DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 1, 2011

Ms. Nancy A. Rae
Executive Vice President–Human Resources
Chrysler Group LLC
1000 Chrysler Drive
CIMS 485-08-96
Auburn Hills, MI 48326-2766

Re: Compensation Payments and Structures for Senior Executive Officers and Most Highly Compensated Employees ("Covered Employees 1–25")

Dear Ms. Rae:

Pursuant to the Department of the Treasury's Interim Final Rule on TARP Standards for Compensation and Corporate Governance,[1] the Office of the Special Master has completed its review of the 2011 compensation submission by Chrysler Group LLC ("Chrysler") on behalf of its senior executive officers and next 20 most highly compensated employees ("Covered Employees 1 – 25" or "Covered Employees"). Attached as ***Annex A*** is a determination memorandum (accompanied by ***Exhibits I*** and ***II***) providing the determinations of the Office of the Special Master with respect to 2011 compensation for Covered Employees 1 – 25. 31 C.F.R. § 30.16(a)(3)(i).

The Interim Final Rule requires the Office of the Special Master to determine whether the compensation structure for each Covered Employee 1 – 25 "will or may result in payments that are inconsistent with the purposes of Section 111 of EESA or TARP,[2] or are otherwise contrary to the public interest" (as applied to Covered Employees of exceptional assistance recipients, the "public interest standard"). *Id*. The Office of the Special Master must make such determinations by applying six principles: avoid incentives to take excessive risk, maximize the company's ability to repay the taxpayer, appropriately allocate the components of compensation, use performance-based compensation, employ pay structures and amounts that are consistent with those at comparable entities, and base pay on the employee's contribution to the value of the TARP recipient enterprise. *Id*. These principles are discussed in further detail in ***Annex A***.

[1] The Interim Final Rule and all determination letters issued by the Office of the Special Master are available at www.financialstability.gov (click on "About Financial Stability", then click on "Plan", then scroll down to the second-to-last link and click on "Executive Compensation Guidance").

[2] These purposes are "maximization of overall returns to the taxpayers of the United States and providing stability and preventing disruptions to financial markets". 31 C.F.R. § 30.16(b)(1).

To apply the six principles and ensure that compensation structures satisfy the public interest standard, the Office of the Special Master developed practical guidelines ("guidelines"), which were identified in the determination letters issued by the Office of the Special Master on October 22, 2009, and March 23, 2010, relating to 2009 and 2010 compensation, respectively.[3] Compensation in 2011 at the four remaining recipients of exceptional assistance must continue to comport with these guidelines, which generally include the following:

- Limit guaranteed cash. The majority of each Covered Employee's base salary should be paid in the form of stock that will immediately vest as earned, but will be redeemable only in three equal, annual installments beginning on the second anniversary of the date stock salary is earned (or the first anniversary if the TARP recipient has begun to repay its obligations). Although the Interim Final Rule limits incentives to one-third of annual compensation, the use of stock salary, as contemplated by the Interim Final Rule, provides a performance component for a portion of the employee's base compensation. Base salary paid in cash should in most cases not exceed $500,000.

- Require that incentives be contingent on performance. Incentive compensation should be based on measurable performance goals that are designed by, and the achievement of which is determined by, the company's independent compensation committee.

- Focus on long-term value creation. A significant amount of compensation should reflect a company's long-term performance and value. In most circumstances a large proportion of compensation should be held or deferred for a period of at least three years.

- Minimal perquisites. Compensation structures that are not aligned with shareholder and taxpayer interests in the firm should be minimized or eliminated.

In applying the above guidelines, the Office of the Special Master has implemented certain restrictions on practices that present conflicting incentives. For example, Covered Employees are prohibited from engaging in any hedging or derivative transactions involving company stock that would undermine the long-term performance incentives created by the approved compensation structures.

Finally, the determinations of the Office of the Special Master take into account the requirements of the Interim Final Rule that generally apply to all TARP recipients whether or not they are subject to the jurisdiction of the Office of the Special Master: (a) prohibition of all bonuses and incentives, including cash bonuses and stock options (the only exception to the fixed-compensation-only rule is the ability to award a bonus in the form of long-term restricted

[3] In this determination letter, the terms "public interest standard", "principles" and "guidelines" have distinct meanings. The term "public interest standard" refers to the determination standard laid out in the Interim Final Rule. The term "principles" refers to the six principles (listed above and further described in ***Annex A***) that the Interim Final Rule instructs the Office of the Special Master to apply in determining whether compensation meets the public interest standard. The term "guidelines" refers to the practical guidelines developed by the Office of the Special Master to implement the principles and ensure satisfaction of the public interest standard. In addition, the term "Office of the Special Master" is used consistently to refer to the Office or the defined term "Special Master" as used in the Interim Final Rule.

stock that does not exceed one-third of compensation in the year of grant, has a minimum vesting period of two years and cannot be transferred by the employee, even if fully vested, earlier than pursuant to a schedule that reflects the company's actual repayment of TARP obligations in 25% increments), (b) requirement of a "clawback" of any bonus that is later determined to have been awarded based on materially inaccurate performance criteria, (c) limitation of golden parachute payments and (d) prohibition of tax gross-ups.

In most respects, Chrysler's 2011 compensation submission is consistent with these important principles and guidelines. The Office of the Special Master's determinations are described in detail in the attached determination memorandum.

Pursuant to the Interim Final Rule, Chrysler may, within 30 days of the date hereof, request in writing that the Office of the Special Master reconsider the determinations set forth in the determination memorandum. If Chrysler does not request reconsideration within 30 days, these initial determinations will be treated as final determinations. *Id.* § 30.16(c)(1).

Very truly yours,

Patricia Geoghegan

Patricia Geoghegan
Office of the Special Master
for TARP Executive Compensation

Enclosures

cc: Holly E. Leese, Esq.
Lawrence Cagney, Esq.

ANNEX A
DETERMINATION MEMORANDUM

I. INTRODUCTION

The Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 ("EESA"), requires the Secretary of the Treasury to establish standards related to executive compensation and corporate governance for institutions receiving financial assistance under the Troubled Asset Relief Program ("TARP"). Emergency Economic Stabilization Act of 2008, 12 U.S.C. §5221 (2010). Through the Department of the Treasury's Interim Final Rule on TARP Standards for Compensation and Corporate Governance (the "Rule"), the Secretary delegated to the Office of the Special Master for TARP Executive Compensation (the "Office of the Special Master") responsibility for reviewing compensation structures of certain employees at institutions that received exceptional financial assistance under TARP ("Exceptional Assistance Recipients").[4] 31 C.F.R. § 30.16(a); *id*. § 30.16(a)(3). For these employees, the Office of the Special Master must determine whether the compensation structure will or may result in payments "inconsistent with the purposes of Section 111 of EESA or TARP, or…otherwise contrary to the public interest." *Id.* § 30.16(a)(3)(i).

Chrysler Group LLC ("Chrysler" or the "Company"), one of four remaining Exceptional Assistance Recipients, has submitted to the Office of the Special Master proposed 2011 compensation structures (the "Proposed Structures") for review pursuant to Section 30.16(a)(3)(i) of the Rule. These compensation structures apply to five employees that the Company has identified for 2011 as senior executive officers (the "Senior Executive Officers," or "SEOs") for purposes of the Rule, and 20 employees the Company has identified as among the most highly compensated employees of the Company for purposes of the Rule (the "Most Highly Compensated Employees," and, together with the SEOs, the "Covered Employees").

The Office of the Special Master has completed the review of the Company's Proposed Structures for the Covered Employees pursuant to the principles set forth in the Rule. *Id.* § 30.16(b)(1). This Determination Memorandum sets forth the determinations of the Office of the Special Master, pursuant to Section 30.16(a)(3)(i) of the Rule, with respect to the Covered Employees.

II. BACKGROUND

On June 15, 2009, the Department of the Treasury ("Treasury") promulgated the Rule, creating the Office of the Special Master and delineating its responsibilities. The Rule requires that each Exceptional Assistance Recipient submit proposed compensation structures for each Senior Executive Officer and Most Highly Compensated Employee. 31 C.F.R. § 30.16(a)(3)(i).

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[4] The Interim Final Rule on TARP Standards for Compensation and Corporate Governance, technical corrections to the Rule and all Prior Determinations are available on the Department of the Treasury website at http://www.treasury.gov/initiatives/financial-stability/about/Recipient_Guidance/executive-compensation/Pages/default.aspx.

On October 22, 2009, and on March 23, 2010, in each case after reviewing submissions of proposed compensation structures and amounts from Chrysler, the Office of the Special Master issued determinations regarding Chrysler's compensation structures, and amounts potentially payable thereunder, for Chrysler's senior executive officers and certain most highly compensated employees (the "Prior Determinations"). The Prior Determinations were made in light of six principles defined in the Rule and discussed in Part III below (the "principles"), and proposed compensation structures for Covered Employees were modified as needed to ensure that compensation would not "result in payments that are inconsistent with the purposes of Section 111 of EESA or TARP, or are otherwise contrary to the public interest" (as applied to Covered Employees of Exceptional Assistance Recipients, the "public interest standard"). 31 C.F.R. § 30.16(a)(3)(i). To apply the principles and ensure that compensation structures satisfy the public interest standard, the Office of the Special Master developed practical guidelines (the "guidelines"), which informed the Prior Determinations and are described in the cover letter accompanying this Determination Memorandum.[5] The Prior Determinations applied only to those individuals identified by the Company as subject to the Office of the Special Master's mandatory jurisdiction to review and approve compensation structures and payments, *see id.*, for the period under review and only with respect to compensation for services provided to Chrysler for that period.

On January 3, 2011, the Office of the Special Master requested from each remaining Exceptional Assistance Recipient, including Chrysler, certain data and documentary information necessary to facilitate the Office of the Special Master's review of the Company's 2011 compensation structures. The request required Chrysler to submit data describing its proposed compensation structures, and the payments that would result from the proposals, concerning each Covered Employee.

In addition, the Rule authorizes the Office of the Special Master to request information from an Exceptional Assistance Recipient "under such procedures as the Special Master shall determine." *Id*. § 30.16(d). Chrysler was required to submit competitive market data indicating how the amounts payable under Chrysler's proposed compensation structures relate to the amounts paid to persons in similar positions or roles at similar entities. Chrysler was also required to submit a range of documentation, including information related to proposed performance metrics, internal policies designed to curb excessive risk, and certain previously existing compensation plans and agreements.

Chrysler submitted this information to the Office of the Special Master on January 31, 2011. Following a preliminary review of the submission, on February 11, 2011, the Office of the Special Master determined that Chrysler's submission was substantially complete for purposes of the Rule. *Id*. § 30.16(a)(3)(i). The Office of the Special Master then commenced a formal review of Chrysler's proposed compensation structures for the Covered Employees. The Rule provides that the Office of the Special Master is required to issue a compensation determination within 60 days of receipt of a substantially complete submission. *Id*.

[5] For a further discussion of the guidelines, see pages 9 – 10 of the September 10, 2010, Final Report of Special Master Kenneth R. Feinberg, *available at* http://www.treasury.gov/initiatives/financial-stability/about/Recipient_Guidance/executive-compensation/Documents/Final%20Report%20of%20Kenneth%20Feinberg%20-%20FINAL.PDF.

The Office of the Special Master's review of the Company's proposals was aided by analysis from a number of internal and external sources, including:

- Treasury personnel with significant experience related to executive compensation detailed to the Office of the Special Master;
- Competitive market data provided by the Company in connection with its submission to the Office of the Special Master;
- External information on comparable compensation structures extracted from the *U.S. Mercer Benchmark Database-Executive*; and
- Equilar's *ExecutiveInsight* database (which includes information drawn from publicly filed proxy statements).

The Office of the Special Master has also considered national and global developments in the regulation of executive compensation. In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), directing further regulation on incentive-based compensation. In February 2011, the FDIC approved a joint proposed rulemaking with six other agencies under the Dodd-Frank Act, mandating, among other things, the deferral of half of large banks' top executive bonuses. The SEC recently approved its version of the proposed rule.[6] The Office of the Special Master continues to monitor evolving standards for executive compensation.

The Office of the Special Master considered all the sources above, in light of the statutory and regulatory standards described in Part III below, when evaluating the Company's proposed compensation structures for the Covered Employees for 2011.

III. STATUTORY AND REGULATORY STANDARDS

The Rule requires that the Office of the Special Master determine for each of the Covered Employees whether Chrysler's proposed compensation structure, including amounts payable or potentially payable under the compensation structure, "will or may result in payments that are inconsistent with the purposes of Section 111 of EESA or TARP, or are otherwise contrary to the public interest." 31 C.F.R. § 30.16(a)(3). The Rule requires that, in making these compensation determinations, the Office of the Special Master shall apply six principles that are intended to be consistent with sound compensation practices appropriate for TARP recipients and to advance the purposes and considerations described in EESA, including the maximization of overall returns to the taxpayers of the United States and providing stability and preventing disruptions to financial markets. EESA, Pub. L. No. 110-343 §2, §103 (2008). These principles are:

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[6] *See* SEC Press Release No. 2011-77 (March 30, 2011). Internationally, the EU adopted a directive on remuneration policies which was further implemented in guidelines released in December 2010. The UK issued its final regulations under those guidelines in the same month. These developments may be considered a response to the meeting of the G20 in April 2009, and also more broadly as a response to the financial crisis and changing views on the regulation of executive compensation. Generally, the principles underlying the emerging regulations are consistent with the objectives of the Office of the Special Master.

(1) *Avoidance of incentives to take excessive risk*. The compensation structure should avoid incentives that encourage employees to take unnecessary or excessive risks that could threaten the value of the Exceptional Assistance Recipient, including incentives that reward employees for short-term or temporary increases in value or performance, or similar measures that may undercut the long-term value of the Exceptional Assistance Recipient. Compensation packages should be aligned with sound risk management. *Id*. § 30.16(b)(1)(i).

(2) *Taxpayer return*. The compensation structure and amount payable should reflect the need for the Exceptional Assistance Recipient to remain a competitive enterprise, to retain and recruit talented employees who will contribute to the recipient's future success, so that the Company will ultimately be able to repay its TARP obligations. *Id*. § 30.16(b)(1)(ii).

(3) *Appropriate allocation of components of compensation*. The compensation structure should appropriately allocate the components of compensation such as salary and short-term and long-term performance incentives, as well as the extent to which compensation is provided in cash, equity, or other types of compensation such as executive pensions, or other benefits, or perquisites, based on the specific role of the employee and other relevant circumstances, including the nature and amount of current compensation, deferred compensation, or other compensation and benefits previously paid or awarded. *Id*. § 30.16(b)(1)(iii).

(4) *Performance-based compensation*. An appropriate portion of the compensation should be performance-based over a relevant performance period. Performance-based compensation should be determined through tailored metrics that encompass individual performance and/or the performance of the Exceptional Assistance Recipient or a relevant business unit taking into consideration specific business objectives. Performance metrics may relate to employee compliance with relevant corporate policies. In addition, the likelihood of meeting the performance metrics should not be so great that the arrangement fails to provide an adequate incentive for the employee to perform, and performance metrics should be measurable, enforceable, and actually enforced if not met. *Id*. § 30.16(b)(1)(iv).

(5) *Comparable structures and payments*. The compensation structure, and amounts payable where applicable, should be consistent with, and not excessive taking into account, compensation structures and amounts for persons in similar positions or roles at similar entities that are similarly situated, including, as applicable, entities competing in the same markets and similarly situated entities that are financially distressed or that are contemplating or undergoing reorganization. *Id*. § 30.16(b)(1)(v).

(6) *Employee contribution to TARP recipient value*. The compensation structure and amount payable should reflect the current or prospective contributions of an employee to the value of the Exceptional Assistance Recipient, taking into account multiple factors such as revenue production, specific expertise, compliance with company policy and regulation (including risk management), and corporate leadership, as well as the role the

employee may have had with respect to any change in the financial health or competitive position of the recipient. *Id*. § 30.16(b)(1)(vi).

The Rule provides that the Office of the Special Master shall have discretion to determine the appropriate weight or relevance of a particular principle depending on the facts and circumstances surrounding the compensation structure or payment for a particular employee. *Id*. § 30.16(b). To the extent two or more principles may appear inconsistent in a particular situation, the Rule requires that the Office of the Special Master exercise discretion in determining the relative weight to be accorded to each principle. *Id*.

The Rule provides that the Office of the Special Master may, in the course of applying these principles, take into account other compensation structures and other compensation earned, accrued, or paid, including compensation and compensation structures that are not subject to the restrictions of Section 111 of EESA. For example, the Office of the Special Master may consider payments obligated to be made by the Company pursuant to certain legally binding rights under valid written employment contracts entered into prior to enactment of the statute and the accompanying Rule. *Id*. § 30.16(a)(3).

IV. COMPENSATION STRUCTURES AND PAYMENTS

A. Chrysler Proposals

Chrysler has provided the Office of the Special Master with detailed information concerning its proposed 2011 compensation structures for the Covered Employees, including amounts proposed to be paid under the compensation structure for each Covered Employee (the "Proposed Structures").

Chrysler supported its proposal with detailed assessments of each Covered Employee's tenure and responsibilities at the Company and historical compensation structure. The submission also included market data that, according to the Company, indicated that the amounts potentially payable to each employee were comparable to the compensation payable to persons in similar positions or roles at a "peer group" of entities selected by the Company.[7]

Twenty-one of the employees listed as Covered Employees in 2010 remain on the list of Covered Employees for 2011, and four employees are new entrants to the group.

Chrysler's chief executive officer (the "CEO") also serves as the chief executive officer of Fiat S.p.A., a minority shareholder of the Company. According to the Company's submission,

[7] As disclosed in Chrysler's F-10, filed with the SEC on February 25, 2011, the companies included in the market data submitted by Chrysler included 3M Company, Altria Group, Inc., AT&T Corp., The Boeing Company, Cardinal Health, Inc., Caterpillar Inc., Deere & Company, Dell Inc., DPH Holdings Corp., The Dow Chemical Company, E.I. du Pont de Nemours and Company, Eastman Kodak Company, Eaton Corporation, Exxon Mobil Corporation, Ford Motor Company, General Dynamics Corporation, General Electric Company, General Motors Company, The Goodyear Tire & Rubber Company, Honeywell International Inc., International Business Machines Corporation, Johnson & Johnson, Johnson Controls, Inc., Lockheed Martin Corporation, Northrop Grumman Corporation, The Proctor & Gamble Company, TRW Automotive Holdings Corp., United Parcel Service, Inc., United Technologies Corporation, Verizon Communications Inc. and Xerox Corporation.

Fiat has and will continue to provide for the CEO's 2011 compensation, and Chrysler has not proposed to pay the CEO any compensation in 2011.

1. Cash Salary

The Proposed Structures for Covered Employees include increases to cash salaries for sixteen Covered Employees. No proposed cash salary amounts exceed $500,000.

2. Stock Salary

Chrysler proposed raising stock salary for several Covered Employees above the amounts approved in 2010. Proposed stock salary amounts range from $36,450 to $287,500. The Company's submission asserted that the increases could be justified by reference to the compensation of persons in similar positions or roles at similar entities and by the performance and enhanced responsibilities of the Covered Employees.

As required by the Rule, these stock units would be fully vested upon grant.

3. Annual Long-Term Incentive Awards

Chrysler proposed target annual long-term incentive awards for most Covered Employees equal to one-third of their total 2011 compensation and payable in long-term restricted stock units that generally vest only if the Covered Employee remains employed by the Company on the third anniversary of the grant date. As required by the Rule, these awards would become payable only in 25% installments for each 25% of Chrysler's TARP obligations that are repaid.

4. "Other" Compensation and Perquisites

Chrysler proposed payments of "other" compensation, as well as perquisites, to the Covered Employees. These proposed payments varied in value.

5. Non-Qualified Deferred Compensation

Chrysler proposed a method of calculating the benefits to Covered Employees under a supplemental executive retirement plan that would include cash salaries paid in years subject to the Office of the Special Master's approval, but would exclude from a factor representing the total years of service the number of years during which compensation was subject to the Office of the Special Master's approval.

B. Determinations of the Office of the Special Master

The Office of the Special Master has reviewed the Proposed Structures in detail by application of the six principles set forth in the Rule and described in Part III above. The Office of the Special Master's review also made use of the resources described in Part II. In order to consistently apply the principles and ensure the satisfaction of the public interest standard, the Office of the Special Master has determined that the guidelines established in 2009, and applied in 2010, must continue to govern compensation in 2011.

After reviewing the Proposed Structures, the Office of the Special Master has concluded that, in most respects, they are consistent with the guidelines and therefore consistent with the public interest standard.

The Office of the Special Master has determined, in light of the considerations that follow, that the compensation structures described in ***Exhibits I*** and ***II*** to this Determination Memorandum will not, by virtue of either their structural design or the amounts potentially payable under them, result in payments inconsistent with the public interest standard.

1. Cash Salary

The Office of the Special Master reviewed Chrysler's proposed cash salaries in light of the principle that compensation structures should generally be comparable to "compensation structures and amounts for persons in similar positions or roles at similar entities," 31 C.F.R. § 30.16(b)(1)(v). Based in part upon this principle, the Office of the Special Master has concluded that cash salaries generally should target the 50th percentile as compared to persons in similar positions or roles at similar entities, because such levels of cash salaries balance the need to attract and retain talent with the need for compensation structures that reflect the circumstances of Exceptional Assistance Recipients.

The Office of the Special Master also reviewed Chrysler's proposed cash salaries in light of the principle that compensation structures should be "performance-based over a relevant performance period." *Id.* § 30.16(b)(1)(iv). Based in part upon this principle, the Office of the Special Master has determined that, other than in exceptional cases for good cause shown, a Covered Employee's cash salary should not exceed $500,000.

After reviewing Chrysler's proposal, the Office of the Special Master has concluded that, in general, the proposed cash salaries target the 50th percentile of cash salaries paid to persons in similar positions or roles at similar entities, and do not exceed $500,000. The cash salaries that the Office of the Special Master has determined are consistent with the public interest standard for 2011 are set forth in ***Exhibit I***.

2. Stock Salary

The Office of the Special Master reviewed the amount of stock salary Chrysler proposed to pay the Covered Employees in light of the principle that compensation structures should generally be comparable to "compensation structures and amounts for persons in similar positions or roles at similar entities," *id.* § 30.16(b)(1)(v), and that a "compensation structure, and amount payable…should reflect the current or prospective contributions of an employee to the value of the [Company]." *Id.* § 30.16(b)(1)(vi). The Office of the Special Master found that Chrysler's stock salary proposal generally targets the 50th percentile of compensation for persons in similar roles at similar entities and that the proposed stock salary increases are appropriate. The stock salaries that the Office of the Special Master has determined are consistent with the public interest standard for 2011 are set forth in ***Exhibit I.***

The Office of the Special Master reviewed the structure of Chrysler's stock salary proposal in light of the principle that compensation structures should align performance incentives with long-term value creation rather than short-term profits. *See id.* § 30.16(b)(1)(i).

In light of this principle, the guidelines provide that stock salary may be redeemable only in three equal, annual installments beginning on the second anniversary of grant, with each installment redeemable one year earlier in the event of a repayment by Chrysler of its TARP obligations. Chrysler proposed a structure for stock salary granted to Covered Employees in 2011 consistent with this requirement.

3. Annual Long-Term Incentive Awards

The Office of the Special Master reviewed Chrysler's proposed annual long-term incentive awards in light of the principle that performance-based compensation should be payable "over a relevant performance period," and based on "tailored metrics that encompass individual performance and/or the performance of the [Exceptional Assistance Recipient] or a relevant business unit taking into consideration specific business objectives." *Id.* § 30.16(b)(1)(iv). Based in part upon this principle, all long-term incentive awards must be based on objective performance metrics and paid in the form of long-term restricted stock that becomes payable if, and only if, the objective performance metrics are achieved and, in general, the employee continues to provide services to the company for three years following the date of grant.[8]

The structure of Chrysler's annual long-term incentive awards satisfies these requirements. Under the Proposed Structures, annual long-term incentive awards for 2011 will be payable only upon the achievement of specified, objective performance criteria to be provided to the Office of the Special Master and generally only if the employee continues to provide services to the Company for three years following the date of grant. In addition, as required by the Rule, these awards may be redeemed only in 25% installments for each 25% of Chrysler's TARP obligations that are repaid.

The Office of the Special Master also reviewed the target amounts of annual long-term incentive awards Chrysler proposed for Covered Employees in light of the principle that an "appropriate portion of the compensation should be performance-based," *id.* § 30.16(b)(1)(iv), and "performance metrics should be measurable, enforceable, and actually enforced if not met." *Id.* The Proposed Structures satisfy this principle because they generally allocate one-third of a Covered Employee's compensation to long-term restricted stock that is based on the achievement of performance measures. The Office of the Special Master acknowledged, however, that a lower allocation of long-term restricted stock is appropriate in the case of one Covered Employee. The target annual long-term incentive awards that the Office of the Special Master has determined are consistent with the public interest standard for 2011 are set forth in ***Exhibit I***.

4. "Other" Compensation and Perquisites

Perquisites and "other" compensation provided to a Covered Employee must be limited to $25,000 on an annual basis. The Proposed Structures are consistent with this requirement. As described in ***Exhibit II***, any exceptions to this limitation will require that the Company provide

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[8] In line with the proposed rulemaking under the Dodd-Frank Act referenced above, and in conformity with the minimum two-year vesting requirement of the Rule, pro rata vesting of long-term incentive awards for 2011 services will be permitted after two years, allowing two-thirds of the award to vest after two years, with the last third vesting on the third anniversary of the date of grant.

to the Office of the Special Master an independent justification for the payment that is satisfactory to the Office of the Special Master.[9] To the extent that payments exceeding this limitation have already been made to a Covered Employee in 2011, those amounts should be promptly returned to the Company.

5. Non-Qualified Deferred Compensation

Consistent with the Prior Determinations, the Office of the Special Master has concluded that, for 2011, Employees must not accrue additional amounts under supplemental executive retirement plans and other "non-qualified deferred compensation" plans, as described in ***Exhibit II***. Pursuant to Chrysler's proposed method of calculation of benefits under its supplemental executive retirement plan, Covered Employees would effectively accrue benefits in the years during which their compensation is subject to the Office of the Special Master's approval. Accordingly, the Office of the Special Master has determined that this proposal is not consistent with the requirement that Covered Employees may not accrue in 2011 additional amounts under supplemental retirement plans and other "non-qualified deferred compensation" plans.

6. Severance Plans

The Company must ensure that 2011 compensation structures for Covered Employees do not result in an increase in the amounts payable pursuant to severance arrangements.

7. Corrections to 2010 Determinations

Following the 2010 determination letter, minor errors were discovered in Chrysler's 2010 submission for two employees in the 2010 Covered Employee group. In subsequent discussions with the Company, these errors were corrected. As a result, cash salary of $320,004, stock salary of $115,200, and long-term restricted stock of $217,600, for a total direct compensation of $652,804, are the approved 2010 amounts for TRP020, and cash salary of $280,008, stock salary of $100,800 and long-term restricted stock of $190,400, for a total direct compensation of $571,208, are the approved 2010 amounts for TRP028.

V. CORPORATE GOVERNANCE

As noted in Part III above, the Rule requires the Office of the Special Master to consider the extent to which compensation structures are "performance-based over a relevant performance period," 31 C.F.R. § 30.16(b)(1)(iv). In light of the importance of this principle, as in the Prior Determinations, the Office of the Special Master requires that Chrysler take certain corporate governance steps to ensure that the compensation structures for the Covered Employees, and the amounts payable or potentially payable under those structures, are consistent with the public interest standard. Among other requirements, Chrysler must:

[9] Chrysler has identified certain employees subject to expatriate arrangements providing for the payment of certain "other" compensation in excess of this limitation. The Office of the Special Master has previously reviewed these arrangements and has concluded that such payments, not to exceed $275,000 per employee, are consistent with the public interest standard.

- Ensure that employees are prohibited from engaging in any hedging or derivative transaction with respect to Company stock that would undermine the long-term performance incentives created by the compensation structures set forth in ***Exhibits I*** and ***II***.

- Maintain a compensation committee composed exclusively of independent directors, which must discuss, evaluate, and review with Chrysler's senior risk officers any risks that could threaten the value of Chrysler. *Id.* § 30.4; *id.* § 30.5.

- Ensure that the compensation committee discloses to Treasury an annual narrative description of whether Chrysler, its board of directors, or the committee has engaged a compensation consultant during the past three years; and, if so, the types of services provided by the compensation consultant or any affiliate, including any "benchmarking" or comparisons employed to identify certain percentile levels of pay. *Id.* § 30.11(c).

- Provide to Treasury an annual disclosure of any perquisite whose total value for Chrysler's fiscal year exceeds $25,000 for each of the Covered Employees, as well as a narrative description of the amount and nature of these perquisites, the recipient of these perquisites and a justification for offering these perquisites (including a justification for offering the perquisite, and not only for offering the perquisite with a value that exceeds $25,000). *Id.* § 30.11(b).

- Ensure that any incentive award paid to a Covered Employee is subject to a clawback if the award was based on materially inaccurate financial statements (which term includes, but is not limited to, statements of earnings, revenues, or gains) or any other materially inaccurate performance metric criteria. Chrysler must exercise its clawback rights except to the extent that it is unreasonable to do so. *Id.* § 30.8.

- Chrysler was required to adopt an excessive or luxury expenditures policy, provide that policy to Treasury, and post it on Chrysler's website. If Chrysler's board of directors makes any material amendments to this policy, within ninety days of the adoption of the amended policy, the board of directors must provide the amended policy to Treasury and post the amended policy on its Internet website. *Id.* § 30.12.

- Except as explicitly permitted under the Rule, Chrysler is prohibited from providing (formally or informally) tax gross-ups to any of the Covered Employees. *Id.* § 30.11(d).

- Chrysler's chief executive officer and chief financial officer must provide written certification of the Company's compliance with the various requirements of Section 111 of EESA. The precise nature of the required certification is identified in the Rule. *Id.* § 30.15 Appx. B.

VI. CONCLUSION

The Office of the Special Master has reviewed the Proposed Structures for the Covered Employees for 2011 and, in light of the principles, applied the guidelines in order to ensure the satisfaction of the public interest standard. On the basis of that review, the Office of the Special Master has determined that, except as discussed above with respect to the proposed payment of benefits under the supplemental executive retirement plan, the Proposed Structures submitted by Chrysler are generally consistent with the Prior Determinations.

The Office of the Special Master has reviewed the compensation structures set forth in ***Exhibits I*** and ***II*** in light of the principles set forth at 31 C.F.R. § 30.16(b). Pursuant to the authority vested in the Office of the Special Master by the Rule, and in accordance with Section 30.16(a)(3) thereof, the Office of the Special Master hereby determines that the compensation structures set forth in ***Exhibits I*** and ***II***, including the amounts payable or potentially payable under such compensation structures, will not result in payments that are inconsistent with the purposes of Section 111 of EESA or TARP, and will not otherwise be contrary to the public interest.

Pursuant to the Interim Final Rule, Chrysler may, within 30 days of the date hereof, request in writing that the Office of the Special Master reconsider the determinations set forth in this Determination Memorandum. The request for reconsideration must specify a factual error or relevant new information not previously considered, and must demonstrate that such error or lack of information resulted in a material error in the initial determinations. If Chrysler does not request reconsideration within 30 days, the determinations set forth herein will be treated as final determinations. *Id*. § 30.16(c)(1).

The foregoing determinations are limited to the compensation structures and employees described in ***Exhibits I*** and ***II***, and shall not be relied upon with respect to any other employee. The determinations are limited to the authority vested in the Office of the Special Master by Section 30.16(a)(3)(i) of the Rule, and shall not constitute, or be construed to constitute, the judgment of the Office of the Special Master or Treasury with respect to the compliance of any compensation structure with any other provision of the Rule. Moreover, this Determination Memorandum has relied upon, and is qualified in its entirety by, the accuracy of the materials submitted by the Company to the Office of the Special Master, and the absence of any material misstatement or omission in such materials.

Finally, the foregoing determinations are limited to the compensation structures described herein, and no further compensation of any kind payable to any Covered Employee without the prior approval of the Office of the Special Master would be consistent with the public interest standard.

EXHIBIT I
COVERED EMPLOYEES
2011 Compensation

Company Name: Chrysler Group LLC

Employee ID	**Cash Salary**	**Stock Salary** (Performance based: The stock vests at grant and is redeemable in three equal, annual installments beginning on the second anniversary of grant.)	**Long-Term Restricted Stock** (Performance based: Awarded based on achievement of objective performance goals. Generally vests after 3 years of service. Transferability dependent on TARP repayment.)	**Total Direct Compensation** (Cash salary + stock salary + long-term restricted stock.)
TRP001	$0	$0	$0	$0
TRP002	$500,000	$287,500	$393,750	$1,181,250
TRP005	$485,004	$278,875	$381,938	$1,145,817
TRP006	$455,004	$209,300	$332,150	$996,454
TRP009	$410,004	$235,752	$322,878	$968,634
TRP010	$410,004	$215,252	$312,628	$937,884
TRP011	$400,008	$108,002	$254,005	$762,015
TRP012	$405,000	$36,450	$220,725	$662,175
TRP014	$400,008	$250,000	$325,000	$975,008
TRP016	$375,000	$215,625	$295,312	$885,937
TRP017	$315,000	$108,675	$211,837	$635,512
TRP018	$315,000	$56,700	$185,850	$557,550
TRP020	$400,008	$230,000	$315,000	$945,008
TRP022	$300,004	$103,500	$201,750	$605,254
TRP023	$280,000	$56,000	$56,000	$392,000
TRP025	$310,008	$142,604	$226,306	$678,918
TRP026	$285,000	$65,550	$175,275	$525,825
TRP028	$330,000	$173,250	$251,625	$754,875
TRP029	$265,032	$95,412	$180,222	$540,666
TRP030	$290,004	$181,250	$235,625	$706,879
TRP034	$250,020	$45,000	$147,510	$442,530
TRP055	$350,004	$183,750	$266,875	$800,629
TRP060	$280,008	$147,000	$213,500	$640,508
T11001	$320,004	$86,401	$203,202	$609,607
T11002	$300,000	$157,500	$228,750	$686,250

Comparison of 2011 compensation to prior year compensation for the employees listed above

- **Overall:** Overall cash increased approximately $325,000 or 4.0% and total direct compensation increased $2.4 million or 15.1%.
- **Cash salary:** No Covered Employees have an annual cash salary rate over $500,000.
- **Total direct compensation:** Only two Covered Employees have total direct compensation over $1 million.

Note 1: The total number of Covered Employees may be less than 25 because of separations from service since January 1, 2011.

EXHIBIT II
TERMS AND CONDITIONS OF PAYMENTS AND STRUCTURES
CONSISTENT WITH THE PUBLIC INTEREST STANDARD

The following general terms and conditions shall govern the compensation structures described in ***Exhibit I***. The Office of the Special Master's determination that those structures are consistent with the public interest standard is qualified in its entirety by the Company's adherence to these terms and conditions.

- ***Salary payments***. Cash and stock base salaries reflect the annual rate for the employee and are effective as of January 1, 2011, and in the case of stock salary are payable on a *nunc pro tunc* basis from that date. To the extent the Office of the Special Master's determinations for 2011 reduce an employee's previous cash or stock salary rate, payments in excess of that rate prior to the date hereof must be offset by reductions to prospective 2011 cash salary payments or to any stock salary payable with respect to 2011.

- ***Stock compensation generally***. For purposes of the Determination Memorandum, "stock" compensation includes common stock and stock units. Notwithstanding any transferability restrictions applicable to any stock compensation described in the Determination Memorandum, (1) an amount of stock sufficient to cover an employee's tax withholding obligations may become immediately transferable to the extent necessary to satisfy the employee's obligations, and (2) to the extent permitted by the Rule, stock may become immediately transferable upon an employee's death or separation from service resulting from disability, as defined in the Company's broad-based long-term disability plan.

- ***Stock salary***. Stock salary must be determined as a dollar amount through the date salary is earned, be accrued at the same time or times as the salary would otherwise be paid in cash, and vest immediately upon grant, with the number of shares based on the fair market value on the date of award. Stock granted as stock salary may only be redeemed in three equal, annual installments as described in the Determination Memorandum. Whether a *nunc pro tunc* grant or payment that is labeled stock salary is considered salary or a bonus for purposes of the Rule is determined based on all the facts and circumstances.

- ***Long-term restricted stock***. Long-term restricted stock for 2011 services may only be granted upon the achievement of objective performance criteria developed and reviewed in consultation with the Office of the Special Master. The compensation committee must certify (1) the achievement of such criteria, and (2) that the grant of incentives is appropriate in light of the Company's overall circumstances at the time. Such stock must be forfeited unless conditioned upon the employee's continued employment through the third anniversary of grant, unless a termination of employment results from death or disability; provided, however, that (a) pro rata vesting is permitted after two years, allowing two-thirds of the grant to vest after two years, with the last third vesting on the third anniversary, and (b) all or a portion of such stock may, for good cause certified by the Company's compensation committee, continue to vest if the employee retires on or after the second anniversary of the grant date. The term "retirement" must meet an objective standard established in consultation with the Office of the Special Master.

- ***Other compensation and perquisites***. No more than $25,000 in total other compensation and perquisites (as defined by pertinent SEC regulations) may be provided to any Covered Employee, absent exceptional circumstances for good cause shown.

- ***Supplemental executive retirement plans and non-qualified deferred compensation plans***. No amounts may be accrued under supplemental executive retirement plans, and no Company contributions may be made to other "non-qualified deferred compensation" plans, as defined by pertinent SEC regulations, for 2011. For the avoidance of doubt, the foregoing limitation does not (1) apply to employee-funded elective deferral arrangements or (2) preclude continuing recognition of age and service credit for Company employees for the purpose of vesting in previously accrued benefits under any plans referred to in this paragraph.

- ***Qualified Plans***. For the avoidance of doubt, the Office of the Special Master has determined that participation by the Covered Employees in broad-based, tax-qualified retirement and health and welfare plans is consistent with the public interest standard, and amounts payable under such plans are not counted against the $25,000 limit on other compensation and perquisites.