

## Summary of Auto Rescue Bill

- **Auto Industry Financing and Restructuring Board** – President shall designate 1 or more officers in the Executive Branch with appropriate experience to carry out the requirements of the Act. President also may employ additional advisors.
- **Bridge Financing** – Directs the President’s Designee to authorize, allocate and direct the disbursement of bridge loans or commitments for lines of credit to eligible auto manufacturers that submitted a plan to Congress on 12/2/08 (Chrysler, Ford, and GM) (Auto Manufacturers) from funds previously appropriated for Section 136 of the Energy Independence and Security Act (EISA). \$500 million will be reserved for Section 136 loans; additional appropriation is authorized to replenish Section 136 funds.
- **Assessment of Restructuring Progress** – The President’s Designee must establish, not later than 1/1/09, appropriate measures to assess the progress of each Auto Manufacturer in turning the plan submitted to Congress on 12/2/08 into a long-term restructuring plan; and must evaluate the progress of each Auto Manufacturer in 45 days.
- **Negotiated Long-Term Restructuring Plans**
  - Not later than 3/31/09, Auto Manufacturers must submit to President’s Designee a restructuring plan for long-term viability and international competitiveness, including repayment of government financing, compliance with Federal and State fuel efficiency requirements, achievement of positive net present value, rationalization of costs, capacity, and proposals for restructuring existing debt. The President’s Designee may provide financial assistance for Auto Manufacturers to implement the long-term restructuring plan.
  - President’s Designee shall facilitate agreement on the long-term restructuring plan by the major stakeholders of each Auto Manufacturer. The President’s Designee will request from Congress additional powers and authorities he deems necessary to avoid disruption to the economy or to achieve a negotiated plan; if he determines that adequate progress is not being made to reach agreement by 3/31/09, the President’s Designee will submit to Congress its own plan for long-term viability and request legislative implementation, if necessary. Includes sense of Congress that Congress should act expeditiously on such recommendations by the President’s Designee.
- **Taxpayer Protections**
  - **Warrants:** The President’s Designee must obtain, from each Auto Manufacturer receiving a loan, warrants (or economic equivalent in the case of a privately held firm) equal to 20% of the loan, or such greater percentage as may be determined by the President’s Designee.
  - **Executive Compensation:** All executive compensation restrictions of TARP apply to Auto Manufacturers receiving financial assistance for the duration of that assistance, **plus:** (1) no bonuses to 25 most highly paid employees; (2) no golden parachutes under any circumstances; (3) no compensation plan that could encourage manipulation of reported earnings to enhance compensation; and (4) divestiture of all passenger aircraft owned or leased.
  - **Dividends:** Auto Manufacturers receiving financial assistance (including majority stakeholders) may not pay dividends or economic equivalent for duration of the assistance.
  - **Super Seniority:** All other obligations of any Auto Manufacturer receiving loans will be subordinate to those loans.
- **Oversight** – Existing GAO and Special IG oversight provisions of TARP apply, **plus** explicit grant to GAO of access to Auto Manufacturers’ records (including records of majority stakeholders). Extensive reporting requirements from GAO, Special IG, and President’s Designee to Congress.
- **Allocation of Funds** – President’s Designee will prioritize allocation of funds to Auto Manufacturers
  - For bridge loans, based in order on necessity of the funds, potential impact of failure of the Auto Manufacturer on the U.S. economy, and ability to utilize the funds optimally.
  - For long-term financial assistance, based in order on ability to utilize the funds optimally, potential impact of failure of the Auto Manufacturer on the U.S. economy, and necessity of the funds.
- **Terms and Conditions of Loans**
  - **Term:** 7 years (or longer as may be determined by President’s Designee).
  - **Interest Rate:** 5% for first 5 years and 9% thereafter.
  - **No prepayment penalty.**
  - **Full Information Access:** Automobile Manufacturers receiving loans are required to provide President’s Designee access to all information that may be relevant to monitor the interests of the government.
  - **Oversight of Transactions and Financial Condition:** For duration of the loan, President’s Designee may review and prohibit any asset sale, investment, contract, or commitment proposed to be entered into by the Auto Manufacturer valued in excess of \$25 million.

- **Acceleration of Repayment:** President's Designee may accelerate repayment of a loan if (1) President's Designee determines that the recipient has failed to make adequate progress towards meeting restructuring goals, or (2) recipient fails to submit an acceptable long-term restructuring plan or fails comply with any other applicable condition or requirement of the loan program or Federal or State fuel efficiency requirements.
- **Withdrawal from Lawsuits:** Recipients are prohibited from pursuing, participating in, funding, or supporting in any way any legal challenge to State laws concerning greenhouse gas emission standards.