



Treasury Auto Supplier Support Program

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Most auto suppliers depend on commercial lenders to provide financing necessary to operate on a daily basis. These suppliers frequently pledge their receivables from the auto manufacturers as security for operating loans. In light of the Chrysler bankruptcy and the instability of the U.S. auto industry, commercial lenders are increasingly unwilling to extend credit based upon these receivables. As a result, credit is rapidly drying up for auto suppliers.

The US Department of Treasury announced the Auto Supplier Support Program ("ASSP"), in an effort to help automotive suppliers through the current economic situation. It will guarantee payment for parts shipped to participating manufacturers after March 19, 2009, and will permit eligible automotive suppliers to sell receivables to the Department of Treasury at a modest discount. The participating auto manufacturers – General Motors and Chrysler (Ford has declined to participate) – have each formed a wholly-owned subsidiary to administer the program. The subsidiaries have contracted with Treasury to obtain funds for the program. The ASSP launched on April 8, 2009.

The Department of Treasury has committed \$5 billion of Troubled Asset Relief Program ("TARP") funds to the ASSP. Initially, GM and its suppliers have been allocated \$2 billion of the available funds. Chrysler and its suppliers have been allocated \$1.5 billion. GM and Chrysler can access the remaining \$1.5 billion if necessary. We understand that Chrysler's filing of a voluntary petition for Chapter 11 bankruptcy protection will not affect its participation in the ASSP. Subject to the order of the Bankruptcy Court, the subsidiary will continue to fund the program for Chrysler's suppliers.

It is up to the manufacturer's subsidiary to determine which suppliers are eligible to participate in the ASSP, and which receivables are "eligible receivables" to be financed under the program. Suppliers have already been identified by Chrysler as critical or essential. GM has likely done the same. No lists have been published as yet. Under ASSP, the eligible suppliers may choose to obtain a government guarantee of their eligible receivables by paying a 2% fee, and then take the

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guarantee to a private lender; or to get immediate payment for a 3% fee and the manufacturer will pay the government.

Chrysler has also established a Critical Vendor Program in the bankruptcy proceedings. Vendors identified for the Critical Vendor Program will be paid in full during the bankruptcy proceedings. However, they will be subject to more rules, restrictions and obligations than vendors participating in the ASSP.

Foster Swift and its Economic Recovery Task force are assisting clients with the complexities dealing with applying for the ASSP and complying with the myriad of rules that accompany the programs, and the bankruptcy proceedings.
