

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11
	:	
Old Carco LLC	:	Case No. 09-50002 (AJG)
(f/k/a Chrysler LLC), <i>et al.</i> ,	:	
	:	(Jointly Administered)
	:	
Debtors.	:	
-----X	:	

**DECLARATION OF ROBERT J. MANZO IN  
SUPPORT OF SECOND AMENDED JOINT PLAN OF  
LIQUIDATION OF DEBTORS AND DEBTORS IN POSSESSION**

I, Robert J. Manzo, make this Declaration under 28 U.S.C § 1746 and state the following under penalty of perjury:

1. I am an Executive Director with Capstone Advisory Group, LLC (together with its wholly-owned subsidiaries, agents, independent contractors and employees, "Capstone"), a financial advisory services firm with five offices throughout the country. Capstone is retained as financial advisor to the debtors and debtors in possession in the above-captioned Chapter 11 Cases (collectively, the "Debtors"). I have led the engagement of Capstone in these cases.

2. I make this Declaration (the "Declaration") in support of Confirmation of the Second Amended Joint Plan of Liquidation of Debtors and Debtors in Possession, dated as of January 22, 2010 (Docket No. 6272) (as modified and as it may be further modified or amended, the "Plan").<sup>1</sup>

3. My Declaration is based upon (a) my personal knowledge and experience acquired in the ordinary and regular course of my profession and my work in these cases, (b) my review of relevant documents and information supplied to me by the Debtors or Professionals

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

retained by the Debtors, (c) materials and analyses prepared by others at Capstone under my direction and supervision and/or (d) my opinion based upon my experience and knowledge of the automotive industry, insolvency matters and the Debtors' assets, liabilities and financial condition. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

### **Qualifications**

4. I have considerable experience with chapter 11 restructurings and liquidations and other distressed company engagements, representing both debtors and creditors. I have over 25 years of restructuring experience and have advised major corporations, money center and investment banks and other parties on numerous bankruptcy-related transactions. Advisory assignments in which I have been actively involved include, among others: Refco Inc.; Adelphia Communications Corp.; FederalMogul Corp.; Regal Cinemas, Inc.; Bruno's Supermarkets, LLC; Owens Corning; and Crown Paper Co. I have also acted on behalf of various debtors, including Camelot Music Holdings, Inc.; Cumberland Farms/Gulf Oil LP; and Virgin Entertainment Group. I serve as the sole manager of RJM, LLC, the plan administrator for the Refco Inc. liquidation trust.

5. I hold a B.A. in Accounting from Rider University. I am a Certified Public Accountant and a Certified Insolvency and Restructuring Advisor. I am a member of the New Jersey State Society of Certified Public Accountants, the American Institute of Certified Public Accountants and the Association of Insolvency and Reorganization Advisors.

6. Prior to joining Capstone, I was a founder of Policano and Manzo LLC which was purchased by FTI Consulting in 2000. While at FTI Consulting, I was co-head of the restructuring practice overseeing 300 professionals.

7. I am the sole manager of RJM I, LLC, the initial Liquidation Trustee pursuant to the Plan. In this capacity, I will oversee the continued winddown of the Debtors' Estates and the distribution of the Liquidation Trust Assets in accordance with the applicable provisions of the Plan, the Winddown Orders and the Liquidation Trust Agreement.

8. Capstone is recognized for its expertise in providing financial advisory services in financially distressed situations, including advising debtors, creditors and other constituents in chapter 11 proceedings and serving as financial advisor in numerous cases.

9. Capstone has acted as financial advisor, crisis manager and corporate officer in both in-court and out-of-court restructurings of companies of various sizes (from middle market to large multinational corporations) across a wide array of industries. Capstone's clients include debtors, creditors, corporate parents, financial sponsors and indenture trustees. Of particular note, Capstone has significant experience with the restructurings of underperforming manufacturers in the automotive industry, including: Allied Holdings; AMERCO, Inc. (D-Haul); APS Auto Parts; Burlington Motors, Inc.; Cambridge Industries, Inc.; Citation; Collins & Aikman Corp.; Delphi Corporation; Dura Automotive Systems, Inc.; Federal Mogul Corporation; Harvard Industries Inc.; Internet Corp.; JL French Automotive Castings Inc.; Meridian Automotive Systems Inc.; Metaldyne Corp.; and Tower Automotive, Inc.

10. Supporting me with the ongoing engagement by the Debtors has been a team of Capstone professionals working on-site at the Debtors' headquarters in Auburn Hills, Michigan and other locations. The Capstone team has been in place since the middle of November 2008. After the closing of the Fiat Transaction, Capstone assisted the Debtors with the negotiation and implementation of the winddown of the Debtors' Estates. I, along with others at Capstone, have developed substantial knowledge regarding the Debtors that allows us to

provide, among other things, an accurate assessment of the feasibility of the Plan, the benefits of the Plan compared to liquidation under chapter 7 of the Bankruptcy Code and the appropriateness of the consolidation of the Debtors' Estates for purposes of implementing the Plan and other issues relevant to the Confirmation and implementation of the Plan.

11. Following the Fiat Transaction, the Debtors maintained, among other assets, 21 parcels of real property (including former Chrysler facilities and certain personal property at these facilities) and over 7,400 vehicles, representing substantially all of the physical assets not sold to New Chrysler. During the past eight months, Capstone, on behalf of the Debtors, has led the efforts to market the real property assets for sale. As a result of these efforts, and despite challenging market conditions, the Debtors have (a) negotiated and closed the sale of seven real property assets and obtained court approval of two additional sales, for total cash proceeds of \$91.6 million; and (b) executed purchase agreements for the sale of eight additional real property assets. Based on its ongoing marketing efforts, Capstone anticipates that all six of the remaining real property assets also will be sold in commercial transactions in the coming months. In addition, Capstone and the Debtors, in cooperation with Chrysler Group, have successfully liquidated over 6,200 of the vehicles in inventory for approximately \$110.7 million, and anticipate auctioning the remaining vehicles during the course of 2010.

#### **Feasibility Analysis**

12. Under my supervision and direction, Capstone employees prepared a report regarding the feasibility of the Plan, dated March 11, 2010 (the "Feasibility Analysis"), a copy of which is attached hereto as Exhibit A and incorporated herein by reference. Because the Plan proposes a liquidation of all of the Debtors' assets, Capstone has analyzed the ability of the Liquidation Trust to meet its obligations under the Plan, including the payment or satisfaction of all: (a) Allowed Administrative Priority Claims; (b) Allowed Priority Tax Claims;

(c) Allowed Priority Claims; (d) Allowed Secured Claims; and (e) all expenses of the Liquidation Trust (collectively, the "Claims and Expenses").

13. The Feasibility Analysis reflects Capstone's judgment, and my judgment, as to the occurrence or nonoccurrence of certain future events, which are subject to change. All statements and conclusions in the Feasibility Analysis are qualified by the introductory notes, assumptions and the footnotes included therein (collectively, the "Feasibility Notes"), including the assumption that the Plan is confirmed as filed (incorporating modifications filed with the Bankruptcy Court) with an Effective Date of March 31, 2010. Accordingly, among other things, the Feasibility Analysis assumes the substantive consolidation of the Debtors' Estates for purposes of implementing the Plan and the priorities of distribution on account of Allowed Claims proposed in the Plan. The assumptions included in the Feasibility Notes are those that Capstone, and I, believe to be significant to the Feasibility Analysis. Although Capstone is of the opinion that these assumptions are reasonable under current circumstances, such assumptions are subject to inherent uncertainties. Consequently, actual results could differ significantly from those shown in the Feasibility Analysis.

14. Based upon Capstone's analysis and the Feasibility Notes, Capstone, and I, believe that, if the Plan is confirmed, the Liquidation Trust is projected to have sufficient assets to pay the Claims and Expenses to accomplish the Liquidation Trust's tasks under the Plan. The source of funding of the Plan primarily is the Liquidation Accounts, as well as the permitted use of certain proceeds of assets sold or collected by the Liquidation Trust and any Daimler Proceeds. The Liquidation Accounts will be used for their designated purposes consistent with the terms of the Plan, the Winddown Orders and the Winddown Budget. The Debtors project that they have sufficient access to cash in the Liquidation Accounts (as they may be

supplemented by future asset sales) to fund the implementation of the Plan without relying on any future recoveries on account of the Daimler Litigation.

15. I therefore believe that the Plan is feasible and can be implemented in accordance with its terms.

### **Liquidation Analysis**

16. In connection with the Confirmation of the Plan, Capstone employees, acting under my direction, prepared a liquidation analysis (the "Liquidation Analysis") that illustrates the projected outcome of the hypothetical, orderly liquidation of the Debtors under chapter 7 of the Bankruptcy Code commencing on February 2, 2010. This Liquidation Analysis was filed with the Bankruptcy Court on January 12, 2010 as Exhibit D to the Disclosure Statement (Docket No. 6198).

17. Because the Liquidation Analysis is a forward looking statement, all representations therein are qualified by the assumptions and notes (collectively, the "Liquidation Notes") set forth therein. Among other assumptions, the Liquidation Analysis assumes that: (a) the Government DIP Lenders will retain their Liens on any proceeds of the Daimler Litigation and will not pursue such litigation or fund the chapter 7 trustee to pursue such litigation; and (b) any excess amounts in the Sales and Use Escrow are subject to the Liens of the Government DIP Lenders and will be paid to them after all relevant Escrow Tax Claims (as defined in the Liquidation Analysis) are resolved and satisfied. See Liquidation Analysis, at 2.

18. The available assets in a chapter 7 liquidation are:

- (a) cash and short term investments, comprised of: (i) available Liquidation Funds subject to the Liens of the Government DIP Lenders; (ii) the First Lien Reserve and the First Lien Daimler Fund Balance, subject to the Liens of the First Lien Lenders; (iii) the Sales and Use Tax Escrow, subject to the rights of the

beneficiaries thereof and the Liens of the Government DIP Lenders; and (iv) the Committee Car Proceeds; and

- (b) other assets, comprised of (i) other, fully encumbered, DIP Collateral and (ii) other First Lien Collateral that is also fully encumbered.

See Liquidation Analysis, at 6.

19. The Liquidation Analysis concludes that:

- (a) With respect to Secured Claims: (i) the Government DIP Lenders will potentially receive enhanced recoveries in a chapter 7 because Available Liquidation Funds are returned rather than used to fund the Plan; (ii) the First Lien Lenders will receive diminished recoveries in a chapter 7; (iii) the holders of Owners' Secured Claims will receive no recovery in a chapter 7 liquidation or under the Plan; and (iv) the holders of Other Secured Claims will receive a recovery from 0% to 100% in a chapter 7 liquidation, as compared to a 100% recovery under the Plan. See id.;
- (b) With respect to Administrative Claims, holders of pre-conversion chapter 11 Administrative Claims would receive less than 100% recovery in a chapter 7 liquidation, as compared to 100% recovery under the Plan. See id.;
- (c) In a chapter 7 liquidation, holders of Priority Claims would receive recoveries as follows: (i) holders of Priority Tax Claims would receive recoveries ranging from 0% to 100%, as compared to 100% recovery pursuant to the Plan; and (ii) holders of Priority Claims would receive 0% recovery, as compared to a 100% recovery under the Plan. See id.;
- (d) Holders of General Unsecured Claims would not receive any recovery in a chapter 7, as opposed to a potential recovery under the Plan. See id.; and
- (e) Holders of Interests in Class 4A will receive no property under either the Plan or in a chapter 7 liquidation. See id.

20. Thus, under a chapter 7 liquidation there would be no recoveries available

for: (a) certain holders of Other Secured Claims; (b) certain holders of Priority Tax Claims;

(c) any holders of Priority Claims; and (d) any holders of General Unsecured Claims. See id. By

contrast, approval of the Plan will result in (a) 100% recovery by holders of Other Secured

Claims; (b) 100% recovery by holders of Priority Tax Claims; (c) 100% recovery by holders of

Priority Claims; and (d) an opportunity for the holders of General Unsecured Claims to receive some distribution depending on the outcome of the Daimler Litigation. See id. In addition, the First Lien Lenders and the holders of pre-conversion Administrative Claims will receive a reduced recovery in a chapter 7 liquidation. See id.

21. Therefore, the Liquidation Analysis shows that, if these Chapter 11 Cases were converted to cases under chapter 7 of the Bankruptcy Code, the creditors would fare worse than if the Plan were confirmed pursuant to chapter 11 of the Bankruptcy Code. In particular, each holder of a Claim or Interest in an impaired Class under the Plan that has not accepted the Plan will receive or retain under the Plan ,on account of such Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount that such holder would so receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

### **Substantive Consolidation**

22. It is my understanding that, under the Plan, the Debtors are proposing the substantive consolidation of the Debtors' Estates for purposes of implementation of the Plan. Since before the Petition Date and in my role as an advisor to the Debtors, I have been intimately involved in evaluations and analyses of the Debtors' businesses, assets, corporate structure, financial systems, financial reports, commercial relationships and other matters fundamental to the Debtors' prior operations and their restructuring efforts. Based on my knowledge and analysis of the foregoing and my review of information provided by the Debtors and developed by Capstone, I believe that substantive consolidation is appropriate and in the best interests of creditors.



### The Debtors' Corporate Structure

23. All Debtors (other than Old Carco) are direct or indirect subsidiaries of Old Carco. Old Carco is a wholly-owned subsidiary of CarCo Intermediate HoldCo II LLC, a subsidiary of nondebtor Chrysler Holding LLC ("Chrysler Parent"). Old Carco was organized as a Delaware limited liability company on March 29, 2007 under the name DaimlerChrysler Company LLC, and subsequently renamed Chrysler LLC after the Daimler Divestiture (as defined in the Disclosure Statement) and then renamed Old Carco LLC after the Fiat Transaction.

24. As of the Petition Date, the Debtors generally functioned as a single entity without regard to individual legal entities. Many of the Debtors' corporate affairs were entangled, including the Debtors' operations and cash management. As a result, dividing the Debtors' corporate affairs on a Debtor-by-Debtor basis would be exceptionally difficult, if not impossible.

### Expectations of the Debtors' Creditors

25. *First Lien Lenders.* Old Carco is the borrower under the First Lien Credit Agreement, and 19 subsidiary Debtors are guarantors thereunder.<sup>2</sup> Old Carco's obligations under the First Lien Credit Agreement are secured by, among other things, a security interest in and first lien on substantially all of Old Carco's assets. The First Lien Lenders did not monitor the financial condition of the Debtors independently, but rather the First Lien Credit Agreement required the Debtors to provide the First Lien Lenders with consolidated financial statements.

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<sup>2</sup> Five dormant Debtor entities (i.e., Old Carco Dutch Investment LLC; Old Carco Dutch Operating Group LLC; Old Carco Dutch Holding, LLC; Old Carco Institute of Engineering; and Peapod Mobility LLC) and Alpha Holding L.P., an entity that historically had no operating activities, were not guarantors under the First Lien Credit Agreement. The same Debtors were, respectively, borrower and guarantors under the Owners' Loan Agreement.

26. *Trade Creditors.* To my knowledge, no trade creditor demanded to do business with a particular legal entity in the contracting process. The trade creditors generally signed purchase orders with Old Carco and invoiced Old Carco (rather than individual Debtors). Such trade creditors were paid directly by Old Carco from the main concentration account as set forth below. A very limited number of trade creditors dealt separately with Debtor subsidiaries that, prior to the Fiat Transaction, were involved in non-core aspects of the Debtors' business, i.e. (a) the neighborhood electric vehicle (NEV) operations of (i) NEV Mobile Service LLC; (ii) NEV Service, LLC; (iii) Global Electric Motorcars, LLC; and (b) the warranty business of Old Carco Service Contracts Inc. As such, I believe that the overwhelming majority of trade creditors did not rely on the separate entities of the Debtors when extending credit to the Debtors and effectively treated the Debtors as a single enterprise.

27. For these reasons, I believe that the substantive consolidation of the Debtors' Estates would not frustrate the expectations of creditors.

*The Entanglement of the Debtors' Corporate Affairs*

28. *Operation of Businesses as Consolidated Entity.* Prior to the Petition Date, the Debtors generally functioned as a single entity — "Chrysler" — without regard to separate legal entities. As described above, substantially all of the Debtors' assets were subject to liens of the Debtors' lenders. Substantially all debt was on the books of Old Carco. The Debtors provided credit support to, and when needed, financed each other. Creditors generally dealt with, and considered the Debtors, one entity, other than for *de minimis* special projects. The Debtors generally did not maintain separate management teams or develop separate operational strategies for individual Debtor subsidiaries. Historically, there was a substantial overlap among the officers and directors of Old Carco's Debtor subsidiaries, with the officers and

directors of the Debtor subsidiaries appointed or chosen by the directors and officers of the parent company and/or employees of Old Carco.

29. Moreover, the Debtors' corporate functions, including accounting, environmental compliance, facilities management, human resources, information technology, legal, management, payroll, purchasing, risk management, tax and treasury were consolidated at the Debtors' corporate headquarters and were not conducted separately on an entity-by-entity basis. "Allocations" for these costs and expenses were not made on an entity-by-entity basis in the Debtors' internal books and records, but instead all such costs and expenses were incurred by Old Carco. Certain of the Debtors' business forms, such as letterhead, simply identified the entity doing business as "Chrysler." The signage outside of the Debtors' facilities identified the facility as a "Chrysler" facility and did not identify the particular legal entity that owned or operated the facility.

30. *Consolidated Cash Management System.* The Debtors historically used a single consolidated cash management system. As of the Petition Date, substantially all of the Debtors' cash flowed through a main concentration account, out of which Old Carco made disbursements to satisfy a variety of obligations, including vendor and supplier payables, employee payroll, healthcare and other benefit obligations for all of the Debtors. Cash was transferred into the main concentration account from the Chrysler Motors Concentration Account (automatic daily transfer), the Wholesale Lock Box Concentration Account (manual daily transfer), Chrysler International Corp. USD Receipts (indirect transfer), Chrysler Misc. Receipts (daily transfer) and other accounts (as such terms are defined in the Motion of Debtors and Debtors in Possession, Pursuant to Sections 345, 363(c)(1), 503(b)(1) and 553 of the Bankruptcy Code, for Interim and Final Orders: (A) Approving the Continued Use of Their Cash

Management System, Bank Accounts and Business Forms; (B) Granting Approval of Investment and Deposit Guidelines; (C) Authorizing Banks Participating in the Debtors' Cash Management System to Honor Certain Transfers and Charge Certain Fees and Other Amounts; (D) Permitting Continued Intercompany Transactions and Granting Administrative Expense Status to Postpetition Intercompany Claims; and (E) Preserving and Permitting the Exercise of Intercompany Setoff Rights (Docket No. 28)).

31. *Intercompany Claims Reconstruction.* The Debtors' books and records reflect thousands of entries reflecting billions of dollars of outstanding Intercompany Claims as of the Petition Date, which date back several years. Intercompany Claims between the Debtor entities that were incurred in connection with the intercompany purchase of essential goods and services, were generally not settled between the Debtors. The Debtors maintained certain limited records of intercompany transactions between them, but no formal notes.

32. To reconstruct full Intercompany Claim positions, each of the documents underlying any intercompany debt would have to be manually reviewed. Because the Debtors no longer have any employees, it likely would take a large team of professionals thousands of hours of work to reconstruct the Intercompany Claims, with the substantial support of New Chrysler employees. It is unclear if such a project could be completed in a timely and cost-effective manner, particularly since the Debtors would have to rely on the significant commitment of resources from New Chrysler that may not be readily available. Even after such work was performed, it is uncertain whether the Intercompany Claims information would be entirely accurate, due to a lack of visibility in many cases into the underlying basis for older claims.

33. *Unwinding the Debtors' Corporate Affairs:* In my opinion, it likely would be impossible to untangle each of the Debtors' financial affairs so that all of the Debtors' financial records could be segregated on an entity-by-entity basis for various reasons, including (a) not all original documents accurately reflect the appropriate legal entity and (b) the separate transactions and related assets and liabilities in many cases are not clearly documented in the Debtors' books and records and financial systems. To the extent such disentanglement of such records is possible, it would require the Debtors' professionals – with significant assistance from New Chrysler employees – to locate and review tens of thousands of pages of original documents, which could take thousands of hours at great expense with no assurance that the information developed from this effort would be accurate or complete. Substantive consolidation would avoid the need to attempt to disentangle the affairs of the Debtors to the extent necessary to propose separate plans of liquidation for each of the individual Debtors. Such disentanglement would be extremely time-consuming and costly, if achievable at all.

34. *Benefits to Creditors.* As set forth below, the Debtors' Plan was proposed on a consensual basis, as a result of good faith negotiations with the Debtors' primary stakeholders and premised on substantive consolidation. As set forth above, without the settlements and other terms embodied in the Plan (including substantive consolidation), many creditors achieving a recovery or potential recovery under the Plan would receive no recovery or a substantially diminished recovery. Therefore, I believe that consolidation in connection with the Plan manifestly benefits creditors.

#### **Other Confirmation Matters**

35. *Purposes of the Chapter 11 Cases.* The Chapter 11 Cases were filed and the Plan was proposed to maximize the value of the Debtors' Estates for the benefit of the

Debtors' creditors and parties in interest, and for no ulterior purpose. I believe that the Plan fairly achieves a result consistent with the objectives and purposes of the Bankruptcy Code. The Plan is the result of extensive good faith, arm's length negotiations between the Debtors and certain of their principal constituencies (including the Creditors' Committee, the Government DIP Lenders and the First Lien Agent) and reflects substantial input from the principal constituencies having an interest in the Chapter 11 Cases. As evidenced by the overwhelming acceptance of the Plan, I believe the Plan achieves the goal of an orderly and consensual liquidation and the fair and equitable distribution of the assets of the Debtors' Estates consistent with the Bankruptcy Code. The Plan's classification, indemnification, injunction, release and exculpation provisions have been negotiated in good faith, are consensual and voluntary, and were each necessary for the Debtors to successfully reach agreement with the other parties in interest with regard to the Plan.

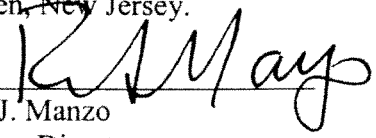
36. *Plan Constitutes Good Faith Compromise and Settlement of all Claims and Controversies.* The settlements embodied in the Plan (collectively, the "Settlements") have been entered into in good faith and in consideration for the distributions and other benefits provided under the Plan. I believe that such Settlements are: (a) in the best interests of the Debtors, their Estates, their respective property and Claim holders; (b) fair, equitable and reasonable; (c) maximize the value of the Estates; and (d) are essential to the successful implementation of the Plan. Each of the injunctions, releases and exculpations set forth in, respectively, Sections III.E.4, III.E.5 and III.E.6 of the Plan (collectively, the "Plan Releases") constitutes a good faith compromise and settlement of the matters covered thereby. I believe that the Plan Releases are in the best interests of the Debtors, their Estates and holders of Claims and Interests and are fair, equitable and reasonable. Each non-Debtor party that will benefit from the

Plan Releases either shares an identify of interest with the Debtors, was instrumental to the successful prosecution of the Chapter 11 Cases and/or provided substantial consideration to the Debtors, which value will allow for distributions that otherwise would not be available but for the contributions made by such non-Debtor parties. The Plan Releases are, individually and collectively: (a) integral to, and necessary for the formulation and successful implementation of, the Plan; (b) supported by reasonable consideration; and (c) an integral element of the settlements and transactions incorporated into the Plan.

37. To permit the Liquidation Trustee to commence its duties as quickly as practicable and to provide the benefits under the Plan, I believe that it would be beneficial for the Plan to be implemented as soon as possible after Confirmation.

Executed this 11th day of March 2010 in County of Bergen, New Jersey.

/s/

  
Robert J. Manzo

Executive Director

Capstone Advisory Group, LLC

Filed by:

/s/ Corinne Ball

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ATTORNEYS FOR DEBTORS  
AND DEBTORS IN POSSESSION



**EXHIBIT A**

**Feasibility Analysis**

**IN RE OLD CARCO LLC, *ET AL.***  
**PLAN FEASIBILITY ANALYSIS**  
**March 11, 2010**

## **I. Purpose and Objective of Analysis**

Capstone Advisory Group LLC ("Capstone") is the financial advisor to Old Carco LLC (f/k/a/ Chrysler LLC) (the "Company"). Capstone was engaged to provide consulting services to include assistance with the management and liquidation of assets not sold to New Chrysler, administration of claims and the wind-up of the Company's affairs, as well as certain other services.

In connection with our engagement, Capstone was asked to prepare an analysis of the feasibility of the Company's Second Amended Joint Plan of Liquidation of Debtors and Debtors in Possession (as it may be amended or modified, the "Plan").<sup>1</sup> In connection with the confirmation of the Plan, the Bankruptcy Court must determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code. This provision requires that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors (unless such liquidation or reorganization is proposed by the Plan).

## **II. Significant Assumptions**

### *A. Plan Confirmation is Assumed*

This report (the "Feasibility Analysis") assumes that the Plan is confirmed as filed (incorporating modifications filed with the Bankruptcy Court), with an Effective Date of March 31, 2010. Accordingly, the Feasibility Analysis assumes the substantive consolidation of the Debtors and the priorities of distribution on account of Allowed Claims proposed in the Plan.

### *B. Liquidation Accounts*

The source of funding of the Plan primarily is the Liquidation Accounts, as well as the permitted use of certain proceeds of assets sold or collected by the Liquidation Trust and any Daimler Proceeds. The Liquidation Accounts will be used for their designated purposes consistent with the terms of the Plan, the Winddown Orders and the Winddown Budget. Notwithstanding anything to the contrary in the Plan or the DIP Lender Winddown Order, with the written agreement of each of the Government DIP Lenders, (a) any excess amount in a Trust Account after such account is used for its designated purpose or (b) any net proceeds of DIP Non-Liquidation Funds Collateral, may be transferred to another Liquidation Account. In addition, in the discretion of the Debtors or the Liquidation Trustee and with the agreement of the U.S. Treasury, excess amounts in any Tax Trust Account may be used to fund deficiencies in another Tax Trust Account as and when determined to be necessary or appropriate in the discretion of the Liquidation Trustee, solely with the consent of the U.S. Treasury (which can be withheld for any reason); *provided further* that, without limiting the foregoing, the U.S. Treasury has agreed that up to \$4 million in excess amounts in any Tax Trust Account may be used to fund such deficiencies without further consent of the U.S. Treasury. Consistent with the First Lien Winddown Order and the Plan, the First Lien Reserve also may be supplemented by additional sale proceeds as necessary to maintain the Minimum Amount (as defined in the First Lien Winddown Order) of \$3 million. The Debtors project that they have sufficient access to cash in the Liquidation Accounts (as they may be supplemented by future asset sales)

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

to fund the implementation of the Plan without relying on any future recoveries on account of the Daimler Litigation.

*C. Liquidation of Non-Cash Assets*

Non-cash assets include owned real property, vehicles, deposits and tax refunds, as further described on Plan Exhibit X.A.143. A significant amount of vehicles and real property have been sold prior to the Effective Date, and the remaining non-cash assets will be liquidated after the Effective Date by the Liquidation Trust. All non-cash assets and their proceeds, net of closing, collection and/or carrying costs, are pledged to the Debtors' secured lenders (excluding the Daimler Litigation, assuming that the Class 3A Voting Condition is satisfied). The Allowed Secured Claims of the First Lien Lenders and the Government DIP Lenders will be satisfied solely from their respective collateral.

*D. General Unsecured Claims*

Assuming that the Class 3A Voting Condition is satisfied, each holder of an Allowed Claim in Class 3A will receive, in full satisfaction of its Allowed Claim, as part of the settlement and compromise embodied in the Plan, a Pro Rata share of the Available Net Daimler Proceeds, subject to the Minimum Distribution Threshold. The Available Net Daimler Proceeds derive from proceeds actually received by the Debtors or the Liquidation Trust on account of the Daimler Litigation. No Liquidation Funds will be paid to holders of an Allowed Claim in Class 3A.

*E. Recovery by First Lien Lenders and Government DIP Lenders*

Recoveries to the First Lien Lenders and the Government DIP Lenders under the Plan are strictly based on the recoveries to be achieved from their respective collateral. Therefore, the sufficiency of the Plan is not dependent on satisfaction of these Claims.

### **III. Feasibility Analysis**

Because the Plan proposes a liquidation of all the Debtors' assets, for purposes of this Feasibility Analysis, Capstone has analyzed the ability of the Liquidation Trust to meet its obligations under the Plan, including the payment or satisfaction of all Allowed Administrative Priority Claims, Allowed Priority Tax Claims, Allowed Priority Claims, Allowed Secured Claims and all expenses of the Liquidation Trust. Based on the Capstone's analysis, the Liquidation Trust is projected to have sufficient assets to make these payments to accomplish its tasks under the Plan. Therefore, Capstone believes that the Debtors' liquidation pursuant to the Plan meets the feasibility requirements of the Bankruptcy Code and complies with section 1129(a)(11) of the Bankruptcy Code.

The Feasibility Analysis reflects Capstone's judgment as to the occurrence or nonoccurrence of certain future events, which are subject to change. The assumptions disclosed herein are those that Capstone believes to be significant to the Feasibility Analysis. Although Capstone is of the opinion that these assumptions are reasonable under current circumstances, such assumptions are subject to inherent uncertainties. Consequently, actual results could differ significantly from those shown here.

**Old Carco LLC**  
**Plan Feasibility Analysis**  
*\$ millions*

<i>\$ millions</i>	<b>Notes</b>	<b>Liquidation Funds (1)</b>	<b>Estimated Administrative, Secured and Priority Claims and Liquidation Trust Expenses</b>			<b>Estimated Excess/ (Shortfall)</b>
			Paid Prior To Effective Date	Paid Post Effective Date	Total	
Tax Trust Accounts						
Sales and Use Escrow	[A]	\$ 63.0	\$ 5.4	\$ 27.7	\$ 33.1	\$ 29.9
Segregated Tax Account	[B]	50.0	10.0	TBD	10.0	40.0 (2)
Priority Claim Trust Account	[C]	21.0	10.4	12.7	23.1	(2.1)
Property Tax Trust Account	[D]	14.0	3.1	3.0	6.1	7.9
Total Tax Trust Accounts		148.0	28.9	43.4	72.3	75.7 (2)
Fee Escrow	[E]	10.0	10.0	-	10.0	-
Dealer Escrow	[F]	4.0	4.0	-	4.0	-
Winddown Fee Trust Account	[G]	27.5	11.3	16.2	27.5	-
Additional Winddown Cost Escrow	[H]					
Pre August 31, 2009 Professional Fees		29.8	29.8	-	29.8	-
Creditors' Committee Professional Fees		1.0	0.9	0.1	1.0	-
Expenses of the US Treasury's and EDC's Professionals		0.3	-	0.3	0.3	-
US Trustee Fees		0.5	0.4	0.1	0.5	-
Salaries Benefits, Board of Manager Costs		0.8	0.8	-	0.8	-
Costs of Preserving and Liquidating DIP Collateral		1.5	0.2	0.2	0.4	1.1
Cost of Liquidating Financial Contract		1.5	1.5	-	1.5	-
Claims Administration		4.5	4.0	0.5	4.5	-
Other Administrative Expenses and Liquidation Trust Costs						
Allowed Twenty Day Claims		4.3	-	4.3	4.3	-
Secured Claims		1.7	-	1.7	1.7	-
Priority Claims		1.4	0.4	1.0	1.4	-
Liquidation Trust Costs		1.4	0.3	1.1	1.4	-
Other Administrative Expenses		6.2	0.5	3.4	3.9	2.3
Subtotal Other Admin and Liquidation Trust Costs		15.0	1.2	11.5	12.7	2.3
Total Additional Winddown Cost Escrow		54.7	38.7	12.6	51.3	3.4
<b>Total DIP Lender Funding</b>		<u>\$ 244.2</u>	<u>\$ 92.9</u>	<u>\$ 72.2</u>	<u>\$ 165.1</u>	<u>\$ 79.1 (2)</u>
Administrative Costs to Liquidate Lenders' Collateral	[I]	15.0	4.4	10.6	15.0	-
<b>Total First Lien Lender Funding</b>		<u>\$ 15.0</u>	<u>\$ 4.4</u>	<u>\$ 10.6</u>	<u>\$ 15.0</u>	<u>\$ -</u>
Daimler Fund	[J]	8.7	-	8.7	8.7	-
<b>Total Daimler Litigation Funding</b>		<u>\$ 8.7</u>	<u>\$ -</u>	<u>\$ 8.7</u>	<u>\$ 8.7</u>	<u>\$ -</u>

(1) See Winddown Orders dated November 19, 2009 (Docket Nos. 5981 and 5982), related modification of the Winddown Budget (Docket No. 6066) and the Plan

(2) Allowed Tax Claims covered by the Segregated Tax Account are subject to future resolution and therefore the amount of excess funding in this account is not estimatable at this time

*The accompanying notes are an integral part of the analysis*

## **FOOTNOTES TO PLAN FEASIBILITY ANALYSIS**

### *Note A – Sales and Use Escrow*

As required by paragraph 21 of the Sale Order, \$63 million was deposited in escrow Account No. 144025784 with JPMorgan Chase Bank N.A. (subsequently moved to KeyBank National Association Account No. 2020200-1678120) to be used to satisfy certain sales and use Taxes, Michigan business Taxes and other Taxes owed to state and local taxing authorities in the United States in respect of any of the Debtors not covered by paragraph 20 of the Sales Order above, to the extent such Taxes are (a) secured Taxes or may become secured by Liens that may be created or perfected in accordance with section 362(b)(18) of the Bankruptcy Code or (b) of the nature authorized to be paid under the Order, Pursuant to Sections 105(a), 363(b), 507(a) and 541 of the Bankruptcy Code, Authorizing the Debtors and Debtors in Possession to Pay Certain Prepetition Taxes (Docket No. 355) to the extent such Taxes were or may be asserted or assessed against individuals. See also paragraph 2(a)(iii) of the DIP Lender Winddown Order. Amounts reflect settlements completed to date. Not all filed Claims have been reconciled; therefore, estimated Allowed Tax Claims covered by the Sales and Use Escrow are subject to material change.

### *Note B – Segregated Tax Account*

In connection with the Fiat Transaction and paragraph 2(a)(ii) of the DIP Lender Winddown Order, \$50 million was deposited in segregated Account No. 359681267753 with KeyBank National Association to satisfy certain Taxes triggered by the Fiat Transaction, including Canadian withholding Tax, U.S. income Tax and Taxes giving rise to personal liability for the Debtors' employees, officers and directors. Certain income Tax returns have not yet been filed and are subject to audit; therefore, estimated Allowed Tax Claims covered by the Segregated Tax Account are subject to future resolution. By agreement with New Chrysler, the Debtors' anticipated maximum liability for these Taxes is \$50 million, which was fully funded in the Segregated Tax Account.

### *Note C – Priority Claim Trust Account*

Pursuant to paragraph 2(a)(i) of the DIP Lender Winddown Order, a trust account in the amount of \$21 million was established for the purpose of paying Claims entitled to priority payment pursuant to section 507(a)(8) of the Bankruptcy Code. Not all filed Claims have been reconciled; therefore, estimated Allowed Priority Tax Claims covered by the Priority Claim Trust Account are subject to material change. By agreement with the U.S. Treasury, the projected deficiency in this account may be satisfied by projected surpluses in other Tax Trust Accounts. In addition, pursuant to a Stipulation and Agreed Order with the Internal Revenue Service (the "IRS") dated March 9, 2010 (Docket No. 6570), the IRS has agreed that the Plan is adequately funded to satisfy any of its Allowed Claims that remain unpaid after the completion of pending audits.

*Note D – Property Tax Trust Account*

Pursuant to paragraph 2(a)(iv) of the DIP Lender Winddown Order, a trust account in the amount of \$14 million was established to pay and satisfy (a) the Debtors' allocated portion of the 2009 Property Taxes and (b) other secured property Taxes on the DIP Collateral. Secured Taxes on DIP Collateral owned by the Liquidation Trust also may be paid from the proceeds of sales of such property. Secured property Taxes on First Lien Collateral will be paid from the First Lien Reserve or the proceeds from the sale of the underlying property. These Claims consist of Secured and Priority Tax Claims relating to personal and real property. Amounts reflect settlements completed to date. Not all filed Claims have been reconciled; therefore, estimated Allowed Tax Claims covered by the Property Tax Trust Account are subject to material change.

*Note E – Fee Escrow*

Pursuant to paragraph 2(b) of the DIP Lender Winddown Order, \$10 million was used to satisfy professional fees and expenses incurred by the Debtors' estates prior to the Closing Date and approved by the Bankruptcy Court. In addition, \$29.8 million of the Additional Winddown Cost Escrow was allocated for the payment of professional fees and expenses for the period from and after the Closing Date of the Fiat Transaction through August 31, 2009 (see *Note H*). Such fees and expenses have been approved on an interim basis by the Bankruptcy Court. The Debtors believe that, other than certain deferred fees, substantially all of the amounts owed for Professional Fees for the period prior to August 31, 2009, including holdbacks required by the Bankruptcy Court, have been paid.

*Note F – Dealer Escrow*

Pursuant to paragraph 2(c) of the DIP Lender Winddown Order, \$4.0 million was deposited in escrow Account No. 359681263760 with KeyBank National Association to satisfy certain unpaid incentives owed to former dealers of the Debtors whose agreements with the Debtors were rejected pursuant to the Dealer Rejection Order. All funds in this account were disbursed prior to the Effective Date to satisfy valid claims. The Debtors believe that no further amounts are owed on account of these incentives and, therefore, no additional funds from the Additional Winddown Cost Escrow will be needed for this purpose.

*Note G – Winddown Fee Trust Account*

Pursuant to paragraph 2(d) of the DIP Lender Winddown Order (as modified consistent with Docket No. 6066), the Winddown Fee Trust Account was established and funded with \$27.5 million to be used exclusively to fund the fees, costs and expenses of (a) Capstone, (b) Jones Day, (c) Togut and (d) Cahill, professional advisors to the Debtors, for the period from and after September 1, 2009. Of the funds in the Winddown Fee Trust Account, (a) \$13.75 million was designated for Capstone and (b) \$13.75 million was designated collectively for Jones Day, Togut and Cahill. Projected amounts include all unpaid and future professional fees and expenses, including any unpaid holdbacks required by the Bankruptcy Court, necessary to fully implement the Plan.

*Note H – Additional Winddown Cost Escrow*

Pursuant to paragraph 2(e) of the DIP Lender Winddown Order (as supplemented by Docket No. 6066), \$54.7 million was allocated to fund the Additional Winddown Cost Escrow. Of this amount, (a) \$29.8 million was allocated for the payment of professional fees and expenses for the period from and after the Closing Date of the Fiat Transaction through August 31, 2009 (as further described in Note E, which fees and expenses have been approved on an interim basis by the Bankruptcy Court), (b) \$1.0 million was allocated for the payment of professional fees and expenses incurred by the Creditors' Committee from and after September 1, 2009, excluding any fees and expenses related to the Daimler Litigation, (c) \$250,000 was allocated for the costs and expenses of the U.S. Treasury's and EDC's professionals, (d) \$500,000 has been budgeted for the payment of U.S. Trustee fees, (e) \$800,000 was allocated for the payment of salaries and benefit costs for Old Carco's officers and board of managers, (f) \$1.5 million was budgeted for the costs of preserving and liquidating the DIP Collateral (carrying costs of certain properties are covered by tenants and therefore are not included in the estimates of costs), (g) \$1.5 million was allocated for the liquidation of a financial contract and (h) \$4.5 million was budgeted for claims administration. A total of \$15.0 million was allocated for unanticipated administrative expenses and other ordinary course administrative costs not separately identified in other categories and expenses incurred after the Effective Date by the Liquidation Trust (the "Contingency Fund"). Unanticipated and ordinary course administrative costs include estimates for anticipated payments related to Allowed Twenty Day Claims and certain Secured and Priority Claims not separately identified in other categories. The proofs of Claim that have been filed have not been fully reconciled and the amounts set forth in this line item are based, in part, upon the Debtors' own books and records and not upon filed Claims; therefore, estimated Allowed Twenty Day Claims, Secured Claims and Priority Claims are subject to material change upon final reconciliation of such Claims. Of the \$15.0 million budgeted for the Contingency Fund, \$4.3 million is currently allocated for Allowed Twenty Day Claims, \$1.7 million is allocated for Secured Claims, \$1.4 million is allocated for Priority Claims, \$1.4 million is allocated for expenses incurred after the Effective Date by the Liquidation Trust, \$6.2 million is allocated to other administrative expenses, including potential environmental liabilities and the cost of certain retiree claims, to the extent allowed by the Bankruptcy Court. Of the Contingency Fund, \$2.3 million remains available, and Capstone believes this amount is sufficient, to fund any claims and expenses identified in the future, including potential retiree benefit Claims, to the extent valid. Specifically, up to 11 non-unionized retirees of American Motors Corporation have agreements providing for certain retiree benefits that were not assumed by New Chrysler. The Debtors believe that some or all of these benefits fall within the exemption contained in section 1114(m) of the Bankruptcy Code or otherwise fall outside of the protections of section 1114 of the Bankruptcy Code and are not required to be paid by the Debtors or the Liquidation Trust. Even if all such Claims for medical and life insurance benefits ultimately are determined to be valid retiree benefits that are required to be paid, Capstone believes that the remaining available funds in the Contingency Fund are sufficient to satisfy such retirees' Claims. The Debtors and the Liquidation Trust intend to pursue a determination of the Bankruptcy Court, to the extent necessary or appropriate, regarding the treatment of these benefits. To the extent actual Claims and expenses deviate from the amounts currently allocated, excess funding in one category can be used to offset a deficiency in a different category at the discretion of the Liquidation Trustee, *provided however*, that unless otherwise noted herein, the ability to re-allocate funds among categories applies only to the \$15.0 million in the Contingency Fund, unless otherwise agreed upon by the U.S. Treasury.



*Note I – Administrative Costs to Liquidate Lenders’ Collateral*

Pursuant to the First Lien Winddown Order, the First Lien Reserve of \$15 million was established from the proceeds of the First Lien Collateral to pay Covered Costs during the Covered Period and is subject to a minimum amount of \$3 million or such other higher Minimum Amount as agreed by the Debtors and the First Lien Agent. To the extent the First Lien Reserve falls below the Minimum Amount, net proceeds from sale of any Covered Assets will be used first to replenish the Reserve to the Minimum Amount before any remaining net proceeds are paid the First Lien Agent. The Debtors believe that this funding mechanism assures that sufficient funds will be available in the First Lien Reserve to pay all Covered Costs. Certain Covered Costs are covered by New Chrysler pursuant to the TSA until the end of the applicable license periods and therefore are not included in the estimates of costs. In addition, certain Covered Costs will be paid directly from proceeds of the sale of First Lien Collateral. The funds in the First Lien Reserve remain subject to the First Lien Lenders’ first priority liens and security interests until such proceeds are used to pay Covered Costs.

*Note J – Daimler Fund*

Pursuant to the settlements contained in the Winddown Orders, the Government DIP Lenders and First Lien Lenders have agreed to fund the Daimler Fund to cover the costs of the Daimler Litigation from a portion of the proceeds from the liquidation of the DIP Collateral and First Lien Lenders’ Collateral. Any amounts remaining in the Daimler Fund at the conclusion of the Daimler Litigation will be distributed to the First Lien Lenders and deposited into the Additional Proceeds Account in accordance with the Plan. Any deficiency with respect to the payment of Daimler Litigation Costs will be funded pursuant to the Plan, including by the possibility of obtaining financing secured by the Daimler Proceeds, advances by the Contingency Fee Counsel and payments from the Daimler Proceeds, if and when received. The funding of the Daimler Fund reflects the amounts negotiated by the Creditors’ Committee as reasonable funding for the Daimler Litigation.