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SUMMARY OF PUBLIC-PRIVATE INVESTMENT PROGRAM

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On March 23, 2009, the U.S. Treasury Department ("Treasury") announced the details of the Public-Private Investment Program ("PPIP"). The program is designed to purchase mortgage backed securities and certain troubled loans from U.S. banks. PPIP is part of the broader "Financial Stability Plan" introduced by President Obama. The goal of PPIP is to cleanse the balance sheets of U.S. banks of troubled assets as part of the Troubled Asset Relief Program ("TARP") and to create access to liquidity for banks and other financial institutions in order to cause the extension of new credit. PPIP is broken up into two key components – the Legacy Loans Program and the Legacy Securities Program.

LEGACY LOANS PROGRAM

The Legacy Loans Program will be launched by Treasury and the Federal Deposit Insurance Corporation ("FDIC"). The intent of this joint program is to combine (i) private capital, (ii) equity co-investment from Treasury and (iii) FDIC debt guarantees in order to assist market priced sales of distressed assets and improve the private demand for distressed assets. The FDIC will supervise the formation, funding and operation of a series of Public-Private Investment Funds ("PPIFs") which will purchase assets from U.S. banks. Each PPIF will be comprised of a joint venture between private investors and the Treasury. Treasury will manage its investment in the PPIF to ensure that the interest of the public is protected and preserved. However, private investors will retain control of the asset management subject to "rigorous supervision" of the FDIC.

Private investors in the Legacy Loans Program are expected to include but are not limited to financial institutions, individuals, insurance companies, mutual funds, publicly managed investment funds, pension funds, foreign investors with a headquarters in the United States, private equity funds, hedge funds and other long-term real estate investors. U.S. banks of all sizes will be eligible to participate in the program. U.S. banks participating in the program will consult with the FDIC, banking regulators and Treasury to identify assets that they propose to sell. Eligible assets are required to be predominately situated in the United States. The FDIC will hire third party valuation consultants to analyze the assets and determine the level of debt that the FDIC will be willing to guarantee on such properties. The debt guaranteed by the FDIC will not exceed a 6 to 1 debt-to-equity ratio. The FDIC will receive an annual fee for providing the guaranty and such guaranty will be collateralized by the pool of assets purchased.

Private investors that are pre-qualified with the FDIC will bid for the assets in an auction conducted by the FDIC. Each bidder will be required to post a deposit equal to 5% of its bid value which will be refunded if such bid is not accepted. In an effort to maintain fairness, private investors will be prohibited from cooperating with one another once the auction process is commenced. The equity contribution together with the amount of debt previously agreed to be guaranteed by the FDIC will comprise the purchase price of the assets. The U.S. bank selling such assets will then be permitted to decide whether or not to accept the offer price.

If the bid is accepted by the bank selling the assets, the private investors that won the bid will contribute 50% of the equity to the PPIF, and Treasury will contribute the remaining 50%. However, private investors may be permitted to accept a smaller equity contribution from Treasury subject to a minimum equity contribution yet to be determined. In accordance with the Emergency Economic Stabilization Act of 2008 (the “EESA”), Treasury will also receive warrants in the PPIF for its equity contributions. The terms of such warrants have yet to be disclosed by Treasury. The debt issued by a PPIF in connection with the purchase of a pool of assets is expected to be initially placed at the bank that sold such pool of assets. The selling bank will be able to resell the debt into the market. It is contemplated that the credit-enhancement of the FDIC guaranty will make the debt more attractive to potential buyers in the market.

The executive compensation restrictions that currently apply to TARP will not apply to a “passive private investor” in this program. At this stage it is unclear whether or not the entities that manage the PPIF will be impacted by the executive compensation restrictions. The exact structure of the Legacy Loans Program will be subject to the standard comment and rulemaking procedures of the FDIC. The FDIC is currently in the process of accepting public comments until April 10, 2009.

LEGACY SECURITIES PROGRAM

The Legacy Securities Program, which will be administered by Treasury, is designed to provide both equity and debt financing to make it possible to acquire legacy securities that will initially include residential and commercial mortgage backed securities. The Legacy Securities Program consists of two components. The first component involves the selection of approximately five (5) fund managers (each an “FM”) by Treasury with which Treasury will co-invest in PPIFs to acquire legacy securities. The other component is the expansion of the Term Asset-Backed Securities Loan Facility (“TALF”) to provide non-recourse loans to investors to be utilized in the purchase of legacy security assets.

LEGACY SECURITIES PPIFS

The Legacy Securities PPIFs component of the program will provide each of the FMs a limited period of time to raise at least $500 million in private equity capital through a private investment vehicle. Private investors will be prohibited from withdrawing any money invested in the private investment vehicle for three years after the private investment vehicle's first investment in a legacy security. ERISA plans will be permitted to invest in the private investment vehicles, but the amounts of such investments will be left to the FM to determine. Once the FM raises at least $500 million, the FM would contribute the private equity capital raised by it to a PPIF. Treasury would invest TARP funds in the newly created PPIF matching the funds raised by the FM dollar-for-dollar. One major concern that FMs need to be aware of is that Treasury maintains the right, in its sole discretion, to refuse to fund any committed but undrawn Treasury equity capital and debt financing (described below) at any time. In addition to Treasury's equity interest in the PPIF, Treasury will receive warrants in accordance with the EESA for its investment in the PPIF. The terms of such warrants have yet to be disclosed by Treasury.

Provided that the structure of the PPIF meets certain guidelines yet to be determined, the FMs will have the opportunity to apply for senior debt from Treasury in amount up to 50% of the PPIF's total equity capital, but Treasury will consider requests for up to 100% of the PPIF's equity capital subject to asset level leverage, redemption rights, disposition priorities and any other factors deemed relevant by Treasury. Treasury intends this debt to have the same duration as the underlying fund and such debt shall be repaid on a pro-rata basis as proceeds are realized by the PPIF. The loans described above will be structurally subordinated to any loans made by the New York Federal Reserve under TALF.

Treasury expects the PPIFs to initially target commercial mortgaged back securities and residential mortgaged backed securities that received an AAA rating or an equivalent rating by at least two nationally recognized ratings organizations which are secured directly by the actual mortgage loans, leases and other assets. Nevertheless, each FM will control the asset selection, pricing, liquidation, trading and disposition of such assets. The PPIFs will be prohibited from purchasing legacy securities from (i) affiliates of its FM, (ii) 10%-or-larger private investors invested in the PPIF or (iii) any other FM or such FM's affiliates. FMs will be permitted to charge a fixed management fee to Treasury and private investors based on a percentage of equity capital invested by such party. All fees and expenses paid by Treasury in connection with the PPIF will be paid out of the equity contributions made by Treasury to the PPIF.

Treasury plans to make its preliminary selections of FMs by May 1, 2009. Fund managers interested in participating in the Legacy Securities Program have until April 10, 2009 to submit an application to Treasury. Per Treasury, each candidate must (i) be able to raise at least $500 million of private equity capital, (ii) have experience and a track record investing in comparable assets, (iii) have $10 billion of comparable assets under management and (iv) demonstrate the capacity to manage the PPIF in accordance with guidelines established by Treasury.

TALF EXPANSION

The second component of the Legacy Securities Program deals with the expansion of TALF eligible assets to include certain non-agency commercial and residential mortgaged back securities that were originally AAA rated. TALF is currently governed by the New York Federal Reserve. Although the interest rates, minimum loan size and term of TALF loans for this program have not been established, Treasury has indicated that it is working with the New York Federal Reserve to modify the current structure of TALF loans so that TALF can accommodate this new class of eligible assets. Borrowers will need to meet certain criteria in order to be eligible for TALF funds, but this criteria has yet to be established. As stated earlier, all TALF loans will be structurally senior to any Treasury loans made under the Legacy Securities Program because of certain requirements of the New York Federal Reserve. Many additional questions regarding the expansion of the TALF program will hopefully be addressed when program specifics are disseminated by the New York Federal Reserve and Treasury.

CONCLUSION

Treasury plans to initially invest an aggregate of $75 to $100 billion of TARP funds between both the Legacy Loans Program and the Legacy Securities Program. This investment, together with the capital invested by private investors, will produce $500 billion in purchasing power with the ability to expand to $1 trillion over time to help improve the health of financial institutions and unlock the credit markets.

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