WILLKIE FARR & GALLAGHER LLP

CLIENT
MEMORANDUM

STATUS UPDATE ON FEDERAL GOVERNMENT FINANCIAL MARKET INITIATIVES

The U.S. Treasury Department ("Treasury"), the Board of Governors of the Federal Reserve (the "Board") and the Federal Deposit Insurance Corporation (the "FDIC") continue to create new programs aimed at stabilizing financial markets and providing liquidity to businesses and consumers, and to maintain many of the existing programs they have created since the outbreak of the financial crisis in 2008. On March 23, 2009, Treasury announced the creation of the Public-Private Investment Program, through which the federal government will team with private investors to purchase legacy loans and securities from financial institutions, and on February 10, 2009, Treasury announced the launch of the Capital Assistance Program, through which the government will determine which financial institutions may need additional regulatory capital in the event of further economic shocks and will provide such capital as needed. Treasury, the Board and the FDIC also continue to make available previously announced programs, including:

- the Systemically Significant Failing Institution Program and the Targeted Investment Program, through each of which Treasury will support specific institutions whose failure may threaten financial markets and the broader economy;

- the Temporary Liquidity Guarantee Program, through which the FDIC guarantees certain newly issued senior unsecured debt and non-interest bearing deposit transaction accounts;

- the Board's existing liquidity facilities, through which the Board supports money markets through targeted lending and guarantees;

- the Term Asset-Backed Securities Loan Facility, through which the Board finances the purchase by private investors of asset-backed securities to encourage business and consumer lending; and

- the Program to Purchase Government-Sponsored Enterprise Direct Obligations, through which the Board seeks to widen the availability of credit in the mortgage markets.

The primary details and latest developments of each announced program are summarized below. Web links are provided to the information and any application forms necessary for participation in these programs.

Public-Private Investment Program

On March 23, 2009, Treasury Secretary Geithner announced a new Public-Private Investment Program (the "PPIP") through which Treasury will, in conjunction with the FDIC and the Board, partner with private enterprises to purchase legacy loans and securities that have not found active trading markets under current financial market conditions. The PPIP will consist of two separate programs: a Legacy Loans Program and a Legacy Securities Program, through each of which Treasury will seek to remove troubled assets from the balance sheets of U.S. lending institutions with the goal of creating a market for troubled assets and stimulating lending to U.S. households and businesses.

Legacy Loans Program

Treasury, along with the FDIC, will use its Legacy Loans Program (the "Loans Program") to purchase legacy loans and other assets from FDIC-insured depository institutions through the use of Public-Private Investment Funds ("PPIFs"). Each PPIF will receive up to 50% of its equity funding from Treasury (using funds available under Treasury's Troubled Assets Relief Program (the "TARP")) and the remainder from private investors, which Treasury expects will range from financial institutions to pension funds to individuals. Each PPIF will also be entitled to borrow from the selling institution to finance the purchase and will receive from the FDIC a guarantee on such borrowing of up to six times (as determined by the FDIC) the total amount of the PPIF's equity financing. In exchange for the FDIC guarantee, which will be secured by the assets purchased by the PPIF, the PPIF will pay the FDIC an annual fee (as well as an ongoing administration fee to pay for FDIC oversight services).

Eligible assets will be offered under the Loans Program, and PPIFs formed to purchase them, as follows: A U.S. bank or savings association will first identify pools of eligible assets that it wishes to sell, and that meet the minimum requirements the FDIC and Treasury will establish for eligible assets. The bank will provide the FDIC with information needed to review each asset pool, determine the amount of leverage it is willing to provide in the form of a loan guarantee and market the pool to private investors that may wish to purchase the asset pool jointly with Treasury through a PPIF. The FDIC will determine what terms to offer to private investors (including the amount of the guarantee available), communicate terms to prospective bidders and conduct an auction for the private capital component of the PPIF that will be formed to purchase the pool. The FDIC will review all bids received from private investors and select a winning bid, which the selling bank may elect either to accept or reject. Following a bank's acceptance of a winning bid, the FDIC and the winning private bidder will form a PPIF, on the equity and debt financing terms described above, that will purchase the auctioned asset pool. Following the completion of the sale, the private investor will, subject to FDIC oversight, control and manage the newly formed PPIF until liquidation.

Treasury and the FDIC have indicated that "passive private investors" in either the Loans Program or the Securities Program described below will not be subject to executive compensation restrictions. However, it is not yet clear which participants would be considered "passive" investors. It should also be noted that some Members of Congress have criticized

Treasury's position regarding the applicability of executive compensation limitations, and it is therefore possible that Congress will in any event seek to extend those limits to participants in the PPIP. Treasury has not yet specified whether participants in either PPIP program will be subject to restrictions recently placed upon recipients of TARP funds that seek to hire holders of H-1B visas, which permit foreign nationals to take temporary employment in specialty occupations. Treasury will be required by the Emergency Economic Stabilization Act of 2008 (the "EESA") to take warrants in the PPIFs. Treasury and the FDIC will seek to launch the Loans Program as quickly as possible after seeking public comment and contacting potential participants. Additional information on the Loans Program, and how to participate, will be made available at http://www.financialstability.gov/roadtostability/publicprivatefund.html.

Legacy Securities Program

Through its Legacy Securities Program (the "Securities Program"), Treasury will invite private asset managers to invest jointly with Treasury in commercial and residential mortgage-backed securities through a number of Public-Private Investment Funds (the "Funds"). Treasury will select approximately five asset managers (the "Fund Managers"), each of which will raise equity capital from private investors for a private vehicle (the "Private Vehicle") through which it will jointly invest with Treasury in a Fund. Treasury will provide 50% of the equity financing for the Fund, plus (so long as no private investors are afforded voluntary withdrawal rights) debt financing in an amount of up to 50% of the Fund's total equity capital, or 100% of the Fund's total equity capital on a discretionary basis, which debt financing will be nonrecourse and secured by the assets held by the Fund. The Fund may raise additional debt financing from other government sources, such as the Board's Term Asset-Backed Securities Loan Facility, or from private sources. Treasury will be required by the EESA to take warrants in the Funds.

The Fund Managers will manage the Funds, including with respect to the selection, pricing, trading, disposition and liquidation of assets. Assets eligible for purchase initially include commercial and residential mortgage-backed securities issued prior to 2009 that were originally rated AAA or the equivalent by two nationally recognized statistical rating organizations ("NRSROs") and that are backed by actual mortgage loans, leases or other assets and not by other securities (except certain swaps at Treasury's discretion). The assets must be predominantly situated in the United States and must be purchased from a financial institution to which Treasury is permitted to provide funds under the EESA. Fund Managers may not purchase assets from affiliates or from private investors who have committed at least 10% of the private capital of a Fund. The Fund Manager will draw down Treasury and Private Vehicle equity capital in tranches, in the same proportion and at the same time, and simultaneously with the funding of Treasury's, or any other, debt financing, in anticipation of the purchase of any eligible assets. Treasury may in its sole discretion cease funding its committed but undrawn equity capital and debt financing. In consideration for each Fund Manager's service, Treasury will pay, solely out of distributions on its equity capital, a management fee equal to a fixed percentage of the amount of its capital contributions.

The criteria for selection of a Fund Manager are expected to include a demonstrated capacity to raise at least $500 million of private capital, demonstrated experience investing in eligible securities, a minimum of $10 billion of eligible securities under management and headquarters in the United States. Treasury has clarified that these criteria will be applied holistically, and that failure to meet any one criterion will not disqualify a potential participant. In addition, prospective Fund Managers will be expected to make proposals to Treasury regarding fees to be charged to private investors, suggested structures for a Fund, the term of a Fund and private investors' withdrawal rights, the last of which may be provided for no sooner than the third anniversary of the Fund's first investment.

Preliminary pre-approval of any Fund Managers that submitted applications to participate in the Securities Program on or prior to April 24, 2009 will be announced by May 15. Treasury announced on April 29, 2009 that more than 100 applications had been received to date. In the event that Treasury seeks to expand the Securities Program in the future, asset managers not pre-approved in the initial application process will be permitted to apply to the program at a later date. Additional general information about the Securities Program will be made available at http://www.financialstability.gov/roadtostability/publicprivatefund.html.

Capital Assistance Program

On February 10, 2009, Treasury announced the creation of a Capital Assistance Program (the "CAP"), through which Treasury will work with certain banks and their primary regulators to determine whether they need additional capital to sustain future losses in the event of continued economic uncertainty. Banks determined to need additional capital will be encouraged to obtain private financing but will be offered government funds in the event private capital is not presently available. The terms of any such government financing will be such that the financial institution is encouraged to replace government capital as soon as private capital becomes available. In providing for federal equity investments in financial institutions susceptible to further economic turbulence, the CAP incorporates several elements of Treasury's earlier Capital Purchase Program (the "CPP") and serves largely the same purpose as the CPP, with certain important differences as described below.

In an effort to restore confidence in the U.S. financial system and ensure that major financial institutions have the necessary capital to withstand further adverse economic shocks, Treasury has commenced a forward-looking capital assessment with respect to the nation's nineteen largest banks, or those with assets in excess of $100 billion. Through capital assessments, the banks and their federal regulators will evaluate banks' expected losses and their resources available to absorb those losses, both under a "baseline" scenario premised upon professional consensus economic projections and a "more adverse" scenario that assumes a longer and deeper economic contraction. Financial institutions subject to the assessment will evaluate their own loan and securities portfolios and off-balance sheet commitments and contingencies, and their own expected revenues and reserves, in the context of the "baseline" and "more adverse" scenarios and will meet with federal banking and thrift supervisors to discuss their results. Based on these meetings, supervisors will determine how much regulatory capital each institution needs in order to remain "well-capitalized" in the face of difficult economic conditions. Any institution found to need additional capital will be offered six months in which to raise such capital from private sources before deciding whether to accept capital from Treasury on the terms offered.

For financial institutions found to need additional capital under Treasury's required capital assessments, or for other qualifying banks that wish to bolster regulatory capital, the CAP will make available public funds on the following terms and conditions. Capital will be drawn at least partly from the funds made available to Treasury under the EESA.

Qualifying Institutions

Institutions qualifying for the CAP include bank holding companies, financial holding companies, insured depository institutions and savings and loan holding companies that engage predominately in activities permissible for financial holding companies under applicable law, are organized and operating in the United States and are deemed viable by their primary federal banking regulators.[1] Institutions controlled by a foreign entity are not eligible for the program.

Permitted Offerings

Each qualifying financial institution may issue to Treasury an amount of convertible preferred equity securities (with such terms as set forth below) equal to between 1% and 2% of its risk-weighted assets. An institution may also issue additional amounts so long as it applies the proceeds to the redemption of equity securities previously issued under the CPP or TIP (as defined below). Any other additional amounts require approval both from the entity's primary regulator and from Treasury, the latter of which may impose additional terms and conditions on any offerings that include such amounts. In addition to receiving preferred shares, Treasury will receive warrants to purchase common shares in an amount equal to 20% of the amount of the convertible preferred shares. Treasury may exercise the warrants at any time within ten years following their issuance, at an exercise price equal to the conversion price set forth below.

Terms of Convertible Preferred Securities

The preferred securities issued to Treasury under the CAP will rank senior to the issuer's common stock and *pari passu* with any existing preferred shares that are not expressly subordinated. The preferred shares will pay cumulative dividends of 9% per year, compounding quarterly, and no dividends may be paid on any common or junior preferred equity (or on preferred shares ranked *pari passu* with the shares issued to Treasury, except pro rata with those shares), nor may any such shares be redeemed, until all accrued dividends have been paid on the convertible preferred. Without Treasury's consent, any dividends paid on common shares may not exceed $0.01 per share, and equity shares may not be redeemed, except in certain

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[1] Further details regarding qualification for the CAP are set forth at www.financialstability.gov/roadtostability/capitalassistance.html.

limited circumstances (relating primarily to transactions conducted under benefit plans, Treasury's holding period with respect to the shares and the extent to which Treasury has transferred its shares to third parties). In the event that the issuer fails for six dividend periods (consecutive or not) to pay dividends on the convertible preferred shares, the holders of the preferred shares will have the right to elect two directors to issuer's board, and that right will lapse only upon payment by issuer of dividends on the shares for four consecutive periods. The liquidation preference on the convertible preferred will be $1,000 per share.

The preferred shares will convert to common shares: (i) automatically upon the seventh anniversary of issuance, (ii) at the issuer's option upon approval of its primary regulator at any time and (iii) at Treasury's option following the occurrence of certain corporate events, including stock and asset sales, mergers and other issuer changes of control. The conversion will take place at a price equal to 90% of the common stock's average closing price for the twenty trading days ended February 9, 2009, plus any accrued and unpaid dividends on the convertible preferred. Accrued and unpaid dividends may be paid either in cash or in common shares, at the issuer's sole discretion.

The preferred shares are also redeemable in whole or in part at any time with the approval of the issuer's primary regulator, so long as the redemption is made with proceeds from the issuance of common stock in an offering that raises at least 25% of the amount paid by Treasury for its preferred shares, or with additions to retained earnings. Shares will be redeemed within two years after issuance at par plus accrued and unpaid dividends, and at any later date at the greater of their as-converted value and par plus accrued and unpaid dividends.

The convertible preferred shares will have no voting rights other than class voting rights with respect to the authorization or issuance of senior equity securities or amendments or corporate events that would adversely affect the rights of the convertible preferred. Following conversion to common shares, Treasury will have the same voting rights as other holders of common shares but will exercise these rights only in accordance with principles it will publish prior to closing on any CAP transaction. Treasury agrees not to exercise voting rights with respect to any common shares issued upon exercise of a warrant.

The preferred shares will be freely transferable, and the issuer will file a shelf registration statement with respect to the preferred shares and underlying common shares. If the institution is publicly traded, it will at Treasury's request list both common and preferred shares on a national securities exchange.

Mandatory Sales and Permitted Repurchases

Following a mandatory conversion of preferred shares, Treasury must make reasonable efforts to sell each year at least 20% of the common stock owned on the mandatory conversion date, until it owns no more shares. Following mandatory conversion, the issuer may redeem, upon approval from its primary banking regulator, any common shares held by Treasury at the greater of the conversion price set forth above and the market price of the common stock (based on its average closing price the twenty trading days after delivery of a redemption notice). Such repurchase must be funded with proceeds from a common stock offering or additions to retained earnings.

Following redemption, the issuer may also repurchase at fair market value any warrants issued under the CAP or any common shares that have been issued upon the exercise thereof.

Executive Compensation and Monitoring

The issuer and its covered officers and employees will be bound by the rules, regulations and guidance of Treasury on executive compensation, transparency and monitoring in effect at the time of the closing of a CAP transaction.

Results of Treasury's stress tests are expected to be announced the week of May 4, 2009. Applicants for participation in the CAP must submit their applications no later than 5 P.M. E.S.T. on May 25, 2009. Institutions undergoing Treasury's stress tests need not wait on final results in order to apply to the CAP. Additional information on the CAP will be made available at www.financialstability.gov/roadtostability/capitalassistance.html.

Systemically Significant Failing Institution Program

In addition to the new programs instituted by Treasury in recent months, Treasury continues to offer its Systemically Significant Failing Institution Program (the "SSFI"), under which it provides assistance directly to failing firms on an individually negotiated basis. Treasury has provided little detail regarding this program but has indicated that it will subject participants to the executive compensation limitations imposed on companies that receive exceptional assistance[2]. Treasury's first exercise of power under the SSFI was to purchase $40 billion of preferred stock from American International Group, Inc. ("AIG") as part of its restructuring in December 2008 of the initial bailout package agreed to in September 2008. Treasury then purchased an additional $29.84 billion of preferred stock and warrants from AIG on April 20, 2009, subsequent to AIG's disclosure of larger-than-expected losses for the fourth quarter of 2008. Further information on the SSFI should be posted at www.financialstability.gov/roadtostability/programs.htm as it becomes available.

Targeted Investment Program

Treasury has further established a Targeted Investment Program (the "TIP"), through which it will make investments in financial institutions on a case-by-case basis to reduce the risk that the deterioration of a single institution will cause serious damage to the broader financial markets or the U.S. economy. Investments through the TIP will take the form of debt, equity, warrants or any other financial instrument determined to be a troubled asset in accordance with the terms of the EESA. Eligibility determinations for participation in the TIP include consideration of an institution's significance to U.S. financial markets, ability to access alternative sources of capital and importance to creditors or counterparties that could be adversely affected by its deterioration or failure, as well as the risk that the institution will face a loss of confidence due to its ownership of distressed or illiquid assets. Participants in the TIP will be subject to the executive

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2 Treasury's limitations on executive compensation imposed upon companies receiving exceptional assistance are discussed at www.treas.gov/press/releases/tg15.htm.

compensation requirements imposed by Treasury on companies receiving exceptional assistance. Further information about this program can be found at www.financialstability.gov/roadtostability/targetedinvestmentprogram.html.

FDIC Temporary Liquidity Guarantee Program

The FDIC continues to operate its Temporary Liquidity Guarantee Program (the "TLGP"), through which it guarantees certain newly issued senior unsecured debt and non-interest bearing deposit transaction accounts. The FDIC offers to guarantee certain debt of (i) FDIC-insured depository institutions, (ii) U.S. bank holding companies, (iii) U.S. financial holding companies and (iv) U.S. savings and loan holding companies engaged solely in financial activities (collectively, the "Eligible Entities"). FDIC guarantees cover all unsecured debt securities with a maturity of greater than one month issued by any participating Eligible Entity between the inception of the TLGP and June 30, 2009 (October 31, 2009 for insured depository institutions and for other entities that issued guaranteed debt prior to April 1, 2009, and upon application for any other entities[3]), including any promissory notes, commercial paper and interbank funding and any unsecured portion of secured debt (the "Eligible Securities"), though no coverage will be provided beyond June 30, 2012 (or December 31, 2009, for debt issued on or after April 1, 2009), even for any debt whose maturity extends beyond that date. Every Eligible Entity was covered on all of its Eligible Securities for thirty days, free of charge, from the inception of the TLGP, but was required to elect by December 5, 2008 whether to continue to receive such coverage going forward, in exchange for a fee as described below. Each Eligible Entity is limited in the total amount of debt that the FDIC will guarantee to 125 percent of its debt outstanding as of September 30, 2008 and scheduled to mature before June 30, 2009.

The FDIC guaranteed all funds in non-interest-bearing transaction deposit accounts held at FDIC-insured institutions for thirty days, free of charge, from the commencement of the program, and guarantees all such funds thereafter only for institutions that elect to continue the coverage in exchange for the fees described below. The FDIC guarantees will extend no later than December 31, 2009.

In exchange for continuing to receive an FDIC guarantee on newly issued debt after the thirty day introductory period, each participating Eligible Entity is required to pay an annualized fee of between 50 and 100 basis points, depending upon the maturity of the debt in question,[4] on the amount of the debt it issues under the TLGP, subject to additional surcharges based upon the

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[3] The FDIC provided for this extension of the program on March 17, 2009 pursuant to an interim rule made available at www.fdic.gov/news/board/mar1709rule.pdf.

[4] The fee will be 50 basis points per year for debt with a maturity of 180 days or less and 100 basis points per year for debt with a maturity of at least one year. Debt in between these thresholds will incur fees on a sliding scale.

time and maturity of issuance and the nature of the issuing entity.[5] FDIC-insured institutions that elected to continue to receive guarantees on their deposit transaction accounts following the initial thirty day period were required to pay a ten basis point surcharge on all amounts in excess of the $250,000 per-account coverage previously provided by the FDIC.

Information on, and the FDIC's final rule implementing, the TLGP may be found at www.fdic.gov/regulations/resources/TLGP/index.html.

Commercial Paper Funding Facility

The Board will continue to conduct its Commercial Paper Funding Facility program (the "CPFF"), under which it has established a special purpose vehicle (the "SPV") to purchase from any issuer organized in the United States (including any such issuer that has a foreign parent but excluding any issuer that was inactive prior to the creation of the program) certain three-month U.S. dollar-denominated unsecured and asset-backed commercial paper. The SPV will purchase only commercial paper that is rated A-1/P-1/F1 by a major NRSRO or, if rated by multiple major NRSROs, so rated by two or more such NRSROs. Each issuer may sell to the SPV at any given time only an amount of commercial paper equal to the greatest amount of U.S. dollar-denominated commercial paper the issuer had outstanding at any time between January 1 and August 31, 2008, minus any amounts already outstanding to all investors (including the SPV) at the time.

The SPV receives its funding through recourse loans from the Federal Reserve Bank of New York (the "New York Fed"), secured by all of the assets of the SPV. It will purchase commercial paper from the date of its first purchase on October 27, 2008 until the program ends on October 30, 2009,[6] unless further extended by the Board, and it will hold all commercial paper until maturity. The SPV purchases only commercial paper not already outstanding and pays a price discounted at a rate equal to 100 basis points per annum plus the three-month overnight index swap rate on the day of purchase (the "OIS rate"), for unsecured commercial paper, with a 100 basis points per annum unsecured credit surcharge; and at a rate equal to 300 basis points per annum plus the three-month OIS rate, for asset-backed commercial paper, with no surcharge. The daily CPFF discount rates are posted on the New York Fed's website, www.newyorkfed.org/markets/cpff/cpff.cfm.

Issuers that wish to sell commercial paper to the SPV must register with the CPFF at least two business days prior to issuing any commercial paper to the SPV. Registration information is available at www.newyorkfed.org/markets/cpff.html.

Pacific Investment Management Co., or PIMCO, has been selected as asset manager, and State Street Bank and Trust Company has been selected as custodian and administrator, for the SPV.

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5 The specific surcharges, and when and to what extent they apply, are set forth in the FDIC's interim rule, which can be found at www.fdic.gov/news/board/mar1709rule.pdf.

6 The program's end date was extended on February 3, 2009 from April 30, 2009 to October 30, 2009.

Money Market Investor Funding Facility

The Board continues to offer liquidity to U.S. money market funds through its Money Market Investor Funding Facility (the "MMIFF"). The MMIFF is a credit facility to a series of newly formed private special purpose vehicles ("PSPVs") managed by JPMorgan Chase & Co. The PSPVs will purchase, at amortized cost, certain eligible assets, including U.S. dollar-denominated certificates of deposit, bank notes and commercial paper with a remaining maturity of 90 days or less, from money market funds.

Each PSPV may only purchase debt instruments meeting certain rating criteria issued by up to ten financial institutions designated in the PSPV's operational documents. Those issuers must have a short-term debt rating of at least A-1/P-1/F1 from two or more NRSROs. In addition, a single financial institution's debt instruments cannot exceed fifteen percent of the assets of the PSPV at the time of purchase by the PSPV.

To finance its purchase of eligible assets, a PSPV will issue and sell asset-backed commercial paper equal to ten percent of the eligible asset's purchase price to the fund that is selling the eligible asset to the PSPV. A PSPV will borrow the remainder, up to $540 million, from the New York Fed at the primary credit rate and on an overnight basis. The loans from the New York Fed will be secured by the assets of the PSPV and will be senior to the PSPV's asset-backed commercial paper.

The MMIFF is designed to protect the Board if an issuer of debt instruments defaults. If a debt instrument held by a PSPV is downgraded so that it is no longer an eligible asset, the PSPV may not make any asset purchases until all of the PSPV's debt instruments issued by the downgraded financial institution have matured. Upon default of any debt instrument, a PSPV must cease making any asset purchases and repayments on the PSPV's outstanding asset-backed commercial paper. As the PSPV's assets mature, those proceeds will be used to pay first the New York Fed, and then the principal and interest on the PSPV's outstanding asset-backed commercial paper.

The MMIFF was expanded on January 7, 2009 to include not only U.S. money market mutual funds but also U.S.-based securities-lending cash-collateral reinvestment funds, portfolios and accounts and U.S.-based investment funds that operate in a manner similar to money market mutual funds, including certain local government investment pools, common trust funds and collective investment funds. The New York Fed began funding purchases under the MMIFF the week of November 24, 2008, and will cease funding purchases on October 30, 2009,[7] unless the program is further extended by the Board. Entities that wish to participate in the program should contact JPMorgan Chase at 212-834-5389 to obtain information on, the required documentation for, and the operating procedures of the MMIFF.

Additional information as to the terms and conditions of the MMIFF are available at http://www.newyorkfed.org/markets/mmiff.html.

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7 The program's termination date was extended on February 3, 2009 from April 30, 2009 to October 30, 2009.

Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility

The Board continues to provide advances to qualifying borrowers that pledge qualifying asset-backed commercial paper to secure those advances, under the Asset-Backed Commercial Paper ("ABCP") Money Market Mutual Fund ("MMMF") Liquidity Facility (the "AMLF") initially launched by the Board on September 19, 2008. Borrowers eligible to participate in the program include all U.S. depository institutions, bank holding companies (parent companies or U.S. broker-dealer affiliates) and U.S. branches and agencies of foreign banks. ABCP that qualifies as collateral for advances under the AMLF includes any ABCP that (i) was purchased by the borrower on or after September 19, 2008 from a registered investment company that holds itself out as an MMMF; (ii) was purchased by the borrower at the MMMF's acquisition cost as adjusted for amortization of premium or accretion of discount on the ABCP through the date of its purchase by the borrower; (iii) is rated at the time pledged to the Board not lower than A-1, F1 or P-1 by at least two NRSROs or, if rated by only one NRSRO, within that agency's top rating category; (iv) was issued by an entity organized under the laws of the United States or a political subdivision thereof, under a program in existence on September 18, 2008; and (v) has a stated maturity of 270 days or less or, if the borrower is a bank, of 120 days or less. ABCP may only be purchased under the AMLF from MMMFs that qualify as money market mutual funds under Rule 2a-7 under the Investment Company Act of 1940.

Advances are made (i) in a principal amount equal to the amortized cost of the ABCP pledged to secure the advance; (ii) at the primary credit rate offered to depository institutions by the Federal Reserve Bank of Boston at the time the advance is made; and (iii) with a maturity date equal to the maturity date of the ABCP pledged to secure the advance. The advances are non-recourse, and the collateral provided is valued at its amortized cost. The Board does not charge special fees in connection with the AMLF. Initially set to terminate on January 30, 2009, the program has been extended so that the Board may make advances until October 30, 2009. Further information concerning the AMLF is available at www.federalreserve.gov/monetarypolicy/abcpmmmf.htm. Documents needed for borrowing under the program may be found at www.frbdiscountwindow.org.

Term Asset-Backed Securities Loan Facility

The Board continues to make available its Term Asset-Backed Securities Loan Facility (the "TALF") to facilitate the issuance of asset-backed securities ("ABS") in an effort to restart consumer lending. Under the TALF, the New York Fed will make up to $200 billion of fixed term (currently set at one year), non-recourse loans, to be fully secured by eligible ABS. Treasury will backstop these loans with $20 billion of credit protection from the TARP. The Board will issue loans on the following terms:

Eligible Collateral

Eligible collateral under TALF loans includes U.S. dollar-denominated cash (that is, not synthetic) ABS that have a long-term credit rating in the highest investment grade rating category (for example, AAA) from two or more major NRSROs and do not have a long term credit rating of below the highest investment grade rating category from a major NRSRO. All or substantially all of the credit exposures underlying eligible ABS must be newly or recently originated exposures to U.S. domiciled obligors. The underlying credit exposures of eligible ABS may include auto loans, student loans, credit card loans and small business loans guaranteed by the U.S. Small Business Administration (the "SBA") and, as of March 19, 2009, mortgage servicing advances, loans or leases relating to business equipment, leases of vehicle fleets and floorplan loans. Possible future expansions of the underlying credit exposures permitted for eligible ABS could include commercial mortgage-backed securities, non-Agency residential mortgage-backed securities and other asset classes. The underlying credit exposures must not include exposures that are themselves cash or synthetic ABS.

Eligible collateral for a particular borrower must not be backed by loans originated by the borrower or an affiliate of the borrower.

Eligible Borrowers

Eligible TALF borrowers include all "U.S. persons" that own eligible collateral. A "U.S. Person" is a natural person that is a U.S. citizen, a business entity that is organized under the laws of the United States or a political subdivision or territory thereof (including such an entity that has a non-U.S. parent company), or a U.S. branch or agency of a foreign bank.

Transaction Structure

Credit extensions under the TALF will be in the form of non-recourse loans secured by eligible collateral. Substitution of collateral during the term of the loan will not be allowed. TALF loans will have a fixed term (currently set at one year), with interest payable monthly. The term of TALF loans may be lengthened later if appropriate. TALF loans will not be subject to mark-to-market or re-margining requirements. Any remittance of principal or interest on eligible collateral must be used immediately to pay interest due on, or reduce the principal amount of, the TALF loan.

Haircuts

Collateral haircuts will be established by the New York Fed for each class of eligible collateral. Haircuts will be determined based on the price volatility of each class of eligible collateral.

Pricing and Allocations

The New York Fed will offer a fixed amount of loans under the TALF on a monthly basis. TALF loans will be awarded to borrowers each month based on a competitive, sealed bid auction process. Each bid must include a desired amount of credit and an interest rate spread over the one-year overnight index swap rate. The New York Fed will (i) set minimum spreads for each auction, (ii) reserve the right to reject or declare ineligible any bid, in whole or in part, in its discretion, (iii) put in place procedures for identification and review of high risk ABS and (iv) assess a non-recourse loan fee at the inception of each loan transaction.

Roles of Primary Dealers and Clearing Banks

Each borrower must use a primary dealer, which will act as agent for the borrower, to access the TALF and must deliver eligible collateral to a clearing bank.

Role of Treasury

The New York Fed will create an SPV to purchase and manage any assets received by the New York Fed in connection with any TALF loans. The New York Fed will enter into a forward purchase agreement with the SPV under which the SPV will commit, for a fee, to purchase all assets securing a TALF loan that are received by the New York Fed at a price equal to the TALF loan amount plus accrued but unpaid interest. The TARP will purchase subordinated debt issued by the SPV to finance the first $20 billion of asset purchases. If more than $20 billion in assets are purchased by the SPV, the New York Fed will lend additional funds to the SPV to finance such additional purchases. The New York Fed's loan to the SPV will be senior to the TARP subordinated loan, with recourse to the SPV, and secured by all the assets of the SPV. All cash flows from SPV assets will be used first to repay principal and interest on the New York Fed senior loan until the loan is repaid in full. Next, cash flows from assets will be used to repay principal and interest on the TARP subordinated loan until the loan is repaid in full. Residual returns from the SPV will be shared between the New York Fed and Treasury.

Executive Compensation Requirements and H-1B Visa Restrictions

Originators of the credit exposures underlying eligible ABS (or, in the case of SBA guaranteed loans, the ABS sponsor) must have agreed to comply with, or already be subject to, executive compensation standards consistent with Treasury's TARP guidelines applicable to the CPP.

While Treasury and the Board have indicated that purchasers of ABS under the TALF will be exempt from executive compensation restrictions, some Members of Congress have criticized this position. Were Congress to extend executive compensation limits to purchasers under the TALF, it could significantly reduce the program's appeal to investors. Some analysts believe that a decline in TALF loans sought between March ($4.7 billion) and April ($1.7 billion) was due to investors' uncertainty as to future government involvement in their management and operations.

The Board has indicated that an SPV that borrows funds under the TALF, and any entity that owns or controls 25% or more of the equity of such SPV, will be subject to the requirements of the Employ American Workers Act of 2009 (the "EAWA"). The EAWA imposes certain restrictions upon recipients of government assistance in hiring holders of H-1B visas, which permit foreign nationals to take temporary employment in specialty occupations. The imposition of these restrictions on TALF participants may further discourage participation in the program and limit its effectiveness in restarting consumer lending.

Termination Date

The facility will cease making new loans on December 31, 2009 unless the Board agrees to extend the facility.

The Board has indicated that it may change the terms and conditions of the program as conditions may dictate.

Further information on the TALF will become available at www.newyorkfed.org/markets/talf.html.

Program to Purchase Government-Sponsored Enterprise Direct Obligations

The Board continues to operate its program announced on November 25, 2008 to purchase direct obligations of government-sponsored enterprises ("GSEs") Fannie Mae, Freddie Mac and the Federal Home Loan Banks, in an effort to increase the availability, and lower the cost, of mortgages and assist in the recovery of the housing market. The Board committed initially to purchase $100 billion of direct obligations and has since expanded the program to a total of $200 billion by the end of 2009. The purchases will be funded through the creation of additional bank reserves.

Under the program, the Board purchases direct obligations from primary dealers (selling on behalf of themselves or their customers) through multiple price competitive auctions. The Board's auctions currently target fixed rate, non-callable senior benchmark securities but may shift or expand to cover different types of direct obligations in the future. Purchases under the program are expected to proceed until the end of the year.

Further information on the Program to Purchase GSE Direct Obligations may be obtained at www.newyorkfed.org/markets/gses.faq.html.

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This memorandum was prepared by Gregory B. Astrachan, Russell L. Smith, Benjamin J. Haskin, Margery K. Neale and Douglas F. Tedeschi. If you have any questions about this memorandum, please contact any of the members of the WF&G Government Rescue and Credit Crisis Task Force listed below or the attorney with whom you regularly work. The Task Force (which includes UK insolvency professionals from our strategic ally, Dickson Minto W.S., and attorneys from our European offices) was formed to respond to client questions and provide targeted advice in connection with the proposed Government bailout and the credit crisis (including the Lehman Brothers Holdings Inc. bankruptcy).

May 5, 2009

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