OTTAWA, March 30, 2009 — The Honourable Tony Clement, Minister of Industry, the Honourable Jim Flaherty, Minister of Finance, and the Honourable Michael Bryant, Ontario Minister of Economic Development, today announced that the plans submitted by General Motors of Canada Limited and Chrysler Canada Inc. are not sufficient for the governments to certify their restructuring plans. The governments have requested that additional work be undertaken by General Motors and Chrysler as part of ongoing restructuring efforts.

"While the restructuring plans represent progress, they do not go far enough to ensure the long-term viability of these companies. Therefore, we are not certifying their proposals," said Minister Clement. "Together with our U.S. counterparts we believe that further fundamental changes are needed."

In conjunction with the U.S. Government, the governments of Canada and Ontario are requesting that both companies undertake additional work to ensure their future competitiveness and that all stakeholders contribute appropriately to improving the overall cost structures in their plans.

General Motors has been asked to undertake a more fundamental restructuring of its products and its operations, while Chrysler has been asked to come to terms with labour on a contract that works for the company and with Fiat on a workable alliance.

This additional work will be supported in Canada by the interim loans announced by Prime Minister Stephen Harper and Ontario Premier Dalton McGuinty on December 20, 2008. Canada is contributing 20 percent of the existing U.S. interim financing, in keeping with its share of Canada–U.S. production.

"Together with the Government of Ontario, we are working in conjunction with the U.S. Government to create a viable industry and to maintain Canada's share of Canada–U.S. production going forward," said Minister Flaherty. "The interim loans to General Motors and Chrysler reflect our priorities to both protect our economy and exercise firm oversight over taxpayer dollars."

Interim loans will be advanced as necessary in the amounts of $3 billion for General Motors of Canada Limited and $1 billion for Chrysler Canada to assist the companies while they work on their restructuring plans. These loans are not to pay off debts to parent companies, taxes or underfunded pension liabilities. In the loan agreement, the Government of Canada puts limits on executive compensation to senior Canadian employees from 2008 through the term of the loan. The borrowers must provide regular reports on cash and liquidity positions, production and revenues.

"The auto companies have come some distance, but they need to go further," said Minister Bryant. "In the meantime, we support this integrated approach that will extend a federal-provincial bridge to a better plan for taxpayers and our economy."

In the case of Chrysler Canada, the loan agreement has been signed and $250 million will be advanced as soon as possible. The federal government will provide two-thirds of the loans, while the Ontario government will contribute one-third.

This Canadian support is in addition to amounts already announced in Canada's Economic Action Plan for the Canadian Secured Credit Facility to support consumer demand, the Community Adjustment Fund to support distressed communities, and additional funds provided to Export Development Canada to expand its program of accounts receivable insurance for auto parts suppliers.
The auto industry directly employs over 150,000 Canadians plus another 340,000 indirectly. It is our largest industry within the manufacturing sector and represents 14 percent of our manufacturing output and 23 percent of manufactured exports.

For further information (media only), please contact:

Pema Lhalungpa  
Press Secretary  
Office of the Honourable Tony Clement  
Minister of Industry  
613-995-9001

Chisholm Pothier  
Press Secretary  
Office of the Honourable Jim Flaherty  
Minister of Finance  
613-996-7861

Greg Crone  
Office of the Honourable Michael Bryant  
Minister of Economic Development of Ontario  
416-326-9345

March 30, 2009

Backgrounder  
Government Support to the Auto Industry

The governments of Canada and Ontario, in tandem with the U.S. Government, are requesting that General Motors of Canada Limited and Chrysler Canada Inc. undertake additional work to improve their competitive position in the marketplace and reduce their overall costs in their long-term restructuring plans. Both companies must also demonstrate that Canada maintains its share of Canada-U.S. production in their respective plans.

General Motors has been asked to undertake a more fundamental restructuring of its products and its operations, while Chrysler has been asked to come to terms with Fiat on a workable alliance. In the case of General Motors, the governments expect the company to complete the process within an additional 60 days. The governments expect Chrysler to complete its process within an additional 30 days.

Why the restructuring plans need additional work

While General Motors' and Chrysler's restructuring plans and actions to date represent progress, the U.S. Government has asked them both to implement further restructuring in order to ensure long-term viability. This decision by the U.S. Government is material to the Canadian decision, given the integrated nature of the two companies on either side of the border.

The U.S. conclusion is in line with findings by federal and provincial officials, who have been evaluating the viability of each company's Canadian operations, based on internal analysis and third-party due diligence.

Canada's analysis has had two focal points:

- Whether the companies have demonstrated that they will be competitive in the marketplace.
- Whether the companies will have a competitive cost structure over the medium to long term.

Canada's analysis indicates that the companies are not there yet. Therefore Canada has not certified either of their restructuring plans.
What Canada is asking the automakers to do

The companies must examine their assumptions about overall auto sales and their assumptions about market share corresponding to their current product mix and their long-term product plans. In the case of Chrysler, this will require coming to terms with Fiat on a workable alliance to take advantage of scale economies and a competitive product mix.

As with the U.S. Government’s request, Canada is requesting that both companies and their stakeholders — management, labour, retirees, dealers and suppliers — contribute appropriately to improve overall cost structures in their long-term restructuring plans.

Both the U.S. and Canadian governments are extending the deadlines for certification of the restructuring plans by an additional 30 days for Chrysler and by an additional 60 days for General Motors.

Additional support

This continued restructuring will be supported in Canada by up to $4 billion in interim loans, which were promised by Prime Minister Stephen Harper and Ontario Premier Dalton McGuinty on December 20, 2008. The interim loans in the amounts of $3 billion for General Motors of Canada Limited and $1 billion for Chrysler Canada Inc. will be available to ensure continued operations in Canada as soon as it is required. In the case of Chrysler Canada, the loan agreement has been signed and $250 million will be advanced as soon as possible.

The Canadian interim loans augment measures already announced in Canada’s Economic Action Plan, including the Canadian Secured Credit Facility to support consumers and businesses, the Community Adjustment Fund to support distressed communities, and additional funds provided to Export Development Canada (EDC) to expand its program of accounts receivable insurance (ARI).

EDC is assessing the extent of its existing Accounts Receivable Insurance coverage for Canadian automotive industry suppliers.

The $12-billion Canadian Secured Credit Facility will help improve credit availability for consumers to purchase and lease new vehicles at a time when global credit markets are severely disrupted. This will help consumers finance new vehicle purchases.

Annex — Details of the interim loans

The U.S. indicates that current loans provided by U.S. Treasury to each company will not be called on March 31, 2009, and additional interim loans would be available if needed to ensure that General Motors and Chrysler are supported while they perform this further work.

Until this month, Canada did not receive documented requests to provide the interim loans offered on December 20, 2008. Due diligence was undertaken and completed to understand the short-term liquidity needs of both companies. General Motors of Canada Limited has only recently sought Canadian government assistance, and it has demonstrated a need for short-term assistance as soon as early April. Chrysler Canada Inc. has now made a clear demonstration of need and has asked for assistance before the end of March to cover payroll and other operating expenses. Consequently, $250 million will be advanced as soon as possible.

Canada committed to financial assistance in proportion to that provided by the U.S. Government, with the goal of Canada maintaining its share of production.

Although it is believed this will be enough time to perform the required work, like the U.S., Canada recognizes the possibility that the necessary changes may require a court-supervised restructuring in order to be completed.

Loan Amounts: Interim loans will be provided up to $4 billion.
**Allocation of Loans:** General Motors of Canada Limited is eligible for an interim loan up to $3 billion, and Chrysler Canada Inc. is eligible for an interim loan up to $1 billion.

**Interest Rate:** Interest charged on these instruments will be set at 300 basis points above Canadian Dealer Offered Rate (CDOR + 300 bps) with CDOR floor of 2 percent. Therefore, the minimum interest rate on these loans is 5 percent.

**Terms of Loans:** Three-year term, callable in the event the Lender (i.e., Canada and Ontario) does not certify the restructuring plan. The Lender is free to establish a certification date prior to, aligned with, or up to 30 days beyond any new date established for the U.S. loan agreement.

**Closing Date on Loans:** The closing date for the Chrysler Canada Inc. interim loan is the end of March 2009. The closing date for the General Motors of Canada Limited liquidity facilities has yet to be determined.

**Timing and Amount of Interim Loan Disbursement:**

General Motors: the timing of disbursement has yet to be determined.

- Chrysler: $250 million End of March 2009
  - $500 million Early April 2009
  - $250 million May 1, 2009

**Security:** Access to interim loans will require a first priority interest be put on Chrysler Canada Inc.'s production facilities. In the case of General Motors of Canada Limited, access to interim loans will require that the governments of Canada and Ontario be granted senior status for the loans to the extent permitted by law under existing agreements. In consideration, the governments through EDC will receive an additional interest-bearing note equal to 6.67 percent of any loan made to Chrysler Canada.

**Uses of Funds:** Loaned funds are to be used for general corporate and working capital purposes, in particular to finance the ongoing operations of the borrower and its subsidiaries.

**Conditions:**

- Amounts owing to automotive parts suppliers to be paid in a timely manner in accordance with established accounts payable policies.
- Borrowers must accept limits on executive compensation in Canada, including performance pay.
- Borrowers are not permitted to use the proceeds to prepay indebtedness, nor to apply the funds toward tax obligations.
- Borrowers must provide fully-authorized warrants for non-voting stock, or equivalent interest-bearing notes.
- Borrowers must report material transactions (any business or other financial transaction with an associated value in excess of $125 million).
- Regular reports are to be provided on cash and liquidity positions, production and revenues as well as rolling three-month projections.
- Federal and Ontario government officials or their duly appointed contractors or agents shall have unimpeded access to the borrower's records.

Date Modified: 2009-03-30