

Frequently Asked Questions
Capital Purchase Program (CPP)
Related to Missed Dividend (or Interest) Payments and *Director* Nomination

Q1. When would Treasury nominate members to the board of directors of a CPP participating institution?

A1. When an institution decided to participate in the CPP, it entered into a securities purchase agreement (Agreement) with Treasury, which provided Treasury the contractual right to nominate up to two members to the board of directors upon the sixth missed dividend (or interest) payment. (Under corporate law and the CPP contracts, dividends (and interest) are not required to be paid; the board must decide whether to pay them.) Treasury will determine how to best exercise this contractual right after a full evaluation of its investment including information provided by Treasury's board observers (see related observer FAQs).

Among institutions that have missed six dividends (or interest) payments, Treasury will set priorities as to the ones for which it nominates directors based on the size of its investment, Treasury's assessment of the extent to which new directors may make a contribution and Treasury's ability to find appropriate directors for a given institution. Treasury will focus first on institutions where Treasury's investment exceeds \$25 million. Treasury may send observers to an institution's board of directors meetings in the interim and its assessment of whether new directors can make a contribution will be informed in part by any information provided by the observers.

Q2. How will Treasury select the members to be nominated to the board of directors if Treasury believes that exercising its nomination right is in the best interest of taxpayers?

A2. Treasury will engage executive search firms to find a list of candidates suitable to act as members of the board of directors of financial institutions. After obtaining a list of candidates for each institution for which Treasury is considering exercising its rights, Treasury will then review and select members from this list to serve on an institution's board of directors. Treasury is developing criteria and protocols to guide the review and selection process.

Q3. Will the members nominated to the board of directors by Treasury be government employees? Who will bear the compensation and other expenses related to the members of the board of directors nominated by Treasury?

A3. No. Members nominated to the board of directors will not be government employees. Additionally, the compensation and other expenses related to any member of the board of

directors nominated by Treasury will be paid by the related financial institution to the same extent as with any other member of the board of directors.

Q4. Would members of the board of directors nominated by Treasury represent Treasury?

A4. No. Members of the board of directors nominated by Treasury will not represent Treasury. Members of the board of directors nominated by Treasury will have the same fiduciary duties and obligations to the shareholders of the financial institution as any other member of the board of directors.

Q5. Can the members of the board of directors nominated by Treasury require an institution to make dividend (or interest) payments?

A5. No. Members of the board of directors nominated by Treasury have the same fiduciary duties and obligations to the shareholders of the institution as any other member of the board of directors. The board of directors, using its best business judgment, decides when and how to deploy the institution's capital, including whether to make dividend (or interest) payments.

Q6. How long would members of the board of directors nominated by Treasury serve on the board of directors?

A6. Once nominated by Treasury, members of the board of directors would serve until (a) Treasury's rights to nominate members to the board of directors expires due to the payment of dividends (or interests) pursuant to the legal documentation governing Treasury's investment or (b) Treasury chooses to nominate a replacement director. Nonetheless, even after Treasury's right to nominate a director expires, a financial institution could voluntarily choose to retain the director if it believes that it is in the best interest of the institution to do so.

Q7. Would a Treasury observer continue to attend board of directors meetings if Treasury nominates members to the board of directors of an institution?

A7. No. Once Treasury nominates members to an institution's board of directors, Treasury will discontinue having a Treasury employee observe the board of directors meetings of that institution.