



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

3-23-2010

Letter from Kenneth Feinberg and Determination Memorandum Re: Proposed Compensation Payments and Structures for Senior Executive Officers and Most Highly Compensated Employees

Kenneth R. Feinberg

<https://elischolar.library.yale.edu/ypfs-documents/8684>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 23, 2010

Tracy Hackman, Esquire
Vice President, General Counsel and Secretary
Chrysler Financial
27777 Inkster Road
CIMS 405-27-16
Farmington Hills, MI 48334

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

Dear Ms. Hackman:

Pursuant to the Department of the Treasury’s Interim Final Rule on TARP Standards for Compensation and Corporate Governance, the Office of the Special Master has completed its review of your 2010 compensation submission on behalf of the senior executive officers and next 20 most highly compensated employees (“Covered Employees 1–25”) of Chrysler Financial. Attached as *Annex A* is a Determination Memorandum (accompanied by *Exhibits I* and *II*) providing the determinations of the Special Master with respect to 2010 compensation for those employees. 31 C.F.R. § 30.16(a)(3)(i).

The Interim Final Rule requires the Special Master to determine whether the compensation structure for each senior executive officer and certain most highly compensated employees “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.” *Id.* On October 22, 2009, the Special Master issued a Determination Memorandum containing principles designed to ensure that 2009 compensation for Chrysler Financial’s Covered Employees 1–25 satisfies this public interest standard.

The principles established for 2009 must continue to govern compensation at the five remaining recipients of exceptional assistance in 2010. I am pleased that Chrysler Financial’s 2010 submission is largely consistent with these important principles, which are detailed in the attached Determination Memorandum. Generally, these principles require that:

- There can be no guarantee of any “bonus” or “retention” awards among the compensation structures approved by the Special Master.
- Base salary paid in cash should not exceed \$500,000 per year, except in appropriate cases for good cause shown.

- Total compensation for each individual must be appropriate when compared with total compensation of comparable employees at similarly situated companies, and should generally not exceed the 50th percentile of total compensation for comparable employees.
- “Other” compensation and perquisites, and supplemental executive retirement plans, must remain subject to the limitations described in the 2009 determinations.

Although Chrysler Financial’s submissions are generally consistent with these important principles, some modifications are required to make certain that compensation for Chrysler Financial’s Covered Employees 1–25 satisfies the public interest standard. Accordingly, the compensation structures approved by the Special Master vary in the following respects from Chrysler Financial’s proposals:

- The number of Covered Employees 1–25 earning more than \$500,000 in cash salary will be eight, rather than 14, as proposed by Chrysler Financial.
- Total direct compensation for 2010 will increase by 10% over 2009. Chrysler Financial had proposed a 20% increase over 2009 based on the Company’s achievement of significant business objectives sooner than projected.

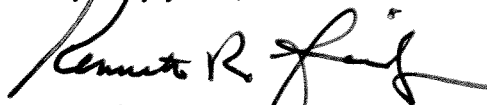
As described in the attached Determination Memorandum, Chrysler Financial must also continue to observe the following prescriptions described in the Special Master’s 2009 determinations:

- Chrysler Financial may not provide a tax “gross up” of any kind to these employees.
- As least once every year, Chrysler Financial’s compensation committee must provide the Department of the Treasury a narrative description identifying each compensation plan for its senior executive officers, and explaining how the plan does not encourage the senior executive officers to take unnecessary and excessive risks that threaten Chrysler Financial’s value.

These requirements are described in detail in the attached Determination Memorandum.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Kenneth R. Feinberg". The signature is fluid and cursive, with a large, stylized initial "K".

Kenneth R. Feinberg
Office of the Special Master
for TARP Executive Compensation

Enclosures

cc: Mr. Thomas F. Gilman

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”). 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”). 31 C.F.R. § 30.16(a); *id.* § 30.16(a)(3). For these employees, 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 Financial (the “Company”), one of five remaining Exceptional Assistance Recipients, has submitted to the Special Master proposed 2010 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 2010 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 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 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).

On October 22, 2009, after reviewing submissions of proposed compensation structures from the Company, the Special Master issued determinations regarding 2009 compensation structures, and amounts potentially payable thereunder, for Chrysler Financial’s senior executive officers and certain most highly compensated employees (the “2009 Determinations”). The 2009 Determinations included principles designed to ensure that 2009 compensation for the applicable employees 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.” 31 C.F.R. § 30.16(a)(3)(i).

The 2009 Determinations applied only to those individuals identified by the Company as subject to the Special Master's mandatory jurisdiction to review and approve compensation structures and payments, *see id.*, for 2009 and only with respect to compensation for services provided to Chrysler Financial for 2009.

On December 14, 2009, the Special Master requested from each remaining Exceptional Assistance Recipient, including Chrysler Financial, certain data and documentary information necessary to facilitate the Special Master's review of the Company's proposed 2010 compensation structures. The request required Chrysler Financial 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 Special Master to request information from an Exceptional Assistance Recipient "under such procedures as the Special Master may determine." *Id.* § 30.16(d). Chrysler Financial was required to submit competitive market data indicating how the amounts payable under Chrysler Financial's proposed compensation structures relate to the amounts paid to persons in similar positions or roles at similar entities. Chrysler Financial 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 Financial submitted this information to the Office of the Special Master on January 15, 2010. Following a preliminary review of the submission, on February 2, 2010, the Special Master determined that Chrysler Financial'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 Financial's proposed compensation structures for the Covered Employees. The Rule provides that the Special Master is required to issue a compensation determination within 60 days of receipt of a substantially complete submission. *Id.*

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 detailed to the Office of the Special Master, including executive compensation specialists with significant experience in reviewing, analyzing, designing and administering executive compensation plans, and attorneys with experience in matters related to executive compensation;
- 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
- External information on comparable compensation structures extracted from Equilar's *ExecutiveInsight* database (which includes information drawn from publicly filed proxy statements) and Equilar's *Top 25 Survey Summary Report* (which includes information from a survey on the pay of highly compensated employees).

The Special Master considered these sources, 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 2010.

III. STATUTORY AND REGULATORY STANDARDS

The Rule requires that the Special Master determine for each of the Covered Employees whether Chrysler Financial'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)(i) (as applied to Covered Employees of Exceptional Assistance Recipients, the "Public Interest Standard"). The Rule requires that the Special Master consider six principles when making these compensation determinations:

- (1) *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*. 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 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 Special Master exercise his discretion in determining the relative weight to be accorded to each principle. *Id.*

The Rule provides that 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 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 Financial Proposals

Chrysler Financial has provided the Office of the Special Master with detailed information concerning its proposed 2010 compensation structures for the Covered Employees, including amounts proposed to be paid under the compensation structure for each Covered Employee (the “Proposed Structures”).

Chrysler Financial 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.

As noted in the 2009 Determinations, Chrysler Financial is currently pursuing a wind-down of its operations and the repayment of its lenders and investors. The Company has

asserted that its success in this context is largely dependent upon maintaining critical talent, as it will be difficult to attract new employees during the wind-down process. In addition, providing compensation payable in long-term incentives based on the performance of the Company is impractical while the business is winding down, and Chrysler Financial therefore has requested that 2010 compensation, like 2009 compensation, be paid in the form of cash salaries.

1. Cash Salary

Chrysler Financial proposed increasing cash salaries by 20% above 2009 levels, effective March 1, 2010, based on the Company's successful achievement of pre-determined business objectives sooner than anticipated.

2. "Other" Compensation and Perquisites

Chrysler Financial proposed payments of "other" compensation, as well as perquisites, to the Covered Employees. These proposed payments vary in value and include payments in excess of the \$25,000 annual limit set forth in the 2009 Determinations.

B. Determinations of the Special Master

The Special Master has reviewed the Proposed Structures in detail by application of the principles set forth in the Rule and described in Part III above. The Special Master's review also made use of the resources described in Part II. In light of this review, the Special Master has determined that the principles established for 2009, which reflect the Public Interest Standard and are set forth in the 2009 Determinations, must continue to govern compensation in 2010.

After reviewing the Proposed Structures, the Special Master has concluded that they are largely consistent with the general principles established in the 2009 Determinations. However, certain aspects of the Proposed Structures require modification to ensure that they are consistent with the Public Interest Standard.

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 Special Master reviewed Chrysler Financial's proposal with respect to cash salary 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 2009 Determinations required that cash salaries generally target the 50th percentile, 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 Special Master also reviewed Chrysler Financial's proposal with respect to cash salary in light of the principle that compensation structures must "reflect the need for the TARP recipient to remain a competitive enterprise ... and ultimately to be able to repay TARP obligations." *Id.* § 30.16(b)(1)(ii). The 2009 Determinations acknowledged that Chrysler Financial's stated business objectives — which include an orderly wind-down of its business — may require cash salaries that give employees clear incentives to remain with the firm during the wind-down period.

Finally, the Special Master reviewed the Proposed Structures with respect to cash salary 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 2009 determinations for other Exceptional Assistance Recipients concluded that cash salary generally should not exceed \$500,000, other than in exceptional cases for good cause shown.

Based on this review, the Special Master has concluded that Chrysler Financial's proposed cash salaries for certain Covered Employees cannot be supported by comparison to cash salaries provided to persons in similar positions or roles at similar entities, and that such salaries generally exceed amounts needed to retain employees during the wind-down process. Accordingly, Chrysler Financial's proposal requires modification in order to be consistent with the Public Interest Standard.

As described in further detail in *Exhibits I* and *II*, the cash salaries that the Special Master has determined to be consistent with the 2009 Determinations are comparable to those amounts for persons in similar positions or roles at similar entities, and are less than \$500,000, except in certain circumstances for good cause shown.

2. "Other" Compensation and Perquisites

The 2009 Determinations generally require that perquisites and "other" compensation provided to a Covered Employee be limited to \$25,000 on an annual basis, and the Proposed Structures are consistent with this requirement. As described in *Exhibit II*, any exceptions to this limitation will require that the Company provide to the Office of the Special Master an independent justification for the payment that is satisfactory to the Special Master. To the extent that payments exceeding this limitation have already been made to a Covered Employee in 2010, those amounts should be promptly returned to the Company.

Chrysler Financial has provided the Office of the Special Master with an independent justification for certain perquisites and "other" compensation that are expected to exceed the \$25,000 annual limit in 2010. In particular, the Company has sought approval for payments, consistent with employment agreements that pre-date TARP, to reimburse two Covered Employees for certain expenses that the Company estimates will total \$40,000 and \$60,000, respectively, in 2010. Chrysler Financial has also requested permission to pay two additional Covered Employees \$18,600 each under an existing program for Chrysler Financial employees living in geographic locations with high living costs. Payments to these two employees, when combined with other perquisites, would push the sum of all perquisites and other compensation provided in 2010 to \$34,200 for each employee.

The Special Master reviewed these justifications in light of the Public Interest Standard, giving particular consideration to whether the proposed payments are “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.” *Id.* at § 30.16(b)(1)(v). Additionally, the Special Master took into account “the current or prospective contributions of an employee to the value of the TARP recipient” and “the need for the TARP recipient to remain a competitive enterprise, to retain ... talented employees who will contribute to the TARP recipient’s future success, and ultimately to be able to repay TARP obligations.” *Id.* at § 30.16(b)(1)(ii).

With regard to certain expenses for two of the Covered Employees, Chrysler Financial has represented that these employees serve in critical roles, and that their continued presence is vital to a successful wind-down of the Company’s operations. In addition, when the employees joined Chrysler Financial in 2007, the Company agreed to reimburse each employee for these expenses. Based on the Company’s own estimates, the expenses for each of the Covered Employees would represent approximately 4–7% of each employee’s total direct compensation for 2010. Given these factors, the Special Master has concluded that Chrysler Financial has provided satisfactory justification for the payment of these expenses, and that these payments are consistent with the Public Interest Standard provided they do not exceed the estimated annual amounts provided by the Company.

The Special Master also has concluded that the location adjustment payments proposed by Chrysler Financial are consistent with the Public Interest Standard. These payments represent less than 5% of each affected employee’s total direct compensation for 2010, and are being made pursuant to an existing program for Chrysler Financial employees.

3. Severance Plans

For the reasons provided in the 2009 Determinations, the Company must ensure that 2010 compensation structures for these employees do not result in an increase in the amounts payable pursuant to these arrangements.

V. CORPORATE GOVERNANCE

As noted in Part III above, the Rule requires 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, the Special Master required as part of the 2009 Determinations that Chrysler Financial 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.

The Special Master has determined that these same corporate governance requirements, which are detailed in Section V of the 2009 Determinations, must continue to apply in 2010. Among other requirements, Chrysler Financial must:

- Maintain a compensation committee comprised exclusively of independent directors, which must discuss, evaluate, and review with Chrysler Financial’s senior risk officers any risks that could threaten the value of Chrysler Financial. *Id.* § 30.4; *id.* § 30.5.
- Ensure that the compensation committee discloses to Treasury an annual narrative description of whether Chrysler Financial, 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 Financial’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 includes, but is not limited to, statements of earnings, revenues, or gains) or any other materially inaccurate performance metric criteria. Chrysler Financial must exercise its clawback rights except to the extent that it is unreasonable to do so. *Id.* § 30.8.
- Chrysler Financial was required to adopt an excessive or luxury expenditures policy, provide that policy to Treasury, and post it on Chrysler Financial’s website. If Chrysler Financial’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 Financial is prohibited from providing (formally or informally) tax gross-ups to any of the Covered Employees. *Id.* § 30.11(d).
- Chrysler Financial’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 Special Master has reviewed the Proposed Structures for the Covered Employees for 2010 in light of the principles described in the 2009 Determinations, which in turn reflect the Public Interest Standard. On the basis of that review, the Special Master has determined that the

Proposed Structures submitted by Chrysler Financial are largely consistent with the 2009 Determinations but require certain modifications in order to meet the Public Interest Standard.

The Special Master has separately 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 Special Master by the Rule, and in accordance with Section 30.16(a)(3) thereof, 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 Financial may, within 30 days of the date hereof, request in writing that 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 Financial 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 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 Special Master would be consistent with the Public Interest Standard.

EXHIBIT I
COVERED EMPLOYEES
2010 Compensation

Company Name: Chrysler Financial

| Employee ID | Cash Salary | Stock Salary (Performance based: The stock vests at grant and is redeemable in three equal, annual installments beginning on the 2nd 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.) |
|--------------------|--------------------|---|---|--|
| A216G8 | \$1,650,000 | \$0 | \$0 | \$1,650,000 |
| A200H1 | \$495,000 | \$0 | \$0 | \$495,000 |
| A224F7 | \$237,600 | \$0 | \$0 | \$237,600 |
| A232F6 | \$270,864 | \$0 | \$0 | \$270,864 |
| A272C1 | \$880,000 | \$0 | \$0 | \$880,000 |
| A288A8 | \$440,000 | \$0 | \$0 | \$440,000 |
| A296A7 | \$475,200 | \$0 | \$0 | \$475,200 |
| B225F8 | \$1,485,000 | \$0 | \$0 | \$1,485,000 |
| B241E6 | \$456,500 | \$0 | \$0 | \$456,500 |
| B249D5 | \$539,000 | \$0 | \$0 | \$539,000 |
| C234F8 | \$451,000 | \$0 | \$0 | \$451,000 |
| C258D5 | \$539,000 | \$0 | \$0 | \$539,000 |
| C298A9 | \$440,000 | \$0 | \$0 | \$440,000 |
| D211H3 | \$240,570 | \$0 | \$0 | \$240,570 |
| D235F9 | \$451,000 | \$0 | \$0 | \$451,000 |
| E204H5 | \$440,000 | \$0 | \$0 | \$440,000 |
| E220G3 | \$451,000 | \$0 | \$0 | \$451,000 |
| E236E1 | \$550,004 | \$0 | \$0 | \$550,004 |
| F213G5 | \$265,216 | \$0 | \$0 | \$265,216 |
| F245E1 | \$451,000 | \$0 | \$0 | \$451,000 |
| F253D9 | \$487,300 | \$0 | \$0 | \$487,300 |
| F285B5 | \$282,150 | \$0 | \$0 | \$282,150 |
| G206H7 | \$539,000 | \$0 | \$0 | \$539,000 |
| H231F5 | \$467,500 | \$0 | \$0 | \$467,500 |
| H279B8 | \$660,000 | \$0 | \$0 | \$660,000 |

Comparison of 2010 Compensation to Prior Year Compensation

- Annual cash salary rates and total direct compensation will increase by 10% over 2009 levels but remain below 2008 levels.
- Only eight Covered Employees with total direct compensation over \$500,000.

Note 1: Amounts reflected in this Exhibit do not include amounts the Company has asserted to be payable pursuant to legally binding rights under valid employment contracts, see 31 C.F.R. § 30.10(e)(2).

Note 2: Due to the Company's stated business objectives, including an orderly wind down of the Company's operations, compensation is only delivered in cash base salary.

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 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 base salaries reflect the annual rate for the employee and are effective as of January 1, 2010.
- ***Other compensation and perquisites.*** No more than \$25,000 in total other compensation and perquisites may be provided to any Covered Employee, absent exceptional circumstances for good cause shown, as defined by pertinent SEC regulations.
- ***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 2010. For the avoidance of doubt, neither the foregoing limitation nor the corresponding limitation in the 2009 Determinations (1) applies to employee-funded elective deferral arrangements, or (2) precludes continuing recognition of age and service credit for Company employees for the purposes of vesting in previously accrued benefits under any plans referred to in this paragraph.
- ***Qualified Plans.*** For the avoidance of doubt, 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.