

JONES DAY
222 East 41st Street
New York, New York 10017
Telephone: (212) 326-3939
Facsimile: (212) 755-7306
Corinne Ball
Veerle Roovers

JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
David G. Heiman

JONES DAY
1420 Peachtree Street, N.E.
Suite 800
Atlanta, Georgia 30309
Telephone: (404) 521-3939
Facsimile: (404) 581-8309
Jeffrey B. Ellman

Proposed Attorneys for Debtors
and Debtors in Possession

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

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

**MOTION OF DEBTORS AND DEBTORS IN POSSESSION
FOR AN ORDER CONFIRMING THE ADMINISTRATIVE
EXPENSE PRIORITY STATUS OF THE DEBTORS'
UNDISPUTED AND LIQUIDATED OBLIGATIONS
FOR POSTPETITION DELIVERIES OF REQUESTED
GOODS AND PROVISION OF REQUESTED SERVICES**

TO THE HONORABLE
UNITED STATES BANKRUPTCY JUDGE:

Chrysler LLC ("Chrysler") and 24 of its domestic direct and indirect subsidiaries, as debtors and debtors in possession (collectively with Chrysler, the "Debtors"), respectfully represent as follows:

Background

1. On the date hereof (the "Petition Date"), the Debtors commenced their reorganization cases by filing voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). By a motion filed on the Petition Date, the Debtors have requested that their chapter 11 cases be consolidated for procedural purposes only and administered jointly.

2. The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. The Debtors and their nondebtor direct and indirect subsidiaries (collectively, the "Chrysler Companies") comprise one of the world's largest manufacturers and distributors of automobiles and other vehicles, together with related parts and accessories. On the Petition Date, the Chrysler Companies employed approximately 55,000 hourly and salaried employees worldwide, 70% of whom were based in the United States. In addition, as of the Petition Date, the Debtors made payments for health care and related benefits to more than 105,000 retirees.

4. Chrysler's ultimate parent company, Chrysler Holding LLC ("Chrysler Parent"), also owns a financing company, nondebtor Chrysler Financial Services Americas LLC ("Chrysler Financial"), that operates under a governance structure separate from Chrysler, with

its own board and management. Historically, Chrysler Financial has provided financing to both Chrysler's dealers and consumers.

5. For the twelve months ended December 31, 2008, the Chrysler Companies recorded revenue of more than \$48.4 billion and had assets of approximately \$39.3 billion and liabilities totaling \$55.2 billion.

6. A more detailed explanation of Chrysler's businesses and operations, and the events leading to the commencement of these cases, can be found in the Affidavit of Ronald E. Kolka, which was filed contemporaneously herewith and is incorporated herein by reference.

Overview of These Cases

7. The significance of this chapter 11 filing to Chrysler and to the United States economy is difficult to overstate. In connection with the filing, Chrysler is seeking approval from this Court to consummate the only sale transaction that preserves some portion of its business as a going concern and averts a liquidation of historic proportions. If the proposed transaction, designed to effect an alliance with Italian automobile manufacturer Fiat S.p.A. ("Fiat"), is rejected and Chrysler liquidates, it will mean the end of an iconic, 83-year-old American car company whose name has been synonymous with innovative engineering, from the Slant-Six and HEMI engines, to power windows, power brakes and power steering, to the minivan. A liquidation would also have impacts on the nation's economy and Chrysler's stakeholders that are grim:

- 38,500 hourly and salaried Chrysler workers in the U.S. will lose their jobs;
- Chrysler's workers and retirees and their surviving spouses will lose over \$9.8 billion of health care and other benefits and \$2 billion in annual pension payments;

- All 23 of Chrysler's manufacturing plants and facilities and 15 parts depots in the United States will shut down (as well as 18 additional plants and parts depots worldwide);
- Approximately 3,200 Chrysler dealers will be put out of business and the over 140,000 employees of those dealerships will lose their jobs;
- Over \$5.7 billion in outstanding auto parts and service supplier invoices will not be paid to Chrysler's suppliers and new business will be cancelled, forcing hundreds of suppliers out of business and the loss of hundreds of thousands of additional jobs;
- Over 31 million Chrysler, Jeep and Dodge owners would lose significant value in their cars and trucks, particularly due to questions about the ongoing availability of warranties and replacement parts and services;
- Local, state and federal governments will lose tens of billions of dollars in tax revenues, according to a research memorandum published by the Center for Automotive Research in November 2008;¹
- Over \$100 billion in annual sales will disappear from local economies; and
- Chrysler's first lien secured creditors will receive net present value recoveries of less than 38 cents on the dollar and possibly as little as 9 cents; the U.S. government, another secured creditor, will receive less than that; and Chrysler's unsecured creditors will receive nothing.

8. The economic and market conditions that led to the commencement of Chrysler's chapter 11 cases and the need for the proposed sale transaction are well known, but sobering nonetheless. The automotive market meltdown, the worst in at least 26 years,² disrupted Chrysler's substantial progress in implementing a long-term plan to reduce costs and transform its businesses for the next generation of cars. With sales plummeting and credit markets frozen, Chrysler undertook an intense effort to address the challenges it faced. After months of hard work and dedication by Chrysler's management, employees and advisors,

¹ Daniel Cole, *et al.*, Center for Automotive Research Memorandum, *The Impact on the U.S. Economy of a Major Contraction of the Detroit Three Automakers*, at <http://www.cargroup.org> (Nov 4, 2008).

² Chris Isidore, *Auto Sales Are Worst in 26 Years. January Sales Tumble More Than Expected at GM, Ford and Toyota as Rental Car Companies Slash Purchases*, CNNMoney.com, Feb. 3, 2009 (4:22 p.m., ET).

working with all key stakeholders and with the support of the U.S. government, the Debtors have commenced these cases to implement a prompt sale to preserve the going concern value of their businesses and return these businesses to viability under new ownership.

9. The proposed sale transaction would create the sixth-largest global automaker by volume unit, increasing competitiveness with other Original Equipment Manufacturers ("OEMs") and creating billions of dollars in synergies. This transaction is the result of thousands of hours of negotiations among multiple parties. The transaction is being financially backed by the United States Department of the Treasury (the "U.S. Treasury") and Export Development Canada, an affiliate of the Canadian government, which together will provide the new alliance with approximately \$6 billion of taxpayer money to start up and maintain operations. In addition to this unprecedented government support, virtually all of the major constituencies that would be affected by a Chrysler liquidation have recognized how devastating it would be and have made important concessions in support of the proposed alliance:

- The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the "UAW") has agreed to wage and benefit reductions in the context of a sale to the new company, which would receive the benefit of a new collective bargaining agreement eliminating certain severance benefits, and would be a party to an agreement with the UAW containing restructured retiree health care benefits;
- Chrysler's dealers have agreed to reduce their dealer and service contract margins;
- Chrysler's already financially troubled suppliers have agreed to a further 3% price reduction and other measures that will save millions of dollars;
- Chrysler's largest secured creditors, JPMorgan Chase, Goldman Sachs, Morgan Stanley and Citigroup, have agreed to the transaction that would substantially compromise their first lien debt, comprising 70% of the \$6.9 billion total outstanding, for an estimated recovery of approximately 28 cents on the dollar; and

- Chrysler Parent's minority shareholder, Daimler AG ("Daimler"), has agreed as part of a settlement with Chrysler to (a) forgive \$1.5 billion of second lien debt, at the same time that \$500 million of second lien debt is forgiven by majority shareholder Cerberus Capital Management L.P. ("Cerberus"); and (b) assist in funding Chrysler's pension plans.

Representatives of these constituencies have devoted the past six months to reaching these agreements.

10. As the culmination of these efforts, Chrysler, Fiat and New Chrysler (as defined below) have reached an agreement in principle and are expected to enter into a Master Transaction Agreement (collectively with other ancillary and supporting documents, the "Purchase Agreement") in short order. Pursuant to the Purchase Agreement, among other things: (a) Chrysler will transfer the majority of its operating assets to New CarCo Acquisition LLC ("New Chrysler"), a newly established Delaware limited liability company that currently is an indirect wholly-owned subsidiary of Fiat; and (b) in exchange for those assets, New Chrysler will assume certain liabilities of Chrysler and pay to Chrysler \$2 billion in cash (collectively with the other transactions contemplated by the Purchase Agreement, the "Fiat Transaction").

11. With the support of the U.S. government, Fiat, the UAW, dealers, suppliers and other stakeholders, the Debtors commenced these cases to implement an expeditious sale process to implement the Fiat Transaction, or a similar transaction with a competing bidder, designed to maximize the value of the Debtors' operations and businesses for the benefit of their stakeholders. Pending the proposed sale, the Debtors will idle most operations as they conserve their resources, while at the same time ensuring that (a) the facilities are prepared to resume normal production schedules quickly upon the completion of a sale and (b) consumers are not impacted by the filing.

12. Time is of the essence. Given the continuing stress on all aspects of the automotive industry and the idling of the Debtors' manufacturing facilities, key relationships with suppliers, dealers and other business partners simply cannot be preserved if the sale process is not concluded quickly. Absent a prompt sale, approved and consummated in the coming weeks, the value of the Debtors' assets will rapidly decline and the ability to achieve a going concern sale will be irretrievably lost. By contrast, the proposed sale transaction, if it can be promptly consummated, will maximize the value available for stakeholders, will save hundreds of thousands of jobs and will strengthen the U.S. automotive sector and the economy generally.

Jurisdiction

13. This Court has subject matter jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

14. Pursuant to sections 105, 363(c) and 503(b)(1)(A) of the Bankruptcy Code, the Debtors hereby seek the entry of an order: (a) confirming the administrative expense priority status of the Debtors' undisputed and liquidated obligations to (i) suppliers for the postpetition delivery of requested goods and (ii) service providers for the postpetition provision of requested services; (b) confirming that the Debtors have authority to pay such expenses in the ordinary course of their business; and (c) granting certain related relief.

Argument

15. Numerous suppliers and service providers regularly provided the Debtors with goods and services prior to the Petition Date. As of the Petition Date, the Debtors had outstanding prepetition purchase orders, or outstanding releases under existing purchase orders

(collectively, the "Outstanding Orders"), with suppliers and service providers (collectively, the "Suppliers") for such goods and services.

16. As set forth above, the Debtors are pursuing the prompt approval and consummation of the Fiat Transaction or a similar going concern transaction with a competing bidder (any such transaction, a "Sale Transaction"). Pending such a sale, the Debtors have idled most operations as they conserve their resources, while at the same time ensuring that (a) the facilities are prepared to resume normal production schedules quickly upon the completion of a sale and (b) consumers are not impacted by the filing (e.g., by continuing operations at parts depots to provide an uninterrupted supply of parts to service the Debtors' vehicles). Immediately upon the consummation of the Fiat Transaction, the Debtors anticipate that the purchased manufacturing and assembly facilities will resume normal operations under the ownership of New Chrysler.

17. Under the circumstances, in many cases, the Debtors will not wish to take delivery of additional goods or receive additional services after the Petition Date while their manufacturing facilities are idled. However, the Debtors continue to operate certain parts depots and are maintaining their facilities to be prepared to restart quickly in connection with a sale. As such, in support of these activities, the Debtors may wish to have certain goods delivered to them or to have certain services performed after the filing of these chapter 11 cases to help preserve and maximize the value of their assets.

18. The Debtors believe, however, that the Suppliers, particularly including foreign suppliers or unsophisticated suppliers, may perceive a risk that they will not be paid or may be treated as prepetition general unsecured creditors for the cost of any shipments made or services provided after the Petition Date. This perceived risk may be enhanced given the idling

of the Debtors' operations. As a result, the Suppliers may refuse to ship such goods to the Debtors or provide services to the Debtors, to the detriment of the Debtors' efforts to preserve and maximize the value of their assets as they pursue the consummation of the Sale Transaction.

19. Under these circumstances, the Debtors believe that relief is needed to permit the Debtors to obtain the delivery of goods and provision of services from the Suppliers. Accordingly, the Debtors seek entry of an order confirming that the Debtors' undisputed and liquidated obligations to the Suppliers (including under Outstanding Orders) for (a) shipments of goods requested by, delivered to and accepted by the Debtors on and after the Petition Date and (b) the provision of services to the Debtors on and after the Petition Date at the Debtors' request, each will be entitled to administrative expense priority status. Notwithstanding the foregoing, the Debtors do not seek authority in this Motion to pay any obligations to the Suppliers where title to the underlying goods was transferred to the Debtors prior to the Petition Date pursuant to the applicable state law or the express terms of the legal documents governing a particular postpetition shipment.

20. The Debtors submit that the relief sought herein is noncontroversial and entirely consistent with the applicable provisions of the Bankruptcy Code. Claims arising out of the postpetition delivery of goods or rendering of services are "ordinary course" administrative claims that a debtor in possession is authorized to pay pursuant to sections 363(c) and 503(b)(1)(A) of the Bankruptcy Code. Section 503(b)(1)(A) of the Bankruptcy Code affords administrative expense priority to such claims. Section 363(c) of the Bankruptcy Code authorizes a debtor in possession to "enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and [that a debtor in possession] may use property of the estate in the ordinary course of business."

11 U.S.C. § 363(c); see also 4 Collier on Bankruptcy § 503.03[4] (15th ed. rev. 2003) (stating that many postpetition payments to trade creditors and similar entities fall within the scope of section 363(c)(1) and that creditors that accrue ordinary course administrative claims generally deal with debtors on terms which require current payment). The requested relief merely confirms the treatment of such postpetition obligations under the Bankruptcy Code.

21. Under section 105 of the Bankruptcy Code, the Court has broad discretion to issue orders necessary to "carry out the provisions of this title." 11 U.S.C. § 105(a). For all of the reasons described above, the Debtors submit that the relief sought herein will assist the Debtors' as they seek to preserve and maximize the value of their assets and therefore is appropriate under section 105 of the Bankruptcy Code

22. Similar relief to that requested herein has been granted in other chapter 11 cases in this District and elsewhere. See, e.g., In re Steve & Berry's Manhattan LLC, No. 08-12579 (ALG) (Bankr. S.D.N.Y. Jul. 10, 2008); In re Lexington Precision Corp., No. 08-11153 (MG) (Bankr. S.D.N.Y. Apr. 2, 2008); In re Dana Corp., No. 06-10354 (BRL) (Bankr. S.D.N.Y. Mar. 6, 2006); In re Delphi Corp., No. 05-44481 (RDD) (Bankr. S.D.N.Y. Oct. 13, 2005); In re Delta Air Lines, Inc., No. 05-17923 (PCB) (Bankr. S.D.N.Y. Sept. 16, 2005); In re Northwest Airlines Corp., No. 05-17930 (ALG) (Bankr. S.D.N.Y. Sept. 15, 2005); In re Magellan Health Svcs., Inc., No. 03-40515 (PCB) (Bankr. S.D.N.Y. Mar. 11, 2003); In re Enron Corp., No. 01-16034 (AJG) (Bankr. S.D.N.Y. Dec. 3, 2001).³

23. Nothing in this Motion shall be deemed to be a request that any party deliver goods or provide services to the Debtors. Likewise, nothing herein shall be deemed to

³ Because of the voluminous nature of these unreported orders, they are not attached to this Motion. Copies of these unreported orders will be made available to the Court at or prior to the hearing on this Motion and are available to other parties upon request from counsel to the Debtors.

modify or waive any of the Debtors' rights with respect to goods and services requested or received from the Suppliers, including any existing right under contract or existing law to: (a) cancel a purchase order or a release under a purchase order (including any Outstanding Order); (b) decline the acceptance of goods and services by contract or under applicable state law; (c) return any defective, nonconforming or unacceptable goods; or (d) contest the amount of any invoice or claim on any grounds. Further, nothing herein is intended to (w) allow any particular claim or expense; (x) be an assumption of any contract; (y) be a promise or guarantee of payment of any particular claim or group of claims; or (z) modify, create or expand any rights of the Suppliers under the Bankruptcy Code or otherwise.

Notice

24. No trustee or examiner has been appointed in these chapter 11 cases.

Notice of this Motion has been given to: (a) the Office of the United States Trustee for the Southern District of New York; (b) the creditors holding the 50 largest unsecured claims against the Debtors' estates, as identified in the Debtors' chapter 11 petitions; (c) counsel to the administrative agent for the Debtors' prepetition senior secured lenders; (d) counsel to Cerberus; (e) counsel to Daimler; (f) counsel to the UAW; and (g) counsel to the U.S. Treasury. The Debtors submit that no other or further notice need be provided.

No Prior Request

25. No prior request for the relief sought in this Motion has been made to this or any other Court.

WHEREFORE, the Debtors respectfully request that this Court: (i) enter an order substantially in the form attached hereto as Exhibit A, granting the relief sought herein; and (ii) grant such other and further relief to the Debtors as the Court may deem proper.

Dated: April 30, 2009
New York, New York

Respectfully submitted,

/s/ Corinne Ball

Corinne Ball
Veerle Roovers
JONES DAY
222 East 41st Street
New York, New York 10017
Telephone: (212) 326-3939
Facsimile: (212) 755-7306

David G. Heiman
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Jeffrey B. Ellman
JONES DAY
1420 Peachtree Street, N.E.
Suite 800
Atlanta, Georgia 30309
Telephone: (404) 521-3939
Facsimile: (404) 581-8309

PROPOSED ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

EXHIBIT A

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

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

**ORDER CONFIRMING THE ADMINISTRATIVE EXPENSE
PRIORITY STATUS OF THE DEBTORS' UNDISPUTED AND
LIQUIDATED OBLIGATIONS FOR POSTPETITION DELIVERIES OF
REQUESTED GOODS AND PROVISION OF REQUESTED SERVICES**

This matter coming before the Court on the Motion of Debtors and Debtors in Possession for an Order Confirming the Administrative Priority Status of the Debtors' Undisputed and Liquidated Obligations for Postpetition Deliveries of Goods and Provision of Services (the "Motion"),¹ filed by debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors"); the Court having reviewed the Motion and the Affidavit of Ronald E. Kolka in support of First Day Pleadings (the "Affidavit") and having considered the statements of counsel and the evidence adduced with respect to the Motion at a hearing before the Court (the "Hearing"); the Court finding that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b), (c) notice of the Motion and the Hearing was sufficient under the circumstances and (d) the relief granted herein is consistent with the Bankruptcy Code and is necessary and

¹ Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion.

appropriate to assist the Debtors in obtaining goods and services, requested postpetition, from Suppliers; and the Court having determined that the legal and factual bases set forth in the Motion and the Affidavit and at the Hearing establish just cause for the relief granted herein;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. The administrative expense priority status, pursuant to section 503(b)(1)(A) of the Bankruptcy Code, for the Debtors' undisputed and liquidated obligations to Suppliers (including under Outstanding Orders) arising from (a) shipments of goods requested by, delivered to and accepted by the Debtors on and after the Petition Date and (b) provision of services to the Debtors on and after the Petition Date at the Debtors' request is hereby confirmed.
3. The Debtors are authorized to pay such obligations in the ordinary course of business.
4. Nothing in this Order shall authorize the Debtors to pay any obligations to the Suppliers where title to the underlying goods was transferred to the Debtors prior to the Petition Date.
5. Nothing in this Order shall be deemed to be a request that any party deliver goods or provide services to the Debtors. Likewise, nothing herein shall be deemed to modify or waive any of the Debtors' rights with respect to goods and services requested or received from the Suppliers, including any existing right under contract or existing law to:
(a) cancel a purchase order or a release under a purchase order (including any Outstanding Order); (b) decline the acceptance of goods and services by contract or under applicable state

law; (c) return any defective, nonconforming or unacceptable goods; or (d) contest the amount of any invoice or claim on any grounds. Further, nothing herein is intended to (w) allow any particular claim or expense; (x) be an assumption of any contract; (y) be a promise or guarantee of payment of any particular claim or group of claims; or (z) modify, create or expand any rights of the Suppliers under the Bankruptcy Code or otherwise.

Dated: New York, New York
_____, 2009

UNITED STATES BANKRUPTCY JUDGE