



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: October 26, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President
Development Finance
Amy Banninga, Project Team Manager
Development Finance
SUBJECT: Briefing Memo – Chrysler LLC
Retention Credit

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Michigan Industries Corp.

COMPANY NAME AND ADDRESS:

Chrysler LLC
1000 Chrysler Drive
Auburn Hills, Michigan 48326-2766

HISTORY OF COMPANY:

Chrysler LLC is a wholly-owned subsidiary of Chrysler Holding LLC which is 80.1% owned by CG Investment Group LLC (Cerberus Capital Management LP) and 19.9% collectively owned by DaimlerChrysler AG (soon to be renamed Daimler AG), a stock corporation organized under the laws of the Federal Republic of Germany.

Chrysler LLC is the manufacturing entity for Chrysler Group, which manufactures, assembles and sells passenger cars, trucks, minivans and sport utility vehicles under the brand names Chrysler, Jeep and Dodge. In addition, Chrysler LLC also provides its customers with parts and accessories marketed under the MOPAR brand name.

PROJECT DESCRIPTION:

Chrysler is contemplating a substantial capital investment project to expand the manufacturing capabilities of its Jefferson North Assembly Plant (JNAP). The proposed investment would retool and expand the existing facility to prepare it to build the successor vehicles to the Jeep Grand Cherokee and two other vehicles yet to be named. These vehicles are planned to go into production for the 2010 and 2011 model years. Production of the first vehicle is scheduled to begin in mid-2009 with each successive launch approximately six months later.

The proposed project will require the investment of approximately \$366 million in new real and personal property, physically expanding the current facility and resulting in an additional 400 jobs at the facility after startup operations are complete and employment at the facility stabilizes in 2013. Employment may be higher than this level temporarily due to the staffing demands for the concurrent build-out of the current models of the Jeep Grand Cherokee and Jeep Commander, which are scheduled to go out of production at the end of calendar year 2009. These additional positions will have an average weekly wage of \$959.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that the expansion of the company's manufacturing facility will retain a total of 1,419 jobs in the state by the year 2015. We also estimate that the project would maintain total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$37.8 million (2007 dollars) due to the facility expansion.

BUT FOR:

Locations in other states have been considered as feasible alternatives, including production of the three models at separate facilities. Chrysler's existing facility in Toluca, Mexico is the most cost-effective option, but the company also considers the impact of existing labor agreements and state and local incentives. Plants that receive sizable investment and secure successful product programs are less likely to be idled in the near future, thereby helping to secure Chrysler's operations in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The Detroit Economic Growth Authority will pay the \$5,000 MEGA application fee for the company.

The City of Detroit has also expressed support for a 12 year, 50 percent abatement of new personal property taxes for new equipment at the site. It is anticipated that this abatement will be approved in late 2007 or early 2008. This abatement has an estimated value of \$40.2 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment credit for seven years for up to 400 new or retained jobs at the Jefferson North facility. These positions must be in excess of the 2,443 existing employment at the site, and at least 200 full time jobs in excess of this existing employment must be added to the site to earn the credit. The company will not be eligible for the MEGA credit should they receive property tax abatement on the real property investment related to the project.

As required by the MEGA statute, this credit is subject to a clawback should the company not meet certain contractual requirements.