**Summary: Draft Legislation Providing Financing to Enable Domestic Automobile Manufacturers to Restructure to Achieve Long-Term Viability**

The draft legislation would provide bridge financing to keep automobile manufacturers out of bankruptcy long enough to negotiate and to implement a restructuring plan to achieve long-term viability. The legislation would accomplish this without tapping TARP funds, preserving those funds for their intended purpose of stabilizing the financial markets.

*The President's Designee*: The President will designate an individual to facilitate the restructuring necessary to achieve the long-term viability of domestic automobile manufacturers.

- The President's designee will be empowered to lead negotiations between the parties with a direct financial interest, for each eligible automobile manufacturer, for the purpose of producing an agreement on a long-term viability plan.
- Eligible automobile manufacturers are those who submitted viability plans to Congress on December 2, 2008. The submission of these plans establishes *eligibility* for the process, but the designee is not bound by the contents of these plans.

*Bridge Loan to Restructuring:* Bridge loans toward restructuring would be authorized from funds appropriated previously for the auto companies under Section 136 of the 2007 energy legislation.

- In the event of a failure to produce a plan that will achieve viability by the statutory deadline, the President's designee shall require repayment of the bridge loan within 30 days.
- The designee also has the authority to otherwise accelerate the repayment of the bridge loan if there is a failure to make adequate progress toward a viable plan.

*Timetable and Process:*

- After 45 days, the designee will report to Congress on progress toward a successful restructuring plan.
- No later than March 31, 2009, each eligible manufacturer must submit a viability restructuring plan to the President's designee.
- The designee can extend the March 31 deadline by 30 days, one time only, if he believes that negotiations are proceeding in good faith and making good progress.
- The designee is authorized to provide financing to implement an approved viability plan. Conditions for approval are described below.
- If at the end of the negotiation period, the designee finds a failure to produce an adequate negotiated plan, he will submit his own viability plan to Congress. This plan may be executed via Chapter 11 reorganization.
- The legislation is explicit that, otherwise as provided in the Act, *no other* Federal funding is to be provided for the purpose of helping automakers to achieve financial viability or to avoid bankruptcy.

*Standards for Long-Term Viability:* To be approved, the President's designee must determine that a plan for long-term viability will result in:

- The repayment of all Government-provided financing.

- Achievement of a positive net present value, taking all present and future costs into account, including the repayment of government assistance provided under the legislation.
- Efforts to rationalize costs, capitalization and capacity with respect to the manufacturer's workforce, suppliers and dealerships, and proposals to restructure existing debt.
- The ability to produce advanced technology vehicles and to comply with fuel efficiency standards.
- A product mix and cost structure that is competitive in the U.S. marketplace.

*Taxpayer Protections*

- Firms receiving assistance must provide warrants for the purchase of non-voting stock equal to 20% of the value of the loan (with common stock purchases limited to 20% of all outstanding common stock, any remainder being in preferred stock.)
- Firms receiving assistance must accept limits on executive compensation.
- Taxpayer investments in these auto manufacturers will be protected by placing other obligations in a subordinate status (to the extent permitted by the terms of other obligations, liabilities and debt as of December 2, 2008).