



Bob Nardelli
Chairman & CEO

May 7, 2009

The Honorable Governor Jim Doyle
111 East State Capitol
Madison, WI 53707

Dear Governor Doyle:

I want to start by expressing my sincere apologies about the confusion surrounding comments I made on a conference call with you and other elected officials about the Kenosha Engine Plant on April 30, 2009.

In response to a question from Congresswoman Moore regarding the future of the Kenosha Plant, I mistakenly conveyed the status of the Phoenix investment in Trenton, MI. The facts I described were accurate for Trenton and not Kenosha, WI. I recognize this has added further confusion to an already difficult situation.

I would like to take this opportunity to clarify the Phoenix Engine Program production status.

In 2006, DaimlerChrysler started a program for a new V6 engine family. Based on industry volumes and forecasted demand, the initial planning volumes were 1.76 million units. In order to achieve this level of production, a site selection process was initiated that included four new locations in Michigan, Ohio, Wisconsin and Mexico.

Before site selection was finalized, the engine volume planned for the combined company was reduced when the common engine program with Daimler was redefined as a Chrysler only engine. This reduced the number of production sites to three.

These three sites would have the capability of producing 1.3 million V6 engines. Early in 2007, for a variety of reasons, the Corporation was required to reduce its capital investments in all programs which required a new production strategy for the Phoenix engine. Therefore, Chrysler decided to reduce the number of greenfield plant locations to two. In May and June of 2007 the Company chose those two sites and announced the greenfield investments of \$730 million in Trenton and \$570 million in Saltillo and broke ground on the construction of the facilities. The greenfield decisions were based on the adjacency of the proposed plants to the point-of-use assembly locations.

In February of 2007, Chrysler notified the State of Wisconsin and Kenosha officials that a greenfield site was no longer viable, but rather that a retool of the existing Kenosha Engine Plant was under consideration. The Kenosha retooling plan resulted in necessary capital savings; however, it required the Kenosha site to continue to produce its current engines through 2013.

In late 2007 and 2008, deterioration in industry volume resulted in a drop of the 1.3 million unit demand to 880,000. This reduction in volume and the need for Kenosha to produce its current engines resulted in the company deciding to defer the retooling strategy.

Chrysler kept Kenosha Area Business Alliance updated on the status of the retool through 2008. As the market began to collapse through late 2008 and 2009, a decision was made to idle the Kenosha Engine Plant in December of 2010. This and other restructuring actions were included in the Chrysler LLC February 17, 2009 Viability Plan submission to the United States Treasury and the President's Auto Task Force. The specific plant actions, including Kenosha Engine Plant, were not made public because it would have been presumptuous to assume that the plan was going to be approved and inappropriate to communicate prior to thorough discussion with the United Auto Workers union.

On April 3, 2009, Chrysler officials met with the Kenosha Task Force and reiterated the need to defer the Phoenix Program. Upon emergence from Chapter 11, plans are to continue to produce the current engine families through December of 2010 at the Kenosha Engine Plant in order to support our current products. The Trenton Engine site has been completely facilitated and will launch when we exit from Chapter 11. The Saltillo Engine site has also been facilitated and is scheduled to launch mid-to-late 2010.

We would have hoped to have been able to convey this information to you and the community in a more timely fashion, but circumstances simply did not afford us an opportunity to do so. It is expected that virtually all employees associated with Kenosha and the other closures announced in our Chapter 11 filings will be offered employment with the new company.

While the company continues to address difficult market conditions, we expect that the Chrysler Fiat alliance will ultimately provide customers and dealers a broader competitive line of fuel-efficient vehicles and technology, and will result in the preservation of more than 30,000 jobs in the United States along with thousands of employees at dealers and suppliers.

Again, please accept my sincere apologies for the confusion. We will continue to work with the people of Kenosha to ensure an orderly transition.

Sincerely,

A handwritten signature in black ink that reads "Bob". The signature is written in a cursive, slightly slanted style.

cc: The Honorable Senator Herb Kohl
The Honorable Senator Russ Feingold
The Honorable Representative Paul Ryan
The Honorable Representative Tammy Baldwin
The Honorable Representative Ron Kind
The Honorable Representative Gwen Moore
The Honorable Representative F. James Sensenbrenner, Jr.
The Honorable Representative Thomas Petri
The Honorable Representative David Obey
The Honorable Representative Steve Kagen