

**Fact Sheet:** Financing Assistance to Facilitate the Restructuring of Automobile Manufacturers to Attain Financial Viability

**Purpose:** The terms and conditions of the financing provided by the Treasury Department will facilitate restructuring of our domestic auto industry, prevent disorderly bankruptcies during a time of economic difficulty, and protect the taxpayer by ensuring that only financially viable firms receive financing.

**Amount:** Auto manufacturers will be provided with \$13.4 B in short-term financing from the TARP, with an additional \$4 B available in February, contingent upon drawing down the second tranche of TARP funds.

**Viability Requirement:** The firms must use these funds to become financially viable. Taxpayers will not be asked to provide financing for firms that do not become viable. If the firms have not attained viability by March 31, 2009, the loan will be called and all funds returned to the Treasury.

**Definition of Viability:** A firm will only be deemed viable if it has a positive net present value, taking into account all current and future costs, and can fully repay the government loan.

**Binding Terms and Conditions:** The binding terms and conditions established by the Treasury will mirror those that were voted favorably by a majority of both Houses of Congress, including:

- \* Firms must provide warrants for non-voting stock.
- \* Firms must accept limits on executive compensation and eliminate perks such as corporate jets.
- \* Debt owed to the government would be senior to other debts, to the extent permitted by law.
- \* Firms must allow the government to examine their books and records.
- \* Firms must report and the government has the power to block any large transactions (> \$100 M).

\* Firms must comply with applicable Federal fuel efficiency and emissions requirements.

\* Firms must not issue new dividends while they owe government debt.

**Targets:** The terms and conditions established by Treasury will include additional targets that were the subject of Congressional negotiations but did not come to a vote, including:

\* Reduce debts by 2/3 via a debt for equity exchange.

\* Make one-half of VEBA payments in the form of stock.

\* Eliminate the jobs bank.

\* Work rules that are competitive with transplant auto manufacturers by 12/31/09.

\* Wages that are competitive with those of transplant auto manufacturers by 12/31/09.

These terms and conditions would be non-binding in the sense that negotiations can deviate from the quantitative targets above, providing that the firm reports the reasons for these deviations and makes the business case to achieve long-term viability in spite of the deviations.

In addition, the firm will be required to conclude new agreements with its other major stakeholders, including dealers and suppliers, by March 31, 2009.