

The Program Formerly Known as TARP: General Information

Sponsor: U.S. Treasury

Key Dates

Established: October 3, 2008

Duration: December 31, 2009
(or Extension Date: October 3, 2010)

Announced Programs:

- Capital Purchase Program (see cheat sheets for public and private programs)
- Asset Guarantee Program
- Targeted Investment Program
- Systemically Significant Failing Institutions Program
- Automotive Industry Financing Program
- Consumer Lending Facility (see TALF cheat sheet)
- Programs under Financial Stability Plan (see Financial Stability Plan cheat sheet)

TARP Tracker	Notes
Authorized Amount	\$700.0 billion
Capital Purchase Program	- \$250.0 billion
AIG Bailout II	- \$40.0 billion
TALF	- \$100.0 billion
Automotive Industry Financing Program	- \$24.9.0 billion
Citigroup	- \$25.0 billion
Bank of America	- \$20.0 billion
Foreclosure Program	- \$50.0 billion
Capital Assistance Program	?
Income	+ ?
Amount Remaining:	~ \$190.1 billion

- Expenditure under the program expected to be less than \$250 billion
- Original allocation \$20 billion, raised to \$100 billion under Financial Stability Plan
- Includes \$4 billion for Chrysler, \$1.5 billion for Chrysler consumer lending program, \$5 billion for GMAC, \$1 billion loan for GM to invest in GMAC, \$13.4 billion in commitments to GM (\$4 billion pending report due Feb 17, 2009)
- Does not include any amounts reserved for Ford, if required
- Does not include the guarantee against losses on a pool of assets. Treasury and FDIC to guarantee losses
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- \$50 billion to \$75 billion for Financial Stability Plan is expected to come from TARP funds
- Capital Assistance Program is expected to be funded by TARP. Estimated size unknown. CaPP investments can be exchanged into CAP, minimizing the impact.
- Capp and other investments are generating income, replenishing the TARP funds

Who Can Participate?

- U.S. institutions subject to U.S. regulation (includes, at least, banks, savings associations, credit unions, security brokers or dealers and insurance companies)
- U.S. branches of foreign financial institutions with significant U.S. operations should qualify
- Institutions owned by foreign governments or central banks excluded with limited exception
- See “Programs” above - definitions are expanding as necessary to include Automotive Industry

What are Troubled Assets?

- Residential or commercial mortgages and any securities, obligations or other instruments based on, or related to, such mortgages
- Originated or issued on or before March 14, 2008 and acquisition promotes financial market stability
- Other financial instruments if, after consultation with Fed, Treasury makes a written determination that the purchase is necessary to promote financial market stability and provides such determination to Congress
- No Congressional approval required

Equity Investments – Key Terms

- Public companies must provide equity securities (warrants for non-voting common or preferred stock or warrants for voting common stock)
- Private companies may provide a warrant for common or preferred stock, or senior debt
- If voting, Treasury will agree not to exercise voting rights, other than class voting rights on matters that could adversely affect the shares
- If Treasury sells warrant, voting rights transfer to purchaser
- Warrants must contain standard anti-dilution provisions
- Warrants must protect Treasury if financial institution no longer public

Treasury Considerations:

- Protecting Americans’ retirement savings
- Impact on public instrumentalities (ex: cities, counties)
- Preventing the unjust enrichment of participating financial institutions, including by preventing the sale of a troubled asset at a higher price than the seller paid for it

Executive Compensation Requirements

- Executive Compensation Requirements for this program were retroactively amended by the American Recovery and Reinvestment Act
- Please see our related one-page reference guide on Executive Compensation at <http://www.mofo.com/news/updates/files/14605.html>
- Indirect purchases (auctions): if exceed \$300 million, no new employment contract that provides a golden parachute for involuntary termination, receivership or bankruptcy
- Additional Rules: Treasury has announced stricter rules for companies receiving “exceptional assistance” after Feb 4, 2009