



The NCRO has received many calls and emails from retirees asking about the materials they were sent by Old CarCo (Old Chrysler). This includes a “Ballot for Accepting or Rejecting Second Amended Joint Plan of Liquidation of Debtors and Debtors in Possession.” The NCRO asked our attorney to help understand why we received this ballot and what are the implications of voting yes or no. We are emailing and posting his response to help you understand the voting process and the overall status of Old Chrysler’s bankruptcy to our retirees and their families. Here it is:

What was sent to me and why was it sent? Pursuant to Bankruptcy Court rules, every creditor who filed a Proof of Claim in the bankruptcy is entitled to vote on the Plan of Liquidation. As you know, many retirees—and the NCRO itself—filed Proofs of Claim for healthcare, life insurance, SRP and/or other benefits that were reduced or eliminated by the company. The proposed Plan of Liquidation is exactly what the name implies; Old Chrysler’s plan to liquidate all of its remaining assets in order to repay its creditors.

There are two main classes of debt addressed by the Plan of Liquidation. While there are several sub-classes, the two main categories of debt are the best to examine to understand what is going on at a high level. The first class of debt is “secured” debt. This class is made up of banks and other lenders who hold secured positions over Old Chrysler’s physical assets, such as buildings, accounts receivable and the like. Under the proposed Plan of Liquidation everything that can be sold or collected in cash (or that has already been sold or collected) will go toward payment of Old Chrysler’s secured creditors. Given the extraordinary amount of secured debt versus the assets that can be sold or collected, there is no expectation that the secured creditors will be paid in full.

The second class of debt is “unsecured” debt. This class covers all debt that is not secured by physical assets, such as debts to vendors, retiree claims and the like. The NCRO and all typical retiree claims fall into this second category. Under the proposed Plan of Liquidation, the only potential

recovery for unsecured creditors is from a lawsuit that has been initiated against Daimler and certain former Daimler directors. The basic theory of the Daimler litigation is that Daimler improperly moved assets away from the Chrysler entities prior to its sale of Chrysler to Cerberus. In particular the Daimler litigation is aimed at transfers relating to Chrysler Financial. This case is currently pending, but remains at an early stage of what is sure to be hard-fought litigation. Under the proposed Plan of Liquidation any recovery in the Daimler litigation in excess of \$25,000,000 will be applied equally to all unsecured claimants. To be clear, while there is an Unsecured Creditors' Committee that acts on behalf of the entire class of unsecured creditors, there is no priority for the members of that committee versus any other unsecured creditors—any recovery is applied equally to all unsecured creditors who hold valid unsecured claims.

What are the consequences for voting for or against the Plan of Liquidation? *As you know from the materials that you received, the Unsecured Creditors' Committee and Old Chrysler are recommending that you vote in favor of the Plan of Liquidation. The NCRO is not recommending that you vote one way or the other. Instead, we are trying to help you with the decision making process by giving you some background information and explanation. The decision that you ultimately reach is yours alone, and you may wish to consult with counsel of your own choosing if you have further questions and/or if you have claims that differ from the general unsecured claims discussed here.*

The Unsecured Creditors' Committee is recommending acceptance of the Plan of Liquidation because they believe that their negotiations with Old Chrysler that led to the Plan of Liquidation represent the best chance of recovery for all unsecured creditors. Because Old Chrysler has such a large amount of secured debt, the Unsecured Creditors' Committee believes that they were able to achieve a victory in getting the Daimler litigation assigned for the benefit of unsecured creditors even though there will be secured creditors who will not get a full recovery. Such a result is not normal in bankruptcy because it differs from the normal priority that secured debt has over unsecured debt.

If you vote in favor of the Plan of Liquidation (and if the Plan of Liquidation is approved by the unsecured creditors) then you are agreeing that any recovery in excess of \$25,000,000 from the Daimler litigation can be spread to all of the unsecured creditors. By voting in favor of the Plan of Liquidation you are also agreeing to the releases of liability against Old Chrysler and certain of its affiliated companies. This means that you cannot maintain any other direct claim against Old Chrysler and the other released parties. Practically there are limitations of any such actions anyway as a result of the bankruptcy, and there is the reality that Old Chrysler lacks assets to pay any judgment even if one could be achieved.

If you vote against the Plan of Liquidation (and if the Plan of Liquidation is defeated) then you will not be releasing any claims against Old Chrysler or any other released company. However, if the unsecured creditors do not vote in favor of the Plan of Liquidation then the Government Lenders (the Federal government financing that was provided to Chrysler at the outset and prior to the bankruptcy) will not release their priority over unsecured creditors to any recovery that might be achieved in the Daimler litigation. Effectively, according to the Plan of Liquidation, there would not be any recovery for the unsecured creditors if the unsecured creditors do not vote in favor of the Plan of Liquidation.

Since I get to vote does that mean that my Proof of Claim has been accepted? *No. The bankruptcy rules allow for unsecured creditors to vote their claims in order to get a Plan of Liquidation approved, but that does not mean that the "estate" is agreeing to the validity or amounts of the claims that were made. In fact, the continuing process will be for Old Chrysler to examine the Proofs of Claims to eliminate or contest claims that it does not believe are legitimate. The first steps at claim elimination have already taken place as Old Chrysler has sought approval to eliminate duplicative claims and claims that were not valid on their face. This process will continue after the Plan of Liquidation is approved or rejected. The NCRO has reached out to the attorneys for Old Chrysler and the Unsecured Creditors' Committee and will continue to do so with the intent of trying to determine the legitimacy of retiree claims on a class or group basis. Obviously this would be mutually beneficial for both the retirees and for Old Chrysler since many of the claims are closely related such that it would be*

very burdensome to expect individual retirees to fight their claims themselves or through counsel that they would have to retain. As of this time there has been no agreement as to working on a group basis, but the NCRO will continue to try to get agreement from Old Chrysler to handle these claims in the most efficient and logical manner. There is also a possibility that Old Chrysler will wait until there is some clarity on recovery in the Daimler litigation before spending large amounts of time and money to argue over unsecured claims before there is a likely recovery for the unsecured creditor class. We are hoping to get more clarity on Old Chrysler's plans at the hearing to confirm Chrysler's Plan of Liquidation and will update the group as we learn more.

Don't forget the ballot must be **received by March 2nd**.

We hope this information has helped you. I look forward to seeing you at the next NCRO breakfast meeting with David E Davis on February 23 at 10AM at the Venetian in Madison Heights. If you haven't signed up yet, please visit www.NCRO.org. and click on the Events tab.

Sincerely,

A handwritten signature in cursive script that reads "Chuck Austin".

Chuck Austin
President NCRO