans to be guaranteed by the Board under the Act.

2. Given, among other reasons, the Act's prohibition on the payment of common and preferred stock dividends, the Company's financial condition, the prohibition under Delaware law on the sale of the Company's common stock at less than its $6.25 per share par value and the current market for the Company's equity securities, it is our view that it would not be practicable for the Company to sell more than an insignificant amount of common or preferred stock for cash at this date in arm's-length transactions on terms which we would recommend.

3. With regard to a possible sale of a 51% equity interest in Chrysler Financial Corporation ("CFC"), we are familiar

with the terms of, and negotiations relating to, a previously proposed sale of a 51% equity interest in CFC to certain financial institutions, including Household Finance Corporation ("HFC"). In addition, we have studied the historical financial and operating statistics of CFC and certain other companies we deemed comparable to CFC. We have not, however, performed certain investigations and analyses that would be customary for an investment banking firm in rendering an opinion of this type. In particular, we have not made a detailed examination of the assets of CFC, including the receivables portfolio, nor have we attempted independently to verify the information provided to us by CFC management. In addition, we have not performed a detailed liquidation analysis of CFC.

Relying on the information and assumptions described herein, our experience with captive finance companies and our general expertise in this area, we are of the opinion, as investment bankers, that a ready, willing and able purchaser should be prepared to pay at least $250 million and might be prepared to pay as

much as $320 million for a 51% equity interest in CFC, provided that the purchase agreement incorporates preferred income returns and liquidation preferences similar to those in the recently proposed transaction with HFC. Although we can express no opinion that, based on these circumstances, a ready, willing and able purchaser for a 51% equity interest in CFC exists, we believe that there is a substantial possibility that such a purchaser does exist.

This opinion is based on the following assumptions: (i) that the Company is a "going concern" as defined in the Act with regard to its integral relationship with CFC; (ii) that in an environment of lower interest rates and availability of funds from traditional capital markets, it is reasonable to expect that CFC would achieve financial results comparable to those that have historically been achieved based on the historical operating performance of CFC and other captive automobile finance companies, and the professional capabilities and integrity of CFC's senior management; and (iii) that a ready, willing and able purchaser, as referred to above, does in fact exist.

4. The yield borne by the $_____ million principal amount of Guaranteed Loans (loan guarantees in form and substance similar to those described in the Preliminary Offering Circular included in Exhibit 1 to the Guarantee Request dated as of July 10, 1980), at the time of pricing (approximately _____p.m.) on July __, 1980, was approximately _____ basis points above ten-year Treasury obligations and approximately ____ basis points above three-year Treasury obligations and is reasonable taking into account yields on obligations of the United States of comparable maturity.

5. Based upon the following assumptions, which your staff has instructed us to make and upon which we do not have a sufficient basis to express any opinion:

   (a) attainment of the projections set forth in the Operating Plan dated July 10, 1980;

   (b) attainment of the projections set forth in the Financing Plan dated July 10, 1980, the conversion at January 1, 1984 of all such outstanding debt as may be converted at the Company's option to preferred stock and the application of amounts indicated as "financing contingency" to the reduction of debt;

(c) the Company's operating and financial prospects, including financing requirements, on a long-term basis beyond 1985 are similarly favorable compared with those reflected in the Operating and Financing Plan (each dated July 10, 1980) projections for the years 1984-1985;

(d) the external financing covered by this paragraph shall rank pari passu against the assets of the Company with debt of the Company which is guaranteed by the United States; and

(e) the credit agreements with the Company's lenders, including the U.S. Government, are neither in default nor materially amended and do not include provisions restricting incurrence of the external financing covered by this paragraph;

your staff has requested us to render a hypothetical opinion with respect to the Company's ability to finance itself after 1983 without federal guarantees. Although we would not ordinarily render such a hypothetical opinion, we have agreed to do so in this extraordinary situation in response to your staff's specific request. The Financing Plan dated July 10,

1980 indicates no requirements for any substantial additional external financing in 1984 to 1985. Based upon all of the above assumptions, however, it is our view that in 1984 to 1985, if credit is readily available for lower-grade automotive credits, the Company should be able to obtain substantial external financing (at least $100 million) without federal guarantees if it chooses to do so.

This will advise you that nothing has come to our attention which leads us to believe that there are negotiations or discussions underway or proposed between the Company and any foreign entity which would result in the Company's absorption by or merger with such foreign entity.

Salomon Brothers has not reviewed the procedures, assumptions or methods used in preparing, the accuracy or completeness of the facts underlying, or feasibility of, either the Financing Plan dated July 10, 1980, or the Operating Plan dated July 10, 1980; accordingly, Salomon Brothers expresses no views other than those set forth above with respect to either Plan. References herein to the Financing Plan dated July 10, 1980 exclude Section E thereto.

Respectfully submitted,

SALOMON BROTHERS

Exhibit 8

ELI WHITNEY DEBEVOISE
FRANCIS T. P. PLIMPTON
OSCAR M. RUEBHAUSEN
WILLIAM EVERDELL
D. BRET CARLSON
GEORGE N. LINDSAY
STANLEY R. RESOR
JAMES B. WELLES, JR.
ROSWELL B. PERKINS
ROBERT B. VON MEHREN
HAROLD H. HEALY, JR.
JOSEPH BARBASH
CHESTER BILLINGS, JR.
MICHAEL HARPER GOFF
WILLIAM B. MATTESON
BARRY R. BRYAN
RICHARD D. KAHN
WILLIAM PHILO CLARK
ASA ROUNTREE
GEORGE B. ADAMS, JR.
ROBERT J. GENIESSE
ANDREW C. HARTZELL, JR.
PHILIP S. WINTERER
STEPHEN BENJAMIN
LOUIS BEGLEY
GUY PASCHAL
DAVID V. SMALLEY
CECIL WRAY, JR.
JAMES C. GOODALE
JOHN F. JOHNSTON 2ND
ROBERT L. KING
BEVIS LONGSTRETH
JOHN D. NILES
MEREDITH M. BROWN
BRUCE D. HAIMS
STANDISH FORDE MEDINA, JR.
EDWARD A. PERELL
THEODORE A. KURZ
HUGH ROWLAND, JR.
ROBERT J. GIBBONS
MICHAEL E. PATTERSON (PARIS)
BARBARA PAUL ROBINSON
JONATHAN A. SMALL
VINCENT M. SMITH
PAUL H. WILSON, JR.
WOLCOTT B. DUNHAM, JR.
JEFFREY S. WOOD
STEVEN M. ALDEN
JOHN H. HALL
JOHN G. KOELTL
JAMES A. KIERNAN III

THOMAS T. RICHMOND
CHARLES I. PIERCE, JR.
COUNSEL

DEBEVOISE, PLIMPTON, LYONS & GATES

299 PARK AVENUE NEW YORK, N.Y. 10017
TELEPHONE: (212) 752-6400
CABLE: DEBSTEVE NEW YORK
INTERNATIONAL TELEX: 234400 DOMESTIC TELEX: 12-6607

EUROPEAN OFFICE
5, PLACE DU PALAIS BOURBON
75007 PARIS

TELEPHONE: 555-06-66
CABLE: DEBSTEVE PARIS
TELEX: 250602

DOMINIQUE BLANCO
EUROPEAN COUNSEL

July 14, 1980

Chrysler Corporation Loan
Guarantee Board
c/o The Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue N.W.
Washington, D.C. 20220

Chrysler Corporation

Dear Sirs:

We have acted as special counsel to Chrysler Corporation, a Delaware corporation (the "Company"), in connection with the implementation of the Chrysler Corporation Loan Guarantee Act of 1979 (the "Guarantee Act").

In so acting, we have participated in the preparation of the Amended and Restated Guarantee Request, dated as of today (together with all exhibits thereto, referred to herein as the "Guarantee Request"), for up to $300 million principal amount of guarantees (the "Requested Guarantees") pursuant to the Agreement to Guarantee.

We have also examined the Guarantee Act and its legislative history and have engaged in numerous discussions concerning the Guarantee Act and its interpretation with representatives of the Board and of the Department of the Treasury.

We have participated in conferences, and have generally reviewed and discussed the factual information set forth in the Guarantee Request with officers and employees of the Company, Touche Ross & Co., the Company's independent

accountants, Salomon Brothers, the Company's financial consultants, and Booz Allen & Hamilton, Inc., the Company's management consultants. In rendering the opinion expressed below, we have relied upon the factual information set forth in the Guarantee Request and have not sought independently to verify or pass upon the accuracy of such information.

Although the Guarantee Act contains certain ambiguities not yet clarified by regulatory or judicial interpretations, the Guarantee Act invests the Board with broad discretion in making the determinations required by the Guarantee Act as conditions to the issuance of guarantees. Such discretion is reinforced by the fact that, under Section 5(b) of the Guarantee Act, Board determinations as to whether such conditions have been met are stated to be conclusive. As a result, such determinations are subject to only limited, if any, judicial review.

In view of the foregoing, we are of the opinion that the Guarantee Request provides an adequate basis for the Board, acting within the scope of the discretion conferred upon it under the Guarantee Act, to make the determinations required to be made under the Guarantee Act in order to issue the Requested Guarantees.

Of course, we are not privy to all information being considered by the Board in the discharge of its responsibilities nor have we had access to its deliberations. Thus, we are not in a position to express an opinion, and do not express an opinion, on the actual exercise by the Board of any of the powers conferred upon it under the Guarantee Act, nor the validity of any determinations actually made or to be made by the Board or any other actions taken or to be taken thereunder.

In rendering this opinion we have assumed that the conditions to issuance of the Requested Guarantees, as set forth in Article 4 of the Agreement, will have been met on the date the Requested Guarantees are issued.

Very truly yours,

Debevoise Plimpton Lyons & Gates