SIGTARP

Office of the Special Inspector General for the Troubled Asset Relief Program

Advancing Economic Stability Through Transparency, Coordinated Oversight and Robust Enforcement

Initial Report to the Congress
February 6, 2009

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Please visit **www.sigtarp.gov** for further reference material.

EXECUTIVE SUMMARY

The Troubled Asset Relief Program ("TARP") represents a massive and unprecedented investment of taxpayer money designed to stabilize the financial industry and promote economic recovery. The long-term success of the program is not assured. Success — or failure — will depend on whether the Department of the Treasury ("Treasury") has spent, and will spend in the future, that massive investment wisely and efficiently to attain the program's goals. While it is too early to draw any conclusions on that ultimate issue, this assessment must necessarily begin with an understanding of what Treasury has done thus far.

This Report is organized as follows:

- **Section 1** describes the activities of the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") since its inception.
- **Section 2** describes the Emergency Economic Stabilization Act of 2008 ("EESA") and the provisions of EESA that control TARP's operations.
- **Section 3** explains how Treasury has spent TARP money thus far and contains an explanation of each TARP program.
- **Section 4** lays out SIGTARP's audit and investigations strategy over the coming months and SIGTARP's recommendations to TARP managers on issues of transparency and oversight.
- The Report also contains numerous appendices containing, among other things, figures and tables detailing all TARP investments through January 23, 2009.

The goal was to make this Report a ready reference on what TARP is and how it has been used, at least for the first $350 billion authorized as of January 23, 2009. In the interests of making this Report as understandable as possible, and thereby furthering general transparency of the program itself, whenever a term is used for the first time, the reader is directed to a definition box on that page explaining that term. In addition, an entire portion of Section 2 is devoted to explaining the financial terms and concepts necessary to obtain a basic understanding of TARP operations as of January 23, 2009.

THE OFFICE OF THE SPECIAL INSPECTOR GENERAL

SIGTARP was created by EESA and has the duty, among other things, to conduct, supervise, and coordinate audits and investigations of the purchase, management, and sale of assets under TARP. SIGTARP's mission is to advance the goal of economic stability through transparency, coordinated oversight, and robust enforcement, thereby being a voice for, and protecting the interests of, those who fund the TARP programs — *i.e.*, the American taxpayers. The Special Inspector General, Neil M. Barofsky, was confirmed by the Senate on December 8, 2008, and sworn into office on December 15, 2008.

In light of how important the success of TARP is to the nation's economy, the Special Inspector General recognized that SIGTARP must both build its staff and infrastructure as rapidly as possible and, critically, provide effective oversight even during that period when SIGTARP has minimal staff. In the 53 days since the Special Inspector General has been on the job, SIGTARP has made significant progress in both areas. With respect to building SIGTARP's staff and infrastructure:

- **Staff:** SIGTARP has hired most of its core management team, with a Chief of Staff, Chief Counsel, Chief of Audit, Chief of Investigations, Chief Investigative Counsel, Communications Director, and Legislative Affairs Director already or soon to be on board.
- **Infrastructure:** SIGTARP is far along in developing the infrastructure, both physical and virtual, that it will use to accomplish its mission going forward. SIGTARP's website (www.SIGTARP.gov) is in operation, as is SIGTARP's Hotline (877-SIG-2009 or 877-744-2009). Inquiries can be made through both the website and the Hotline. SIGTARP has also taken a lease for its permanent office space, located in the same office building as TARP managers, and will move in by approximately March 1, 2009.

SIGTARP has also had significant accomplishments in providing effective oversight of TARP operations. SIGTARP has:

- established regular lines of communications with TARP managers, meeting weekly with the head of the Office of Financial Stability ("OFS"), OFS's Acting Chief of Compliance, and with Treasury's General Counsel, to discuss developments in TARP programs or operations
- developed relationships with the other TARP oversight bodies — the Government Accountability Office, the Congressional Oversight Panel, and the Financial Stability Oversight Board — to facilitate maximum coverage and avoid duplicative efforts or requests
- founded a TARP-Inspector General Council, made up of all the inspectors general with oversight responsibility over aspects of TARP
- entered into partnerships with other criminal and civil law enforcement agencies, including the Federal Bureau of Investigation, the Securities and Exchange Commission, and the New York State Attorney General's Office

During its stand-up phase, SIGTARP has also provided recommendations relating to the transparency of TARP operations and on oversight aspects of TARP contracts and program designs. SIGTARP recommended that all TARP contracts be posted on the Treasury website, a recommendation that Treasury has now adopted in full. SIGTARP also recommended that transparency and oversight-related language be inserted in recent TARP contracts; Treasury included such language in the recent auto industry, Citigroup, and Bank of America contracts, making them far superior than earlier contracts from an oversight perspective.

SIGTARP'S REPORTING REQUIREMENTS

EESA mandates that SIGTARP provide in its Report to Congress:

- a description of the categories of troubled assets purchased or otherwise procured by the Secretary of the Treasury under TARP
- a list of troubled assets purchased, by category and financial institution, as well as the Secretary of the Treasury's justification for purchasing such assets
- a list of and detailed biographical information about each person or entity hired to manage the troubled assets
- an estimate of the total amount of troubled assets purchased, the price paid, and the amount of troubled assets currently on Treasury's books
- an estimate of the total amount of troubled assets sold and the profit/loss incurred on each sale or disposition of each such troubled asset
- a list of the insurance contracts issued under TARP
- a detailed statement of all purchases, obligations, expenditures, and revenues associated with any asset-purchase program

Section 3 of this Report includes a detailed description of programs as well as the categories of assets purchased through them, and Appendix C includes data tables relating to the other reporting requirements, including breakdowns by TARP program, asset category, and financial institution from which the troubled assets were purchased. It also includes the Treasury Secretary's public explanations for purchasing each of the troubled assets.

OPERATIONS OF TARP

Treasury has utilized TARP funds differently than had been anticipated at the time of the enactment of EESA in October. As initially envisioned, Treasury would have purchased or insured specific troubled assets, such as mortgages and mortgage-backed securities. Treasury has not followed this approach so far, concluding that such an asset purchase program would not be "effective enough, quickly enough," but rather has made equity investments in the financial institutions themselves, purchasing preferred stock and warrants of common stock.

Of the $700 billion approved for TARP use by Congress under EESA, Treasury has established the parameters of how the first $387.4 billion[1] would be spent, and through January 23, 2009, had committed just under $300 billion. It has done so through several different defined programs established under TARP:

- the Capital Purchase Program ("CPP"), in which TARP money is invested in "healthy" banks that apply for TARP funds, and thus far, 317[2] banks have received CPP investments
- the Systemically Significant Failing Institutions ("SSFI") program, a direct investment program that was used to stabilize American International Group, Inc. ("AIG")
- the Targeted Investment Program ("TIP"), an investment program similar to SSFI used to stabilize Citigroup and Bank of America
- the Asset Guarantee Program ("AGP"), an insurance-like program used to protect Citigroup, and soon, Bank of America, from specific pools of toxic assets on those banks' books
- the Automotive Industry Financing Program ("AIFP"), which was used to attempt to stabilize, generally through loans, General Motors, GMAC, Chrysler, and Chrysler Financial

Table ES.1 presents the total amounts committed for each of the programs under TARP, as of January 23, 2009.

TABLE ES.1

COMMITMENTS, BY PROGRAM

Program	Amount Committed
CPP	$194.2 billion ($1.2 billion additional informally committed)
SSFI (AIG)	$40 billion
TIP (Citigroup and Bank of America)	$40 billion
AGP (Citigroup and Bank of America)	$5 billion ($7.5 billion additional announced for Bank of America)
AIFP (GM, Chrysler, financing arms)	$20.8 billion

Sources: Numbers affected by rounding. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009, www.treas.gov, accessed 1/31/2009; OFS, response to SIGTARP draft report, 1/30/2009; FDIC, "Explanation of FDIC's Loss Sharing Exposure," 1/16/2009, www.fdic.gov, accessed 1/23/2009.

Each of these programs, along with the different conditions imposed on the recipients under those programs, is detailed in Section 3 of the Report. Because some financial institutions have benefitted from a number of different TARP programs, Section 3 and Appendix C also include data broken down by recipient. Figure ES.1 provides the distribution of commitments to various TARP participants.

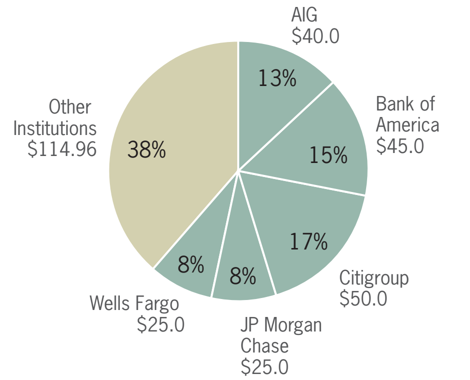
In return for these investments, Treasury has now obtained $279.2 billion[3] of preferred shares from 319[4] different financial institutions, paying dividends of between 5% (CPP) and 10% (SSFI). Through January 23, 2009, Treasury has received more than $271 million[5] in dividend payments. For a full listing of these shares, see Appendix C: "Reporting Requirements."

Treasury has also received warrants of common stock from 230 institutions,[6] the vast majority of which are currently out of the money. Table ES.2 summarizes the largest positions in warrants held by Treasury. For more information on warrants, see Sections 2 and 3. See Appendix D for a list of all warrant positions.

FIGURE ES.1

COMMITMENTS, BY RECIPIENT

$ Billions, $299.96 Billion Total



Note: Numbers affected by rounding. For purposes of this Report, amounts in the Transactions Report are considered committed, and as of 1/23/2009 total $299.96 billion. Bank of America = Bank of America Corporation; Citigroup = Citigroup Inc.; JP Morgan Chase = JP Morgan Chase & Co.; Wells Fargo = Wells Fargo and Company.

Source: Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009, www.treas.gov, accessed 1/27/2009.

TABLE ES.2

LARGEST POSITIONS IN WARRANTS HELD BY TREASURY

Company	Ticker Symbol	Exchange	Program	Number of Warrants Received	Strike Price as Stated in the Agreements	Stock Price as of 1/23/2009	In or Out of Money?	Amount "In the Money" (Out of the Money) as of 1/23/2009
AIG	AIG	NYSE	SSFI	53,798,766	$2.50	$1.37	OUT	(1.13)
Bank of America Corporation	BAC	NYSE	CPP - Public	121,792,790	$30.79	$6.24	OUT	(24.55)
Bank of America Corporation	BAC	NYSE	TIP	150,375,940	$13.30	$6.24	OUT	(7.06)
Citigroup Inc.	C	NYSE	CPP - Public	210,084,034	$17.85	$3.47	OUT	(14.38)
Citigroup Inc.	C	NYSE	TIP	188,500,000	$10.61	$3.47	OUT	(7.14)
Citigroup Inc.	C	NYSE	AGP	254,476,909	$10.61	$3.47	OUT	(7.14)
General Motors Corporation	GM	NYSE	AIFP	1,733,068	$5.02	$3.49	OUT	(1.53)
JPMorgan Chase & Co.	JPM	NYSE	CPP - Public	88,401,697	$42.42	$24.28	OUT	(18.14)
Morgan Stanley	MS	NYSE	CPP - Public	65,245,759	$22.99	$18.71	OUT	(4.28)
The Goldman Sachs Group, Inc.	GS	NYSE	CPP - Public	12,205,045	$122.90	$74.91	OUT	(47.99)
Wells Fargo & Company	WFC	NYSE	CPP - Public	110,261,688	$34.01	$15.87	OUT	(18.14)

Sources: Treasury: Office of Financial Stability, response to SIGTARP data call, 1/17/2009; Treasury: Office of Financial Stability, response to SIGTARP data call, 1/27/2009; New York Stock Exchange, www.nyse.com, accessed 1/23/2009; Treasury, "Securities Purchase Agreement dated as of January 15, 2009 between Bank of America Corporation and United States Department of Treasury," 1/15/2009; Treasury, "Bank of America Summary of Terms, Preferred Securities;" Treasury, "Securities Purchase Agreement dated as of January 15, 2009 between Citigroup, Inc. and United States Department of Treasury," 1/15/2009; Treasury, "Master Agreement among Citigroup, Inc. Certain Affiliates of Citigroup, Inc. Identified herein, Department of the Treasury, Federal Deposit Insurance Corporation and Federal Reserve Bank of New York dated as of January 15, 2009," 1/15/2009; Treasury, "Citigroup, Inc. Summary of Terms, Eligible Asset Guarantee;" Treasury, "Securities Purchase Agreement dated as of November 25, 2008 between American International Group, Inc. and United States Department of Treasury," 11/15/2008; Treasury, "TARP AIG SSFI Investment, Senior Preferred Stock and Warrant, Summary of Senior Preferred Terms;" Treasury, "Loan and Security Agreement By and Between General Motors Corporation as Borrower and The United States Department of Treasury as Lender Dated as of January 16, 2009," 1/16/2009.

SIGTARP'S PROJECTS AND RECOMMENDATIONS

Section 4 of this Report lays out SIGTARP's focus over the next weeks and months and contains its current recommendations to TARP managers. Included in that section are discussions of two important projects that SIGTARP has initiated looking at all recipients of TARP funds: a survey of what recipient institutions have done with the TARP money received and how the recipients are complying with applicable executive compensation requirements. In addition, SIGTARP has recommended as follows:

- All TARP agreements should contain oversight-related language that (a) acknowledges explicitly the jurisdiction and authority of SIGTARP and other oversight bodies, as relevant, to oversee compliance of the conditions contained in the agreement in question; (b) for each condition imposed, the participant should be required to establish internal controls with respect to that condition, report periodically to OFS-Compliance regarding the implementation of those controls and its compliance with the condition, and provide a signed certification from an appropriate senior official to OFS-Compliance that such report is accurate; and (c) the participant should be required to use best efforts to account for the use of TARP funds, to set up internal controls to comply with such accounting, and to report periodically to OFS-Compliance on the results, with appropriate certification, in the manner discussed above.
- Treasury needs, in the near term, to begin developing a more complete strategy on what to do with the very substantial portfolio that it now manages on behalf of the American people. In particular, Treasury needs to develop effective valuation methodologies to value the preferred shares and warrants that it holds and an overall investment strategy to manage the equity portfolio it holds.
- Fraud vulnerabilities in the Term Asset-backed Securities Loan Facility ("TALF") should be addressed before the program is initiated. The TALF program, which is scheduled for implementation in mid-February, is a Federal Reserve program whereby the Federal Reserve, backed by $20 billion of TARP funds, will give non-recourse loans upon the posting of collateral in the form of newly issued asset-backed securities ("ABS"). SIGTARP has made several specific recommendations with respect to the design and implementation of TALF:

i. Treasury should consider requiring that some baseline fraud prevention standards be adopted.
ii. Treasury should consider, before committing TARP funds, requiring that beneficiaries of TALF sign an agreement that includes oversight-enabling provisions.
iii. Treasury should give careful consideration before agreeing to the expansion of TALF to include mortgage-backed securities ("MBS") without further review.
iv. TALF should not be expanded to existing "legacy" MBS in its current format .
v. Finally, Treasury should establish a compliance protocol with the Federal Reserve before TALF is put into effect.

SECTION 1

THE OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM

SIGTARP'S CREATION AND STATUTORY AUTHORITY

The Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") was created by Section 121 of the Emergency Economic Stabilization Act of 2008 ("EESA"). Under EESA, the Special Inspector General has the duty, among other things, to conduct, supervise, and coordinate audits and investigations of the purchase, management, and sale of assets under the Troubled Asset Relief Program ("TARP"). SIGTARP is required to provide a report to Congress, within 60 days of the confirmation of the Special Inspector General and quarterly thereafter, describing SIGTARP's activities and providing certain information about TARP during the reporting period. SIGTARP expressly has the authorities, among others, listed in Section 6 of the Inspector General Act of 1978, which includes the power to obtain documents and other information from federal agencies and to subpoena reports, documents, and other information from persons or entities outside government.

The Special Inspector General, Neil M. Barofsky, was confirmed by the Senate on December 8, 2008, and sworn into office on December 15, 2008.

EESA: Emergency Economic Stabilization Act of 2008 is a law enacted in response to the global financial crisis. This act created TARP and authorized Treasury to spend up to $700 billion to purchase troubled assets.

SIGTARP'S MISSION AND CORE VALUES

SIGTARP's mission is to advance economic stability through transparency, coordinated oversight, and robust enforcement, thereby being a voice for, and protecting the interests of, those who fund TARP programs — *i.e.,* the American taxpayers. SIGTARP does so by promoting transparency in TARP programs, through effective oversight of TARP in coordination with other relevant oversight bodies, and by robust criminal and civil enforcement against those, whether inside or outside of government, who waste, steal, or abuse TARP funds.

Transparency

Promoting transparency in the management and operation of TARP is one of SIGTARP's primary roles. Through EESA, the American taxpayer has been asked to fund — to the tune of hundreds of billions of dollars — an unprecedented effort to stabilize the financial system and promote economic recovery; in this context, the public has a right to know both how the U.S. Department of the Treasury ("Treasury") decided to invest that money and what was done with it by the recipients. Transparency is a powerful tool to ensure accountability and that all those managing TARP funds will act appropriately, consistent with the law, and in the best interests of the country.

Coordinated Oversight

SIGTARP plays a vital role in promoting the economy and efficiency in the management of TARP and views its oversight role both prospectively (by advising TARP managers on issues relating to internal controls and oversight, for example) and retrospectively (by assessing the effectiveness of TARP activities over time and suggesting improvements). SIGTARP's oversight role also reaches the recipients of TARP funds: in that context, SIGTARP complements the TARP compliance function to ensure that recipients are satisfying their obligations under the various TARP programs. SIGTARP plays a significant coordinating role among the TARP oversight bodies both to ensure maximum oversight coverage and to avoid redundant and unduly burdensome requests on Treasury personnel who run the program.

Robust Enforcement

SIGTARP's third core value is to prevent, detect, and investigate cases of fraud, waste, and abuse of TARP funds and programs. Through its own audit and investigative resources and through partnership with other relevant law enforcement agencies, SIGTARP is committed to robust criminal and civil enforcement against those, whether inside or outside of government, who waste, steal, or abuse TARP funds.

SIGTARP'S ORGANIZATIONAL STRUCTURE

SIGTARP pursues its mission through three divisions: audit, investigations, and administration/mission support.

Audit Division

The Audit Division, led by the Deputy Special Inspector General for Audit, is tasked with designing and conducting programmatic audits with respect to Treasury's operation of TARP and the recipients' compliance with their obligations under relevant law and contract. The division is being designed so as to provide SIGTARP with maximum flexibility in the size, timing, and scope of audits so that, without sacrificing the rigor of the methodology, audit results, whenever possible, can be generated rapidly both for general transparency's sake and so that the resulting data can be used to improve the operations of the fast-evolving TARP.

A particular focus of the Audit Division is to ensure that appropriate internal controls are in place and are complied with, both by Treasury in its management of TARP and by the recipients of TARP funds, including vendors and the entities in which money is invested. Where controls or compliance are found to be lacking, or where particular aspects or policies are found ineffective at reaching TARP's goals, the Audit Division will assist the Special Inspector General in fashioning recommendations to resolve such issues. The Audit Division will also coordinate with and support the audits of other agencies to ensure maximum and efficient coverage for TARP oversight.

Investigations Division

SIGTARP's investigative arm is led by the Deputy Special Inspector General for Investigations. Designed to be made up of special agents, investigators, analysts, and attorney advisors, the Investigations Division supervises and conducts criminal and civil investigations into those, whether inside or outside of government, who waste, steal, or abuse TARP funds. The model for the division is to build teams of experienced financial and corporate fraud investigators that include not only special agents, but also forensic analysts and, critically, attorney advisors within the Investigations Division itself, so that SIGTARP can have a broad array of expertise and perspective in developing even the most sophisticated investigations.

While the Investigations Division will, of course, pursue any wrongdoers with respect to TARP within government, it will also focus on the recipients of TARP funds — *i.e.*, vendors hired to administer TARP activities and the institutions that receive TARP investments. Those who make intentional misrepresentations in the TARP application process or in their financial reporting to Treasury may be in violation of several criminal statutes, including securities fraud, wire fraud, mail fraud, and false statements. SIGTARP intends to investigate these potential crimes vigorously.

In the interests of maximizing criminal and civil enforcement, the Investigations Division will coordinate closely with other law enforcement agencies with the goal of forming law enforcement partnerships, including task force relationships, across the federal government to leverage SIGTARP's expertise and unique position.

The Investigations Division will take the lead in responding to referrals made to SIGTARP's Hotline through telephone, e-mail, website, and in-person complaints, abiding by all applicable whistleblower protections set forth in the Inspector General Act of 1978, as amended. When a full audit or investigation is not possible or advisable, the Investigations Division will work closely with the Audit Division to conduct inspection and evaluation projects.

Administration and Other Mission Support

The Assistant Special Inspector General for Administration leads SIGTARP's administrative functions, including human resources, payroll, budget, information technology, procurement, and office support missions. In addition to these typical roles, the Administration Division manages SIGTARP's website and several mission-support positions that will generally be working directly with the Special Inspector General; the Communications Director assists the Special Inspector General with media relations and inquiries, and Legislative Affairs Specialists assist with congressional relations and inquiries.

Other Executive Staff

In addition to the divisions and positions listed above, SIGTARP's mission is supported by the Chief of Staff, who is the Special Inspector General's senior advisor and who coordinates the activities of the other divisions. The Chief Counsel serves as SIGTARP's chief legal advisor and the supervisor of legal work conducted within SIGTARP.

The SIGTARP organizational chart, as of January 23, 2009, is included in Appendix J.

BUILDING SIGTARP'S ORGANIZATION

In light of the importance of TARP to the nation's financial stability and economic recovery, it is imperative that SIGTARP build its organization as rapidly as possible. From the day that the Special Inspector General was confirmed by the Senate, SIGTARP has worked to do just that through various complementary strategies, including hiring experienced senior executives who can play multiple roles in the organization during the start-up phase, utilizing the resources of other agencies willing to assist by detailing employees, and obtaining services immediately through SIGTARP's power to contract.

Hiring

In the 53 days since the Special Inspector General was sworn in, SIGTARP has successfully built a core management group capable not only of leading SIGTARP into the future but also offering substantial oversight expertise, even during the period when the overall staff is small. Mr. Barofsky's first hire was Kevin Puvalowski as SIGTARP Chief of Staff. Mr. Puvalowski, like the Special Inspector General, is an experienced federal prosecutor with extensive experience in financial investigations and prosecutions who served in several leadership positions in the United States Attorney's Office for the Southern District of New York.

Subsequent hires have also focused on building the core management team. Christopher Sharpley, a veteran criminal investigator who most recently led the Office of Investigations and Inspections at the Office of the Inspector General for the Department of Energy, will serve as SIGTARP's Deputy Special Inspector General for Investigations. Mr. Sharpley is assisted in leading that division by Richard Rosenfeld, previously a senior counsel with the Securities and Exchange Commission ("SEC"); with extensive experience in leading sophisticated corporate fraud investigations, Mr. Rosenfeld serves as the Chief Investigative Counsel and will supervise SIGTARP's attorney advisors within the Investigations Division.

Barry Holman, a veteran of the Office of the Special Inspector General for Iraq Reconstruction ("SIGIR") and the Government Accountability Office ("GAO"), leads the Audit Division as SIGTARP's Deputy Special Inspector General for Audit.

Mr. Holman has already started full-time with SIGTARP as a detailee.

Other key SIGTARP leaders who have started or have accepted positions with SIGTARP include Bryan Saddler, a veteran of the Office of Inspector General of the Department of Housing and Urban Development ("HUD-OIG"), who is coming on as SIGTARP's Chief Counsel; Kristine Belisle, the Communications Director, who advises SIGTARP on press and other media relations; Lori Hayman, Legislative Affairs Specialist, who will advise SIGTARP on legislative matters; Minh-Tu Nguyen, who has joined the Investigations Division as the SIGTARP Hotline Administrator; and Cathy Alix, who will serve as a deputy in the Administration Division.

All three divisions — Audit, Investigations, and Administration — have begun the process of filling out their ranks by relying on experienced personnel from other agencies who come to SIGTARP temporarily during start-up. Detailees from SIGIR are now serving in the Audit Division. The Investigations Division is using detailees from the Internal Revenue Service's Criminal Investigations Division. And the Administration Division has been assisted greatly by detailees from the Treasury Inspector General for Tax Administration ("TIGTA"), which has provided several detailees to assist with various administration functions, including Kenneth Casey, SIGTARP's Acting Assistant Special Inspector General for Administration. In addition to detailees, the Special Inspector General has benefitted greatly from ad hoc legal and legislative affairs advice and assistance from TIGTA, SIGIR, and HUD-OIG.

Contracting

EESA gives SIGTARP the express authority to contract for goods and services, and SIGTARP has entered into several contracts, both with other governmental agencies and an outside vendor, that have allowed it to begin operations rapidly. Whenever it can, without damaging its mission or independence, SIGTARP will use the established administration services of other agencies rather than duplicate functions with its own personnel. SIGTARP has entered into contracts with Treasury's Bureau of Public Debt for certain back-office human resources and personnel services and with TIGTA for the detailing of personnel and for technical assistance in building website and e-mail systems. SIGTARP has also contracted with an outside vendor, Deloitte Financial Advisory Services LLP, for program management services in connection with the production of SIGTARP's periodic reports to Congress.

Building SIGTARP's Infrastructure

SIGTARP is also moving forward rapidly in developing a physical and technical infrastructure designed to allow its staff ready access to Treasury officials who are managing TARP and also to provide access by the public to SIGTARP.

OFS: Office of Financial Stability was created by EESA to operate TARP.

SIGTARP's New Office

SIGTARP currently occupies several different spaces within the main Treasury building, with the executive offices at Suite 1064. Treasury's Office of Financial Stability ("OFS"), which runs TARP, has recently begun occupying separate space in an office building at 1801 L Street, NW, in Washington, D.C. Although the Special Inspector General intends to keep an office suite in the main Treasury building to facilitate communication with senior Treasury officials, SIGTARP's main offices also will be at 1801 L Street. SIGTARP has agreed to lease one floor of that building and anticipates occupying at least a part of that floor by March 1, 2009.

Technical Infrastructure — Website and Hotline

SIGTARP has also made significant progress with respect to its virtual space and its ability to communicate with the general public. SIGTARP's website is now operational, accessible at www.SIGTARP.gov. As part of a commitment to transparency in its own operations, SIGTARP will post all of its reports, testimony, audits, and investigations (once such investigations are made public) on the website as soon as possible.

The website also features prominently SIGTARP's Hotline, which also can be accessed by phone (877-SIG-2009 or 877-744-2009). The SIGTARP Hotline is operating to handle referrals from the general public or from whistleblowers concerning allegations of fraud, waste, or abuse with respect to TARP programs. SIGTARP is, of course, committed to abiding by all applicable whistleblower protections set forth in the Inspector General Act of 1978, as amended.

SIGTARP is also in the process of setting up its own local area network and e-mail system, both of which will go live as SIGTARP moves into its permanent space at 1801 L Street.

SIGTARP'S OVERSIGHT ACTIVITIES TO DATE

In light of TARP's importance to the nation's financial stability and economic recovery, and the pace of investment of its funds, SIGTARP has been working to provide meaningful oversight even as it builds from a minimal staff. The Special Inspector General and his senior staff have undertaken several significant oversight activities to establish appropriate lines of communication with Treasury officials and TARP vendors, to coordinate closely with the other entities that have oversight responsibilities over TARP or aspects thereof, and to provide oversight and fraud-prevention advice with respect to the design of TARP agreements and programs.

Establishing Lines of Communication with TARP Managers and Vendors

SIGTARP immediately asked for and received briefings from Treasury personnel on each of the various TARP programs. In this regard, Treasury has been cooperative in making its personnel available. Following those initial briefings, SIGTARP established a regular schedule for meeting with TARP managers in addition to consultation with other senior Treasury officials.

- The Special Inspector General and Chief of Staff meet weekly with the head of OFS and OFS's Chief Compliance Officer to discuss ongoing issues and upcoming developments.
- Staff members communicate daily with OFS's Chief Compliance Officer, who serves as the TARP management's day-to-day liaison with SIGTARP.
- SIGTARP has also met, separately, each week with Treasury's General Counsel to discuss any legal issues relating to TARP.

Both SIGTARP and Treasury have found these meetings to be useful. On February 3, 2009, Treasury wrote SIGTARP a letter supporting SIGTARP's focus on transparency in TARP and also reporting that Treasury already has begun to implement several of SIGTARP's recommendations. This letter is presented in Appendix K. SIGTARP looks forward to establishing similar regular meetings with the corresponding officials in the new administration.

SIGTARP has also begun to establish lines of communication with the critical outside contractors who are doing work on TARP programs. In particular, SIGTARP personnel have met with and received briefings from representatives of Bank of New York Mellon (the TARP securities custodian), PriceWaterhouseCoopers (TARP's program management consultant), and several of the law firms engaged to work on TARP transactions.

Coordination with Other Oversight Bodies

EESA is explicit in imposing on SIGTARP the duty to coordinate audits and investigations into TARP programs. SIGTARP is one of four oversight bodies that is expressly created or noted in EESA, and numerous other agencies, both in the Inspector General ("IG") community and among criminal and civil law enforcement agencies, potentially have responsibilities that touch on TARP programs or activities. SIGTARP takes seriously its mandate to coordinate these overlapping oversight responsibilities, both to ensure maximum coverage and to avoid duplicative requests of TARP managers. Significant progress has been made on this front in three categories: coordination with other EESA-mandated bodies, coordination with the relevant IG entities, and the development of relationships with law enforcement and other outside agencies.

Coordination with EESA Oversight Entities

Along with SIGTARP, EESA expressly tasked the Financial Stability Oversight Board ("FSOB"), the Congressional Oversight Panel ("COP"), and GAO with oversight of TARP activities. SIGTARP has endeavored to establish good working relationships with each of these bodies:

- SIGTARP has been in contact with FSOB representatives, and the Special Inspector General attended and briefed the FSOB on January 8, 2009.
- SIGTARP has been in communication with the COP; the Special Inspector General has personally met with the panel, and SIGTARP and COP have established weekly staff meetings.
- SIGTARP has established regular communication with representatives of GAO, and coordination of audit activities has been excellent. Having been charged with overseeing this momentous program, both the Special Inspector General and the Acting Comptroller General have committed to creating a historic example of coordinated oversight:
  - Within days of the Special Inspector General's swearing in, SIGTARP and GAO met to lay out a vision of coordinated efforts.
  - Whenever possible, SIGTARP and GAO participate in joint briefings with TARP managers to ensure that both entities are fully informed of important developments without overtaxing TARP resources.
  - SIGTARP and GAO have agreed to negotiate and enter into a letter agreement to ensure coordination of document requests, and both have agreed to seek documents from one another (instead of directly from TARP managers) whenever possible to avoid duplicative requests.
  - SIGTARP and GAO have agreed to provide notice of all audits before they are launched to ensure that audits complement one another and are not redundant.

Coordination with Relevant IGs — TARP-IG Council

Due to the scope of the various TARP programs, numerous federal agencies have some role in TARP activities. As a result, many IG offices potentially have a role in the program's oversight. To further facilitate SIGTARP's coordination role, the Special Inspector General founded and chairs the TARP Inspector General Council ("TARP-IGC"), made up of the Comptroller General and those IGs whose oversight functions are most likely to touch on TARP issues. Current members include:

- Inspector General of the Department of the Treasury
- Inspector General of the Federal Reserve Board
- Inspector General of the Federal Deposit Insurance Corporation
- Inspector General of the Securities and Exchange Commission

- Inspector General of the Federal Housing Finance Agency
- Inspector General of the Department of Housing and Urban Development
- Treasury Inspector General for Tax Administration
- Comptroller General of the United States

TARP-IGC had its inaugural meeting on January 9, 2009, and plans to meet approximately monthly to discuss issues of common interest, to exchange ideas with respect to TARP oversight, and to coordinate joint oversight efforts. TARP-IGC has already borne fruit: a coordinated evaluation of the Capital Purchase Program ("CPP") application process has been initiated based on a design of the Inspector General of the Federal Deposit Insurance Corporation.

Coordination with Law Enforcement Agencies

SIGTARP's coordination role extends not only to audits and oversight but also to investigations. As a result, and as testament to its commitment to develop a robust organic investigative function, SIGTARP has already been active in forging partnerships with criminal and civil law enforcement agencies. These relationships are designed to benefit both investigations originated by other agencies, when SIGTARP expertise can be brought to bear, and SIGTARP's own investigations, which can be improved by tapping into these supplemental resources. Among other things:

- The Special Inspector General has joined the President's Corporate Fraud Task Force, which consists of leaders in corporate fraud and financial crimes enforcement and is chaired by the Attorney General. On January 5, 2009, the Special Inspector General gave a presentation regarding TARP to the Task Force.
- SIGTARP and the Federal Bureau of Investigation ("FBI") have begun to explore ways to work jointly on TARP-related investigations. SIGTARP is already working closely with FBI's Washington Field Office on joint projects and has met with representatives of the New York Field Office as well, and will be coordinating activities with the FBI through FBI headquarters in Washington, D.C.
- SIGTARP has met with federal prosecution agencies, at Main Justice and at several United States Attorney's Offices, to discuss criminal and civil enforcement partnerships. Further, SIGTARP has made a formal request of the Attorney General to receive a briefing on all Department of Justice ("DOJ") investigations involving entities that received TARP funds. DOJ has responded favorably to this request and has expressed its willingness to cooperate fully with SIGTARP's efforts.

CPP: Treasury's intent for the Capital Purchase Program is to purchase equity in viable financial institutions of all sizes. See Section 3: "Capital Purchase Program."

President's Corporate Fraud Task Force: Created in 2002 to enhance corporate criminal enforcement activities.

- SIGTARP has met with the SEC to discuss partnering on investigations with a civil securities fraud component, and has already cooperated with the SEC on a civil enforcement matter.
- SIGTARP and the New York State Attorney General's Office are coordinating efforts with respect to TARP recipients' compliance with executive compensation restrictions.

SIGTARP's Oversight Regarding Transparency and Internal Controls

Once again, an important goal of SIGTARP has been to provide effective oversight to the fullest extent possible even during the period that SIGTARP is building its staff. Two ways that SIGTARP has been able to do that thus far have been (a) through identifying areas of concern to TARP managers on issues that relate to transparency, vulnerabilities, and internal controls, and (b) the collection of information — both from Treasury and from outside participants of TARP programs — to establish a baseline for later audit inquiries. SIGTARP has already made significant progress in these areas.

SIGTARP's Recommendation Regarding Posting TARP Agreements

One of SIGTARP's primary areas of focus has been ensuring, to the fullest extent possible, transparency in TARP operations. Some progress on that front has already been made with respect to TARP agreements. In late December, SIGTARP asked that all existing TARP agreements as well as those governing new transactions be posted on the Treasury Department website as soon as possible. After Treasury initially agreed to post many (but not all) of the agreements on its website, on January 28, 2009, Secretary Timothy Geithner formally announced that all agreements would indeed be posted. Treasury announced that it will post all prior CPP contracts on a rolling basis.

AIFP: Automotive Industry Financing Program was created to provide strategic investments in U.S. automotive companies to prevent a significant disruption of the U.S. automotive industry or to financial markets. See Section 3: "Institution-specific Assistance."

SIGTARP's Recommendations Regarding TARP Contract Language

One area that was particularly appropriate for immediate oversight attention involved language to be included in TARP contracts with the auto industry, Citigroup, and Bank of America, all of which closed shortly after the Special Inspector General took office. To that end, on December 18, 2008, SIGTARP suggested that Treasury include language in the automobile industry transaction term sheet acknowledging SIGTARP's oversight role and expressly giving SIGTARP access to relevant documents and personnel. Language to that effect was included in the term sheet.

In that same vein, on December 23, 2008, SIGTARP again suggested, in writing, that TARP managers include, among other things, language in upcoming transactions as follows:

- For each condition imposed on the recipient of TARP funds in a relevant agreement, the recipient should be required to (1) establish internal controls with respect to that condition, (2) report to OFS-Compliance regarding the implementation of those controls and its compliance with the condition, and (3) provide a signed certification from an appropriate senior official to OFS-Compliance that such report is accurate.
- The recipient should be required to use best efforts to account for its use of TARP funds, to set up internal controls to comply with such accounting, and to report to OSF-Compliance on the results, with appropriate certification, in the manner discussed above.

As a result, Treasury included language along these lines in its agreements with GMAC, General Motors, Chrysler, and Citigroup. The most comprehensive language in that regard (which was later also incorporated into the Bank of America agreement) requires Citigroup to adhere to these standards:

- Provide access to SIGTARP and to the Comptroller General to the institutions' personnel and records.
- Establish appropriate internal controls to ensure that the conditions in the agreement are being met, including conditions concerning corporate expenses, executive compensation, dividends, and stock repurchases; report on a quarterly basis as to compliance with each of the above-listed conditions; and require a senior executive to certify on a regular basis and under criminal penalty that the reports are accurate.
- Use best efforts to track the money invested by TARP as part of the agreement; to establish internal controls with respect to the monitoring of its use of the money; and to report on a quarterly basis, again with a signed certification under criminal penalty, as to how the TARP investment is being used.

Treasury imposed similar requirements with respect to the executive compensation and expense policy restrictions contained in the agreements with GMAC, General Motors, Chrysler, and Chrysler Financial. The oversight provisions of these agreements represent a significant improvement over past TARP agreements and will better enable SIGTARP, OFS-Compliance, and the other oversight bodies to fulfill their mission.

SIGTARP has also requested that TARP managers require similar reporting by American International Group, Inc. ("AIG") through a catch-all provision contained in the AIG agreement (which was finalized before SIGTARP existed). Treasury has indicated that it plans to do so.

SIGTARP's Data Collection Initiatives

SIGTARP has undertaken several significant data collection projects — both within Treasury and with TARP program participants — with the view of filling in gaps in transparency and as a way to establish baseline data for subsequent audit projects.

SIGTARP's Letter to the Secretary Regarding Executive Compensation

Based in part on an inquiry by Senator E. Benjamin Nelson, on January 9, 2009, SIGTARP asked the Secretary, in anticipation of a formal audit, to describe:

- how Treasury determined compensation restrictions on firms receiving assistance under the various TARP programs
- how Treasury plans to monitor and enforce those restrictions to ensure compliance
- the resources that Treasury currently has in place to ensure compliance and those that it anticipates devoting to that effort in the future

Treasury responded to this inquiry by letter dated January 16, 2009. For copies of SIGTARP's letter to the Secretary and Treasury's response, see Appendix I: "Correspondence with Treasury." SIGTARP views its request and the answers it received as part of its broader review of the executive compensation restrictions issue. As discussed more fully in Section 4 of this Report, executive compensation is one of the main focuses of the Audit Division, and preliminary steps with respect to an audit project on this subject are underway.

SIGTARP's Letter to Treasury Concerning TALF

As discussed more fully in Sections 3 and 4, Treasury has announced TARP's participation in a Federal Reserve program entitled the Term Asset-backed Securities Loan Facility ("TALF"). As part of that program, TARP funds will be invested in a Federal Reserve special purpose vehicle, and thus, the relationship between TARP funds and participants in the program is an indirect one. In a letter dated January 12, 2009, SIGTARP asked Treasury for an explanation as to how the design of the TALF program will meet the legal requirements of EESA, including the imposition of conditions on institutions that sell troubled assets to Treasury under TARP. In particular, the letter asked for Treasury's view as to how the design of TALF will meet the executive compensation and corporate governance standards, as set forth in Section 111 of EESA. Treasury responded to this request in a letter dated January 16, 2009. For copies of SIGTARP's letter to the Secretary and Treasury's response, see Appendix I. SIGTARP views this request in the context of furthering general transparency in TALF operations.

TALF: Term Asset-backed Securities Loan Facility is a Federal Reserve loan program intended to increase the availability of loans to consumers and small businesses. TARP funds will be indirectly invested in this program through a special purpose vehicle. See Section 3: "Term Asset-backed Securities Loan Facility."

SIGTARP's Use of Funds Project

With the exception of Citigroup and Bank of America transactions, TARP agreements generally do not require recipients to report or to track internally the use of TARP funds. From an oversight perspective, this poses two significant issues. First, it does not provide transparency. If the American taxpayer is to be expected to fund this extraordinary effort to stabilize the financial system, it is not unreasonable that the public and its representatives in Congress have some understanding as to how those funds have been used by the recipients. The current lack of transparency directly implicates SIGTARP's oversight mission because it has the potential to erode the trust of the public in the effectiveness and integrity of TARP, potentially putting at risk the legitimacy of the program. It also hinders the ability to oversee certain recipients' compliance with some conditions of their agreements with Treasury.

Further, the current lack of transparency with respect to what recipients are doing with the money could hamper the ability of SIGTARP — as well as the other oversight bodies and of Congress — to assess the effectiveness of various TARP initiatives over time. Even a basic examination of whether various TARP programs are successfully furthering the goals of EESA is made difficult if we do not know what was done with the money in the first instance. For these reasons, and as part of the initial data collection for a formal audit, SIGTARP is preparing requests to each entity that has received TARP funds, asking them to provide, within 30 days of the request:

- a narrative response outlining their use or expected use of TARP funds
- copies of pertinent supporting documentation (financial or otherwise) to support such response
- a description of their plans for complying with applicable executive compensation restrictions
- a certification by a duly authorized senior executive officer of each company as to the accuracy of all statements, representations, and supporting information provided

As of the date of the drafting of this Report, SIGTARP is in the process of seeking approval from the Office of Management and Budget for the requests and anticipates that they will be sent to TARP recipients soon.

SECTION 2 TARP OVERVIEW

This section introduces the fundamentals of the Troubled Asset Relief Program ("TARP"). It includes discussion of the genesis and provisions of the Emergency Economic Stabilization Act of 2008 ("EESA"), which authorized TARP, and a subsection describing some of the basic financial and economic principles important to understanding the TARP programs that have been implemented. Those specific programs will be discussed in more detail in Section 3.

LEGISLATIVE BACKGROUND

By September 2008, U.S. financial markets were in crisis. Major investment banks were desperately seeking to recapitalize or to merge with healthier institutions, and others were on the verge of insolvency. Persistent rumors swirled about the health of many of America's largest financial institutions.

The Treasury Secretary met with the Chairmen of the Federal Reserve and the Securities and Exchange Commission ("SEC") in mid-September to develop the foundations of a relief program.[7] They discussed potential responses to the deepening financial crisis, resulting in a three-page proposal, which the Treasury Secretary submitted to the U.S. House of Representatives on September 20, 2008.[8]

In his testimony to Congress on September 23, the Treasury Secretary described the situation as particularly vulnerable and urged prompt action to "avoid a continuing series of financial institution failures and frozen credit markets that threaten American families' financial well-being, the viability of businesses both small and large, and the very health of our economy."[9]

Genesis and Passage of EESA

The Treasury Secretary's "Legislative Proposal for Treasury Authority To Purchase Mortgage-Related Assets" sought authority for Treasury to purchase mortgage-related assets — which could include mortgage-backed securities — to promote stability, restore liquidity to the secondary mortgage markets, and prevent additional disruption to the financial markets and banking system.[10] In this initial proposal, the Treasury Secretary requested authority to spend $700 billion and to increase the limit of the national debt to $11.315 trillion to accommodate that request.[11] Another of the proposal's key requests included special authority for the Treasury Secretary's actions to be "non-reviewable."[12]

This initial proposal was not accepted by Congress, but it prompted a series of counterproposals over the next two weeks, culminating in the passage of H.R. 1424, Division A — the Emergency Economic Stabilization Act of 2008 — on October 3, 2008.[13] Figure 2.1 shows a timeline of the legislative process leading to the passage of EESA and the creation of TARP.

Recapitalize: When a company obtains additional capital or restructures the makeup of its equity (share ownership) and debt (loans) to improve its financial viability.

Insolvency: Situation where a firm is unable to pay its debts or where its liabilities exceed its assets.

Frozen Credit Markets: When widespread disruptions result in lenders being unwilling to lend money and creditworthy consumers and firms cannot get access to loans to make purchases or investments.

Security: A financial instrument that can be bought, sold, or traded. Examples include stocks (which represent share ownership), bonds (representing debt), or derivatives (representing contracts to purchase stocks or bonds at a specified price).

Mortgage-backed Securities: A set of similar mortgages bundled together by a financial institution and sold as one security.

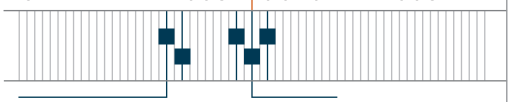
Liquidity: The ability to convert an asset to cash quickly. Characterized by a high level of trading activity.

Secondary Mortgage Market: Market for the sale of securities that have mortgages as the underlying collateral.

FIGURE 2.1

LEGISLATIVE PROCESS LEADING TO THE PASSAGE OF EESA

SEPTEMBER 2008 | OCTOBER 2008



September **20:**
Secretary Paulson releases three-page "Legislative Proposal for Treasury Authority To Purchase Mortgage-Related Assets."

September **22:**
Senator Dodd puts forward a more detailed draft bill.

September **29:**
House votes down 110-page H.R. 3997, which expanded Secretary Paulson's proposal incorporating language from Senator Dodd's draft.

October **1:**
Senate approves amendment 5685 to H.R. 1424, a new version of the bill that included final TARP language.

October **3:**
The House votes to concur with Senate amendments to H.R. 1424; EESA signed into law by President Bush as P.L. 110-343.

Sources: U.S. Department of the Treasury, "Legislative Proposal for Treasury Authority To Purchase Mortgage-Related Assets," 9/20/2008; Office of Senator Christopher Dodd, "A BILL To provide authority for the Federal Government to purchase certain types of troubled assets for the purposes of providing stability or preventing disruption to the financial markets and banking system and protecting taxpayers, and for other purposes," 9/22/2008; Library of Congress, THOMAS, www.thomas.loc.gov, accessed 1/30/2009.

EESA PROVISIONS

On October 3, 2008, EESA was signed by the President and became Public Law 110-343. That same day, the Treasury Secretary stated that the "broad authorities in this legislation, when combined with existing regulatory authorities and resources, gives us the ability to protect and recapitalize our financial system as we work through the stresses in our credit markets."[14] The law comprises three divisions:

- Title I, on TARP, includes 36 sections (101-136) that define the authorities, rules, and responsibilities for each of the parties involved in administering or overseeing the program
- Titles II and III, which address specific budget and tax-related considerations

EESA Goals

The provisions contained in EESA were designed to allow Treasury to undertake a number of efforts "to restore market confidence by strengthening the balance sheets of financial intermediaries and improving overall market functioning."[15] More specifically, the legislation calls for these objectives to be met by:[16]

- immediately providing authority and facilities that the Treasury Secretary can use to restore liquidity and stability to the financial system of the United States
- ensuring that such authority and such facilities are used in a manner that (a) protects home values, college funds, retirement accounts, and life savings; (b) preserves homeownership and promotes jobs and economic growth; (c) maximizes overall returns to the taxpayers of the United States; and (d) provides public accountability for the exercise of such authority

Office of Financial Stability

Section 101 of EESA establishes an Office of Financial Stability ("OFS") within Treasury. Headed by the Assistant Secretary for Financial Stability, OFS administers TARP. Section 101 also requires Treasury to consult with the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation ("FDIC"), the Comptroller of the Currency, the Director of the Office of Thrift Supervision, the Chairman of the National Credit Union Administration Board, and the Secretary of the Department of Housing and Urban Development.

The current interim Assistant Secretary for Financial Stability was appointed by the Treasury Secretary on October 6, 2008, and is scheduled to remain in office for up to two months after the January 20, 2009, change in administration.[17] OFS is authorized to hire other staff, consultants, and legal services, as necessary, for the proper administration of TARP.[18]

Balance Sheet: A snapshot of a company's financial position related to its assets and the claims against those assets.

Facilities: In the context of EESA, refers to the various mechanisms and programs that Treasury might use to implement TARP.

For more information on OFS, see Section 3: "TARP Implementation and Administration."

Purchases of Troubled Assets

EESA authorizes the Treasury Secretary to undertake a number of specific measures under TARP to address the objectives of the statute. Section 101 specifically authorizes the Treasury Secretary to "purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary, and in accordance with this Act and the policies and procedures developed and published by the Secretary."[19] EESA defines both "financial institutions" and "troubled assets" broadly:

- **Financial Institutions.** Under Section 3(5), the term "financial institution" is used to mean "any institution, including, but not limited to, any bank, savings association, credit union, security broker or dealer, or insurance company, established and regulated under the laws of the United States" or any of the U.S. Territories.[20] According to EESA, the term also applies to any foreign-owned institutions operating in the United States that are not central banks or owned by the government of a foreign country.
- **Troubled Asset.** Under Section 3(9), the term "troubled asset" means: (1) "residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, the purchase of which the Secretary determines promotes financial market stability" and (2) "any other financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, but only upon transmittal of such determination in writing, to the appropriate committees of Congress."[21]

EESA gives the Treasury Secretary considerable discretion in determining both the type of financial instrument purchased as well as the institution from which it will be purchased. The Treasury Secretary must, however, provide regular and timely reporting to Congress on his decisions and the impacts of those decisions.

Risk-based Premium: A premium is the price of insurance protection for a specified risk for a specified period of time. A risk-based premium is where the price paid escalates in line with the probability of default and loss upon default.

Clawback: Recovery by the company of bonuses or incentive compensation paid to a senior executive.

Golden Parachute: Compensation to (or for the benefit of) a Senior Executive Officer made upon severance from employment that exceeds specified thresholds. Under EESA, such compensation is limited to three times the executive's annual base salary.

Insurance of Troubled Assets

Once the Treasury Secretary begins an asset purchase program, Section 102 of EESA requires that a program also be established to guarantee troubled assets. Financial institutions that wish to insure their assets must pay a premium for coverage, and the Treasury Secretary is required to set these risk-based premiums at levels high enough to cover any anticipated claims. Paragraph (d) of Section 102 established the Troubled Assets Insurance Financing Fund ("TAIFF"), an account that holds premiums collected from the financial institutions participating in the insurance program. The premiums paid on these insurance contracts are to be invested in Treasury securities, kept as cash on hand, or deposited to provide the pool of assets needed for paying out claims on those contracts.

Executive Compensation Limitations

Section 111 of EESA requires any financial institution that sells troubled assets to Treasury under TARP to abide by certain executive compensation rules. As a minimum, EESA requires participating institutions to observe standards limiting risk-generating incentives for certain senior executives, allows clawback for any incentive compensation paid to certain senior executive officers based on reporting later proved to be materially inaccurate, and prohibits golden parachutes to certain senior executives when Treasury purchases troubled assets directly.[22] (As of January 23, 2009, all TARP assets have been direct purchases.) Section 302 also limits the tax deductibility of executive compensation to $500,000 for certain senior executive officers of participating financial institutions.[23] The rules are slightly different when Treasury buys assets at an auction. In these cases, Section 111 also prohibits issuance (unless otherwise directed by Treasury) of new golden parachute contracts for certain senior executives of any institution that sells more than $300 million in total assets, including direct purchases. Treasury has issued additional guidance on the executive compensation requirements of its specific asset purchase programs, covered in depth in the sections that follow in this Report.

Warrants

Section 113 of EESA generally requires that when purchasing troubled assets of greater than $100 million, Treasury must receive from the financial institution warrants for additional equity in the participating institution.[25]

Funding Schedule

Section 115 of EESA authorizes Treasury to purchase up to $700 billion of troubled assets, although the funding is made available in graduated increments. The first $250 billion was made available on the signing of EESA, followed by an additional $100 billion upon the provision of a certificate of need by the President to Congress. The remaining $350 billion has also recently been made available for use.[24]

Other Important Provisions

EESA contains provisions designed to provide assistance to homeowners and depositors. These sections, summarized below, include strengthening of a homeownership program and several foreclosure mitigation efforts:

- Section 109 of EESA requires the Treasury Secretary, "to the extent that the Secretary acquires mortgages, mortgage-backed securities, and other assets secured by residential real estate," to implement a plan to maximize assistance to homeowners and to use his authority to encourage servicers of mortgages to modify loans through Hope for Homeowners ("H4H") and other programs. The section allows the Treasury Secretary to use loan guarantees and other forms of credit enhancement to prevent avoidable foreclosures and also requires the Treasury Secretary to coordinate with other federal entities that hold troubled assets. The Treasury Secretary is required, where appropriate, to consent to reasonable loan modification requests, taking into account net present value to taxpayers, for any investment contracts under TARP.
- Section 110 requires all federal entities that hold mortgages or mortgage-backed securities to implement plans to maximize assistance for homeowners. The section requires these entities to encourage mortgage servicers to take advantage of federal programs such as H4H.
- Section 124 of EESA expands the scope of the H4H program.

Hope for Homeowners: A program under the Department of Housing and Urban Development ("HUD"), designed to help mortgage borrowers at risk of default and foreclosure to refinance into more affordable, sustainable loans, which are in turn guaranteed by HUD.

Credit Enhancement: A range of provisions that can be used to reduce the risk of a loan or obligation, such as credit insurance, posting collateral, or loan guarantees from a third party, among others.

Net Present Value: The present value of the estimated future cash inflows minus the present value of the cash outflows. Typically used to determine if an investment is worth making.

Reporting Requirements

As the primary agents for implementing TARP, the Treasury Secretary and OFS are responsible to report regularly and transparently on the progress of their TARP initiatives and the decision-making processes they employ, including:

- a report specifically on the asset insurance program
- a set of regular reports on (a) TARP in general, (b) "Tranche" reports for every $50 billion of assets purchased, and (c) a Regulatory Modernization Report (Appendix C: "Reporting Requirements" contains a short overview of these reporting requirements.)

For a listing of the reporting requirements of other federal agencies, see Appendix E: "Key Oversight Reports and Testimonies."

TARP Oversight

EESA specifically tasks four agencies with primary oversight of TARP: the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"), the Government Accountability Office ("GAO"), the Financial Stability Oversight Board ("FSOB"), and the Congressional Oversight Panel ("COP"). Additional federal agencies are designated certain responsibilities as well. Table 2.1 describes sections of EESA as it pertains to the oversight roles of federal agencies. Appendix E contains a listing of the reports of other agencies issued as of January 23, 2009.

Creation of SIGTARP

Section 121 of EESA established the Office of the Special Inspector General for the Troubled Asset Relief Program, as well as the position of the Special Inspector

TABLE 2.1

OVERSIGHT ROLES AS ESTABLISHED IN EESA

Agency	EESA Section	Oversight Responsibility
Chairman of the Board of Governors of the Federal Reserve System (Established Agency)	Section 3	Consults with the Secretary regarding determinations on what financial instruments may be termed "troubled assets" for inclusion in Section 101.
Financial Stability Oversight Board (New Oversight Board)	Section 104	Broad responsibility for oversight and reporting of the authorities exercised under TARP and their effect on preserving homeownership, stabilizing financial markets, and protecting taxpayers.
Congress	Section 115	Authorized to vote down, by a special vote, the President's request for the third tranche ($350 billion) of TARP funds if it does so within 15 days of the President's request.
GAO (Comptroller General of the United States)	Section 116	Conducts ongoing oversight of the activities and performance of TARP and conducts an audit of Treasury's annual financial statement as well as other specific reporting requirements.
	Section 117	Conducts a special study and reports to Congress on the role of leverage in contributing to the financial crisis.
Special Inspector General for the Troubled Asset Relief Program	Section 121	Conducts, supervises, and coordinates audits and investigations of the actions undertaken by the Secretary under EESA; regularly reports to Congress on findings.
Congressional Oversight Panel	Section 125	Reviews, conducts hearings, and reports on the current state of the financial markets, the regulatory system, and the use of authority under TARP. The panel comprises five experts appointed by congressional leadership.
Office of Management and Budget and the Congressional Budget Office	Section 134	After five years, the Director of the Office of Management and Budget ("OMB"), in consultation with the Director of the Congressional Budget Office ("CBO"), is to produce a report on the value of assets held under TARP. This will influence a proposal by the President to recoup from the financial industry any shortfall associated with TARP.
	Section 202	The offices are to conduct tandem reporting on cost estimates and the impact on the budget and deficit of the authorities that the Secretary has exercised under EESA.
President of the United States	Section 203	Provides in his annual budget submission to Congress an analysis of the costs incurred and the impact on the budget and deficit of actions carried out under EESA.

General. The Special Inspector General is a presidential appointee, confirmed by the Senate, selected "on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations."[26]

SIGTARP has the duty to conduct, supervise, and coordinate audits and investigations of the purchase, management, and sale of troubled assets by the Secretary of the Treasury. Under Section 121(f)(1) of EESA, SIGTARP must submit reports to Congress: the first is due 60 days after the Special Inspector General's confirmation date; then reporting continues every calendar quarter thereafter. The Special Inspector General was confirmed on December 8, 2008, making this first report due by February 6, 2009.

EESA mandates that SIGTARP provide in its report to Congress:[27]

- a description of the categories of troubled assets purchased or otherwise procured by the Secretary of the Treasury under TARP
- a list of troubled assets purchased, by category and financial institution, as well as the Secretary of the Treasury's justification for purchasing such assets
- a list of and detailed biographical information about each person or entity hired to manage the troubled assets
- an estimate of the total amount of troubled assets purchased, the price paid, and the amount of troubled assets currently on Treasury's books
- an estimate of the total amount of troubled assets sold and the profit/loss incurred on each sale or disposition of each such troubled asset
- a list of the insurance contracts issued under TARP
- a detailed statement of all purchases, obligations, expenditures, and revenues associated with any asset-purchase program

Appendix C: "Reporting Requirements" provides data tables relating to these reporting requirements, including a breakdown by TARP program, asset category, and financial institution from which the troubled assets were purchased. It also includes the Treasury Secretary's justification for purchasing each of the troubled assets, as well as an itemization of any profit or loss incurred on the sale or disposition of each troubled asset.

IMPLEMENTATION OF EESA

As noted earlier, EESA authorized Treasury to purchase up to $700 billion in troubled assets based on graduated authorizations to make such purchases.[28] As of the publication of this Report, the entire $700 billion had been made available for program implementation:[29]

- **First Authorization: $250 billion.** When EESA became law on October 3, 2008, Treasury received authority to purchase $250 billion in troubled assets.[30]
- **Second Authorization: $100 billion.** Under a subsequent presidential certification of need, the Treasury Secretary was authorized to make an additional $100 billion in purchases.[31]
- **Third Authorization: $350 billion.** On January 12, 2009, President George W. Bush submitted to Congress his notification of intent to exercise his authority under the act to purchase an additional $350 billion in troubled assets.[32] His administration indicated that it had "no intention of allocating additional funds from the remaining $350 billion" and exercised the authority under EESA to "ensure that such funds are available early" for the new administration.[33] Congress had the option of disapproving the remaining $350 billion in purchase authority within 15 days; however, the Senate voted 52 – 42 against a measure that would have blocked release of the funds.[34]

TARP MECHANICS

The purpose of this section is to provide a detailed description of the fundamental mechanics of Treasury's investments of taxpayer dollars for those who are not familiar with many of the terms commonly used in descriptions of TARP. Readers who do not require these explanations can skip to Section 3.

Treasury has extended financial support mechanisms in which:

- Treasury has purchased equity as a means of infusing capital into the financial system. It is the purchase of ownership in a company through preferred stock and warrants in exchange for cash.
- Treasury has loaned money through the Automotive Industry Financing Program ("AIFP") in exchange for interest payments.
- Treasury has instituted an insurance-type program that collects premium fees in exchange for guaranteeing assets. If the asset value drops, the government covers a portion of the loss to reduce damage incurred by the company.

Below is a brief description of the fundamental mechanics of how each of the investing mechanisms works for TARP.

EQUITY INVESTMENTS

When an individual or entity purchases equity in an company, it becomes a shareholder of that company. When a company has available cash, it has the option (generally pursuant to set procedures) either to divide the money among the owners (shareholders) or reinvest the money back into the business. When the company decides to pay the owners a portion of the money, the shareholders receive a dividend.

If a company intends to pay a dividend, it must pay any preferred shareholders first. Even among "preferred shares," there is often a ranking order. Senior preferred shares are paid out before junior preferred shares, for example.

With respect to TARP transactions, Treasury is generally a senior preferred stockholder, so it is paid dividends by TARP participants before common stockholders receive dividends. For TARP investments, Treasury requires that the company pay a fixed percentage return on Treasury's investment each year. For example, if Treasury invested $100 in preferred shares that paid a 5% annual dividend, it would earn approximately $5.00 on that investment every year, regardless of changes in the company's common stock price.

In exchange for being first in line to receive the dividend payments, preferred shareholders usually do not have voting rights for company decisions (other than those specifically affecting the preferred shares).[37] Preferred shares usually contain provisions that prevent new preferred shares with a senior claim from being issued. Individual series of preferred shares may have a senior, *pari-passu* (equivalent), or junior relationship with other shares issued by the same corporation.

Another possible distinction between types of preferred shares is the term of the preferred shares. All of the preferred shares Treasury purchased, whether preferred or senior preferred, are considered perpetual. This means that the responsibility to pay dividends on the preferred stock does not expire for as long as Treasury owns the stock.

There are two primary investments that individuals can purchase in order to own a portion of a company:

Common Stock: Equity ownership that entitles an individual to share in the corporate earnings and participate in the voting rights.

Preferred Stock: Equity ownership that usually pays a fixed dividend, gives the holder a claim on corporate earnings superior to common stock owners, and has no voting rights. Preferred stock also has priority in the distribution of assets in the case of liquidation of a bankrupt company.

WARRANTS EXAMPLE

On October 23, 2008, Treasury purchased $10 billion in Morgan Stanley preferred stock, and, as an incentive, received 65,245,759 warrants at a strike price of $22.99.[35] As of January 23, 2009, Morgan Stanley's stock price was $18.71,[36] which means that the warrants are "out of the money." The market price is $4.28 below the warrant strike price. For these warrants to be considered "in the money," Morgan Stanley's stock price would have to gain more than $4.28.

In the case of preferred shares purchased under the Capital Purchase Program ("CPP"), after three years, the company can buy them back from Treasury at the price it sold them plus any unpaid dividends owed, subject to certain conditions.[38] CPP has a provision, called an "escalation clause," where, at five years, the dividend rate that the institution has to pay to Treasury increases from 5% to 9%.[39]

Warrants

In addition to earning dividends on preferred shares, Treasury also receives warrants. Warrants provide the right to purchase shares of stock at a fixed price. Warrants can typically be exercised only for a set period. In TARP programs, most transactions involve warrants that expire in 10 years.[40]

For public companies, warrants give Treasury the right to buy shares of common stock in the companies at certain fixed prices. For example, Treasury might have the right to buy 100 shares of stock in a financial institution at a price of $10 per share; this price is called the strike price. At any given time, Treasury has the option to exercise the warrant and purchase shares from the company at the strike price. If the company's stock is currently trading on the New York Stock Exchange at $12, for example, Treasury could purchase shares from the company at $10 and sell them for a profit at the market price to make $2 per share. When, as in this example, a warrant's exercise price is lower than the current market price of the stock, the warrants are considered "in the money."

When the strike price is above the stock's market price, it is "out of the money." However, even warrants that are "out of the money" have value, based on the possibility that the share price will eventually rise above the strike price. It is not unusual that warrants are "out of the money" at the time they are issued.

LOANS

Treasury has loaned money to several automotive companies under agreements that they repay the money, along with interest, at some future time. These loans pay a variable rate of interest (meaning that the interest rate changes over time) on Treasury's investment of taxpayer dollars and work much like a typical consumer bank loan. For example, when consumers go to their local bank to obtain a personal loan, they agree to repay the bank not only the amount borrowed, but a pre-determined amount of interest as well. The consumer makes monthly payments on this loan, which include both principal and interest, over a fixed period of time until the debt is repaid.

Loans can be classified as either secured or unsecured. Secured loans are backed by collateral belonging to the borrower, which decreases the risk assumed by the lender. If the borrower fails to abide by the loan agreement, the lender has the right to seize the borrower's assets that were used to secure the loan.

Treasury's loans to the automotive companies were secured by collateral, such as parts, inventory, and real estate. By contrast, unsecured loans are not backed by any type of collateral.

Within the category of secured loans, there are recourse and non-recourse loans. In a recourse loan, the borrower is fully obligated to repay the debt. When the borrower fails to make payments, and the lender takes the collateral, if the amount of collateral is insufficient to make the lender whole, the borrower will remain legally indebted for the balance. Non-recourse loans permit the borrower to walk away from the loan by surrendering the collateral to the lender. As discussed in Section 3, the Term Asset-backed Securities Loan Facility ("TALF") program involves a non-recourse loan to participants by the Federal Reserve.

In the Money: An option that allows the holder to acquire shares at a price below the current market price.

Variable Rate of Interest: An interest rate that changes according to the market, usually tied to an underlying interest rate index.

Collateral: An asset pledged by a borrower to a lender until a loan is repaid.

Non-recourse Loan. A loan whereby the borrower is relieved of the obligation to repay the loan upon the surrender of the collateral.

INSURANCE INVESTMENTS

In addition to the debt and equity investment programs, Treasury has instituted an insurance-type program. Treasury stated that the program "provides guarantees for assets held by systemically significant financial institutions."[41] This program guarantees troubled assets of financial institutions and collects premium fees in return. These guarantees are very similar to a typical insurance plan. For example, homeowners pay a premium fee for a homeowner's policy to protect their property. The amount of their premium fee is based on the value of their property, the risk of loss (*e.g.*, how secure their homes are or whether they have an alarm system), and many other factors. When the program is used, financial institutions will pay Treasury similar premiums for the guarantee of their assets and Treasury will determine the amount of the premium and the form of payment. The amounts of the premiums may differ for each agreement depending on the risk involved with each institution's assets. Treasury must price premiums based on actuarial analysis so that enough funds are available to pay for the anticipated claims.[42]

Guarantee: By guaranteeing a troubled asset, Treasury promises to pay the institution holding that asset an agreed upon amount should that asset's value decline or fail. For example, a mortgage would fail if the homeowner stops making payments on it.

Premium: The institution receiving the guarantee pays the guarantor an agreed upon amount for the protection offered by the guarantee — the same way car premiums ensure protection for damage or loss.

Actuarial Analysis: A statistical analysis used to predict the likely claims resulting from troubled assets that the institutions will make.

SECTION 3

TARP IMPLEMENTATION AND ADMINISTRATION

This section provides details of activities that Treasury has conducted under the Troubled Asset Relief Program ("TARP"). First, it offers a broad overview of TARP programs and data relating to TARP expenditures as a whole. Second, it details, program by program, the various ways in which TARP funds have been expended. Finally, it describes operations and administration of the Office of Financial Stability ("OFS") and its vendors who manage TARP.

OVERVIEW OF IMPLEMENTED PROGRAMS

As of January 23, 2009, Treasury had announced the parameters of how $387.4 billion[43] of the $700 billion would be spent. As of that same day, Treasury had made commitments to spend $299.96 billion,[44] of which $293.76 billion has been expended.[45] TARP expenditures as of January 23, 2009, account for about 42% of the $700 billion available for TARP implementation.

Thus far, Treasury is providing support to U.S. financial institutions and companies through five programs used to purchase or guarantee troubled assets under the broadest definition of troubled assets, discussed in more detail in Section 2: "EESA Provisions."[46]

- **Capital Purchase Program ("CPP").** CPP is designed to be a program in which Treasury purchases senior preferred stock, and, depending upon the type of institution, warrants of common stock, from viable financial institutions of all sizes.[47] Treasury has announced a plan to spend $250 billion of TARP funds on CPP, and, as of January 23, 2009, Treasury investments to institutions through CPP account for approximately $194.2 billion in purchases.[48] Refer to the "Capital Purchase Program" discussion in this Section for more information.
- **Systemically Significant Failing Institutions ("SSFI") Program.** Through the SSFI program, Treasury is permitted to invest in systemically significant institutions to prevent their failure and the market disruption that would follow.[49] As of January 23, 2009, Treasury investment through this program accounts for $40 billion in TARP purchases.[50] These funds were used to purchase perpetual senior preferred stock from the American International Group, Inc. ("AIG").[51] See the "Institution-specific Assistance" part of this Section for a detailed discussion of the AIG transaction.
- **Targeted Investment Program ("TIP").** Through TIP, Treasury is permitted to make targeted investments in financial institutions where a loss of confidence would threaten similar institutions, the broader financial markets, and the economy as a whole.[52] As of January 23, 2009, Treasury had invested $40 billion through this program.[53] Treasury, the Federal Reserve, and the Federal Deposit Insurance Corporation ("FDIC") announced in joint statements that they would use TARP funding and other resources to provide a "package of guarantees, liquidity access and capital" to both Citigroup, Inc. ("Citigroup")[54] and Bank

Senior Preferred Stock: Shares that give the stockholder priority dividend and liquidation claims over junior preferred and common stockholders. This concept is further described in Section 2: "TARP Mechanics."

Warrants of Common Stock: The right, but not the obligation, to purchase shares of common stock at a fixed price. This concept is further described in Section 2: "TARP Mechanics."

Systemically Significant: A financial institution whose failure would impose significant losses on creditors and counterparties, call into question the financial strength of other similarly situated financial institutions, disrupt financial markets, raise borrowing costs for households and businesses, and reduce household wealth.

Perpetual Senior Preferred Stock: Shares that give the stockholder the right to dividend payments that do not expire for as long as the stockholder owns the stock. This concept is further described in Section 2: "TARP Mechanics."

Senior Preferred Membership Interest: Individuals or other organizations with an ownership interest in a Limited Liability Company ("LLC") with a senior liquidation preference, entitling it to receive its liquidation preference before any other ownership interest in the LLC.

of America.[55] The $40 billion TARP investment in this program has thus far purchased $20 billion of senior preferred stock and warrants from Citigroup and $20 billion of senior preferred stock and warrants from Bank of America.[56] See the "Institution-specific Assistance" part of this Section for a detailed discussion of TIP.

- **Asset Guarantee Program ("AGP").** Through AGP, Treasury provides certain loss protections on a select pool of mortgage-related or other assets held by participants whose portfolios of distressed or illiquid assets pose a risk to market confidence.[57] This program is similar to a typical insurance plan, whereby Treasury is "insuring" the assets of a financial institution. Treasury is obligated to protect up to $5 billion of Citigroup[58] assets and up to $7.5 billion of Bank of America assets (in a transaction that had not yet closed as of January 23, 2009).[59] Citigroup paid a premium in preferred stock of $4 billion,[60] and Bank of America will pay $3 billion[61] in preferred stock. Treasury, FDIC, and the Federal Reserve will provide combined protection in the form of guarantees or non-recourse loans with respect to assets totaling $301 billion for Citigroup[62] and $118 billion for Bank of America, subject to certain deductibles.[63] See the discussion of "Institution-specific Assistance" in this Section for more information on the Citigroup and Bank of America transactions.
- **Automotive Industry Financing Program ("AIFP").** Through AIFP, Treasury makes strategic investments in U.S. automotive companies and their financing arms designed to prevent a significant disruption of the U.S. automotive industry or to financial markets.[64] As of January 23, 2009, Treasury had committed $20.8 billion in AIFP investments.[65] Under this program, Treasury made emergency loans to General Motors Corporation ("GM"), Chrysler LLC ("Chrysler"), and Chrysler Financial Services Americas LLC ("Chrysler Financial"). In addition to these investments, Treasury purchased senior preferred membership interests from GMAC LLC ("GMAC"). See the "Institution-specific Assistance" part of this Section for a detailed discussion of AIFP.

As noted in the background section on EESA, the Secretary is authorized to purchase troubled assets through any programs deemed necessary to administer TARP.[66] The figures and tables that follow provide a summary of the status of the implemented TARP programs:

- commitment levels by programs as of January 23, 2009 (Table 3.2)
- cumulative commitments by program over time (Figure 3.1)
- summary of terms of TARP deals (Table 3.3 and Table 3.4)

For a reporting of all purchases, obligations, expenditures, and revenues of TARP, see Appendix C: "Reporting Requirements."

TABLE 3.2

COMMITMENT LEVELS BY PROGRAM, AS OF JANUARY 23, 2009

$ Billions		Amount		Percent (%)	Section Reference
Authorized under EESA[1]			$700.00		
Released Immediately[1]		$250.00		35.7%	Section 2: "Implementation of EESA"
Released Under Presidential Certificate of Need[2]		$100.00		14.3%	
Released Under Presidential Certificate of Need and Resolution to Disapprove Failed[3]		$350.00		50.0%	
TOTAL RELEASED			**$700.00**	**100.0%**	
Less: Commitments by Treasury under TARP[a]					
Capital Purchase Program ("CPP"):					
Bank of America Corporation[b]	$25.00			3.6%	Section 3: "Capital Purchase Program"
Citigroup, Inc.	$25.00			3.6%	
JP Morgan Chase & Co.	$25.00			3.6%	
Wells Fargo and Company	$25.00			3.6%	
The Goldman Sachs Group Inc.	$10.00			1.4%	
Morgan Stanley	$10.00			1.4%	
Other Qualifying Financial Institutions[c]	$74.18			10.6%	
CPP TOTAL[4]		**$194.18**		**27.7%**	
Systemically Significant Failing Institutions ("SSFI") Program:					Section 3: "Institution-specific Assistance"
American Internationa Group, Inc. ("AIG")	$40.00			5.7%	
SSFI PROGRAM TOTAL[4]		**$40.00**		**5.7%**	
Targeted Investment Program (TIP):					Section 3: "Institution-specific Assistance"
Bank of America Corporation	$20.00			2.9%	
Citigroup, Inc.	$20.00			2.9%	
TIP TOTAL[4]		**$40.00**		**5.7%**	
Asset Guarantee Program ("AGP"):[d]					Section 3: "Institution-specific Assistance"
Citigroup, Inc.[e]	$5.00			0.7%	
AGP TOTAL[4]		**$5.00**		**0.7%**	
Automotive Industry Financing Program ("AIFP"):					
General Motors Corporation ("GM")	$10.28			1.5%	Section 3: "Institution-specific Assistance"
General Motors Acceptance Corporation LLC ("GMAC")	$5.00			0.7%	
Chrysler Holding LLC	$4.00			0.6%	
Chrysler Financial Services Americas LLC[f]	$1.50			0.2%	
AIFP TOTAL[4]		**$20.78**		**3.0%**	
SUBTOTAL — TARP COMMITMENTS[4]			**$299.96**	**42.9%**	
BALANCE REMAINING OF TOTAL FUNDS MADE AVAILABLE AS OF JANUARY 23, 2009			**$400.04**	**57.1%**	
APPROXIMATE PIPELINE OF FUTURE TARP FUNDING ON JANUARY 30, 2009[5]			**$1.20**		

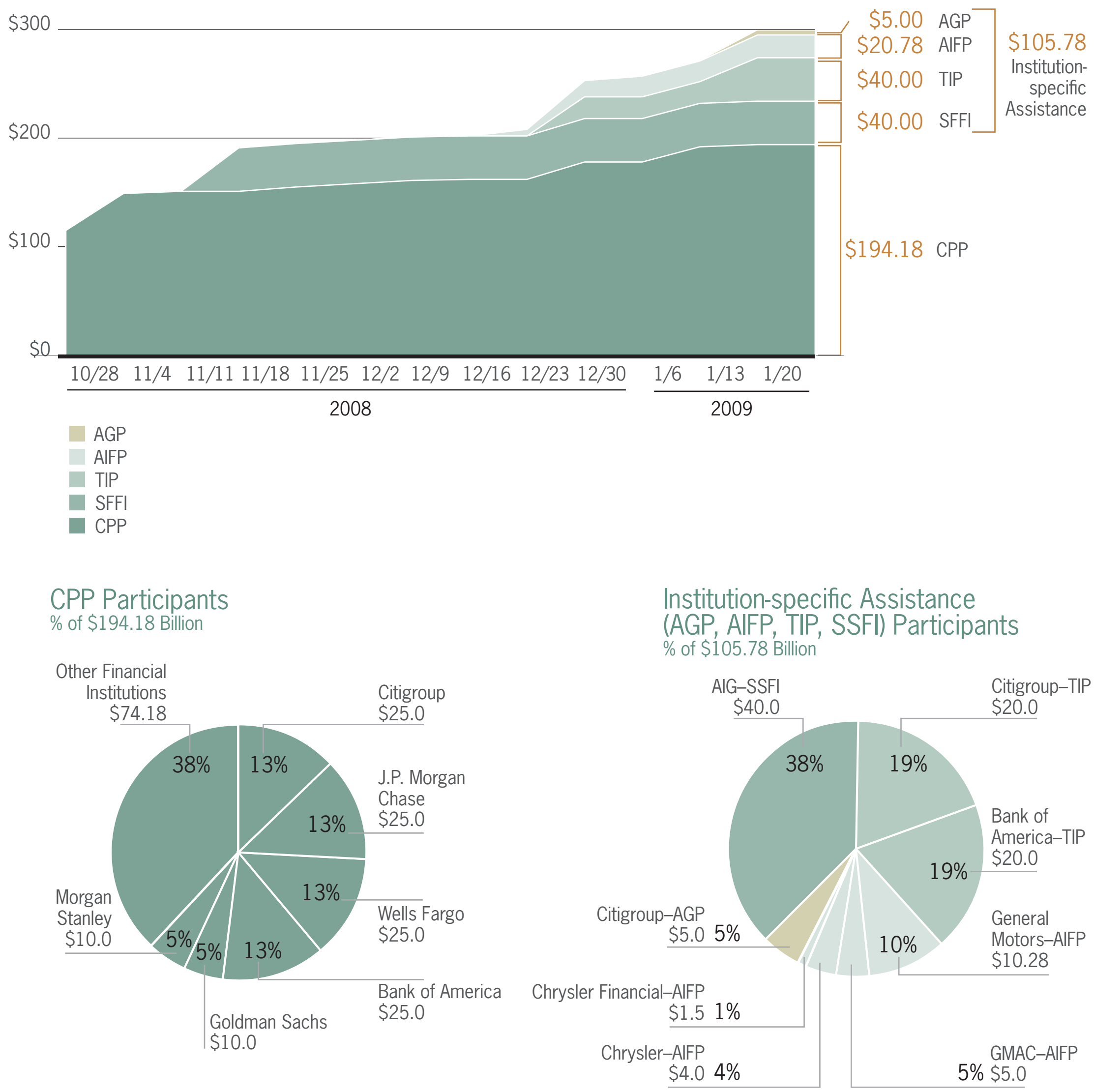
Notes: Numbers affected by rounding.
[a] From a budgetary perspective, what Treasury has committed to spend (e.g., signed agreements with TARP fund recipients).
[b] Bank of America's share is equal to two CPP investments totaling $25 billion, which is the sum $15 billion received on 10/28/2008 and $10 billion received on 1/9/2009.
[c] Other Qualifying Financial Institutions (QFIs) include all QFIs that have received less than $10 billion through CPP.
[d] This program is further described in Section 2: "TARP Mechanics."
[e] Treasury committed $5 billion to Citigroup under AGP; however, this funding is conditional based on losses realized and may potentially never be expended. This amount is not an actual outlay of cash.
[f] Treasury's $1.5 billion loan to Chrysler Financial represents the maximum loan amount. This $1.5 billion has not been fully expended because the loan will be funded incrementally at $100 million per week ($100 million on 1/12/2009, $100 million on 1/19/2009).
[g] Pipeline represents the approximate amount of expenditures that are allocated for pending CPP closings.

Sources:
[1] Emergency Economic Stabilization Act, P.L. 110-343, 10/3/2008.
[2] As of January 20, 2009, Treasury has not published this certification of need. However, this press release states that the first $350 billion has been authorized. Treasury, "Secretary Paulson Statement on Stabilizing the Automotive Industry," 12/19/2008, www.treas.gov, accessed 1/25/2009.
[3] Library of Congress, "A joint resolution relating to the disapproval of obligations under the Emergency Economic Stabilization Act of 2008," 1/15/2009, www.thomas.loc.gov, accessed 1/25/2009.
[4] Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009, www.treas.gov, accessed 1/30/2009.
[5] Office of Financial Stability, response to SIGTARP draft report, 1/30/2009.

FIGURE 3.1

COMMITMENTS, BY PROGRAM, CUMULATIVE

$ Billions, $299.96 Billion Total



Note: Numbers affected by rounding. For purposes of this Report, amounts in the Transactions Report are considered committed, and as of 1/23/2009, total $299.96 billion. Citigroup = Citigroup, Inc.; JP Morgan Chase = JP Morgan Chase & Co.; Bank of America = Bank of America Corporation; Goldman Sachs = The Goldman Sachs Group Inc.; General Motors = General Motors Corporation; GMAC = GMAC LLC; Chrysler = Chrysler Holding LLC; Chrysler Financial = Chrysler Financial Services Americas LLC.

Sources: Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," www.treas.gov, 1/27/2009; Treasury, response to SIGTARP data call, 1/26/2009.

TABLE 3.3

EQUITY AGREEMENTS							
TARP Program	Company	Date of Agreement	Total Equity Agreement	Description of Investment	Investment Information	Dividends	Term of Agreement
CPP – Public	233 QFIs	10/14/2008[a] and later	$192.6 billion[d]	Senior Preferred Equity	1-3% of Risk Weighted Assets, not to exceed $25 billion for each QFI	5% for first 5 years, 9% thereafter	Perpetual
				Common Stock Purchase Warrants	15% of Senior Preferred amount	-	Up to 10 years
CPP – Private	84 QFIs	11/17/2008[b] and later	$1.6 billion[d]	Preferred Equity	1-3% of Risk Weighted Assets, not to exceed $25 billion for each QFI	5% for first 5 years, 9% thereafter	Perpetual
				Preferred Stock Purchase Warrants that are exercised immediately	5% of Preferred amount	9%	Up to 10 years
SSFI	AIG	11/25/2008	$40 billion	Perpetual Senior Preferred Equity	$40 billion aggregate liquidation preference	10%	Perpetual
				Common Stock Purchase Warrants	2% of issued and outstanding Common Stock on investment date; $2.50 exercise price	-	Up to 10 years
TIP	Citigroup	12/31/2008	$20 billion	Senior Preferred Equity	$20 billion	8%	Perpetual
				Warrants	10% of total Preferred Stock issued; $10.61 exercise price	-	Up to 10 years
TIP	Bank of America	1/16/2009[c]	$20 billion	Senior Preferred Equity	$20 billion	8%	Perpetual
				Warrants	10% of total Preferred Stock issued; $13.30 exercise price	-	Up to 10 years
AIFP	GMAC LLC	12/29/2008	$5 billion	Senior Preferred Membership Interests	$5 billion	8%	Perpetual
				Preferred Stock Purchase Warrants that are exercised immediately	5% of Preferred amount	9%	Up to 10 years

Notes:
[a] Announcement date of CPP Public Term Sheet.
[b] Announcement date of CCP Private Term Sheet.
[c] Date as of the Treasury, Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009. The Security Purchase Agreement has a date of 1/15/2009.
[d] Amounts are equal to the sum of several CPP agreement amounts. This number will increase as new transactions are closed.

Sources: Treasury, "TARP Capital Purchase Program Agreement, Senior Preferred Stock and Warrants, Summary of Senior Preferred Terms," 10/14/2008; Treasury, "TARP Capital Purchase Program Agreement, (Non-Public QFIs, excluding S Corps and Mutual Organizations) Preferred Securities, Summary of Warrant Terms," 11/17/2008; Treasury, "Securities Purchase Agreement dated as of November 25, 2008 between American International Group, Inc. and United States Department of Treasury," 11/25/2008; Treasury, "TARP AIG SSFI Investment, Senior Preferred Stock and Warrant, Summary of Senior Preferred Terms," 11/25/2008; Treasury, "Securities Purchase Agreement dated as of January 15, 2009 between Citigroup, Inc. and United States Department of Treasury," 1/15/2009; Treasury, "Citigroup, Inc. Summary of Terms, Eligible Asset Guarantee," 11/23/2008; "Securities Purchase Agreement dated as of January 15, 2009 between Bank of America Corporation and United States Department of Treasury," 1/15/2009; Treasury, "Bank of America Summary of Terms, Preferred Securities," 1/16/2009; Treasury, "GMAC LLC Automotive Industry Financing Program, Preferred Membership Interests, Summary of Preferred Terms," 12/29/2008.

TABLE 3.4

DEBT AGREEMENTS

TARP Program	Company	Date of Agreement	Total Debt Agreement	Description of Investment	Investment Information	Interest / Dividends	Term of Agreement
AIFP	General Motors Corporation	12/31/2008	$13.4 billion	Debt Obligation with Warrants and Additional Note	Loan is funded incrementally; $4 billion funded on 12/29/2008, $5.4 billion funded on 1/21/2009, $4 billion to be funded on 2/17/2009	LIBOR + 3%	12/29/2011
AIFP	General Motors	1/16/2009	$884 million	Debt Obligation	To purchase Class B membership interest of GMAC LLC	LIBOR + 3%	1/16/2012
AIFP	Chrysler Holding LLC	1/2/2009[a]	$4 billion	Debt Obligation with Additional Note	Loan up to $4 billion, available on the closing date; Additional note of $267 million (6.67% of the maximum loan amount)	3% or 8% (if the company is in default of its terms under the agreement) plus the greater of a) three-month LIBOR or b) LIBOR floor (2.00%)	1/2/2012
AIFP	Chrysler Financial	1/16/2009	$1.5 billion	Debt Obligation with Additional Note	Loan is funded incrementally at $100 million per week; Additional note is $75 million (5% of total loan size), which vests 20% on closing and 20% on each anniversary of closing	LIBOR + 1% for first year LIBOR + 1.5% for remaining	1/16/2014

Note:
[a] Date as of the Treasury, Office of Financial Stability, 1/27/2009 Transaction Report, The Security Purchase Agreement has a date of 12/31/2008.

Sources: Treasury, "Loan and Security Agreement By and Between General Motors Corporation as Borrower and The United States Department of Treasury as Lender Dated as of December 31, 2008." 12/31/2008. Treasury, "General Motors Corporation, Indicative Summary of Terms for Secured Term Loan Facility," 12/19/08; Treasury, "General Motors Promissory Note," 1/16/2009; Treasury, "Loan and Security Agreement By and Between Chrysler Holding LLC as Borrower and The United States Department of Treasury as Lender Dated as of December 31, 2008." 12/31/2008; Treasury, "Chrysler, Indicative Summary of Terms for Secured Term Loan Facility," 12/19/2008; Treasury, "Chrysler LB Receivables Trust Automotive Industry Financing Program, Secured Term Loan, Summary of Terms," 1/16/2009; OFS, response to SIGTARP draft report, 1/30/2009.

CAPITAL PURCHASE PROGRAM

Under CPP, $250 billion of TARP has been made available to aid Qualifying Financial Institutions ("QFIs"). Treasury has stated that it intends to invest in healthy, viable banks to promote financial stability, maintain confidence in the financial system, and permit institutions to continue meeting the credit needs of American consumers and businesses. According to the Interim Assistant Secretary for Financial Stability, "Purchasing equity in healthy banks around the country would be a faster and more direct way to inject much-needed capital into the system and restore confidence compared with asset purchases."[67] Treasury decided that healthy banks would be in the best position to increase the flow of credit in their communities.[68]

The decision to provide a direct infusion of capital into banks was widely seen as a shift in approach from the original understanding of purchasing troubled assets, which would have presumably involved the purchase of troubled mortgages or mortgage-backed securities. The former Treasury Secretary explained:

> Given the severity and magnitude of the situation, an asset purchase program would not be effective enough, quickly enough. Therefore we exercised the authority granted by Congress in this legislation to develop and quickly deploy a $250 billion capital-injection program, fully anticipating we would follow that with a program for troubled asset purchases.[69]

There was no requirement for recipients to monitor their use of the funds, and it has been widely reported that banks have been "hoarding" the money, acquiring other banks, and paying off debt. Treasury has recently begun to establish periodic reporting guidelines for certain TARP recipients. For more information on SIGTARP's planned review of how this money is being spent, see Sections 1 and 4 of this Report.[70]

Qualifying Financial Institution ("QFI"): Private and public U.S.-controlled banks, savings associations, bank holding companies, and certain savings and loan holding companies (engaged exclusively in financial activities) that are deemed healthy and viable.

CPP Process

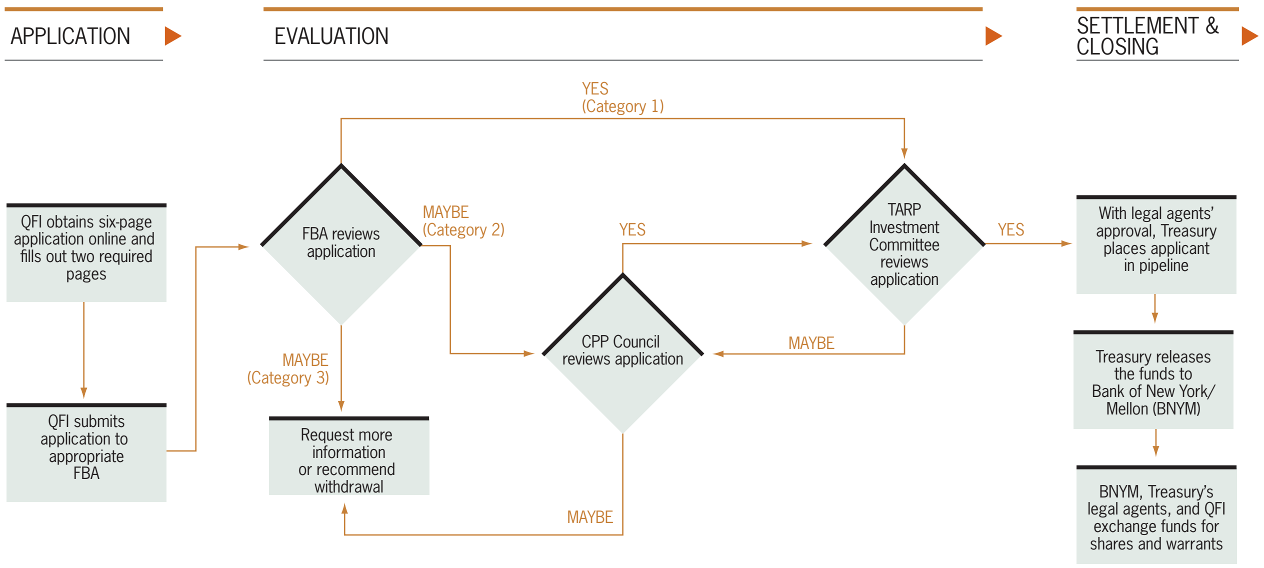
Unlike other TARP programs, where investments are made on a case-by-case basis, CPP is a program made available to QFIs through an application process. CPP recipients must apply and be approved before receiving any funds.[71]

While testifying before the Senate, the Interim Assistant Secretary for Financial Stability summarized the application process:

> To apply for the capital program, banks should review the program information on the Treasury website and consult with their primary federal regulator…. After this consultation, the institution should submit an application to that same regulator. Treasury worked with the regulators to establish an evaluation process; this means that all

FIGURE 3.2

CAPITAL PURCHASE PROGRAM PROCESS



Note: This is a general depiction of the high-level process based on interviews and sourced documents. At any point in the process, the reviewing party can remand the application in search of additional information. At any time in the process, a QFI can withdraw its application. FBAs include the Federal Reserve, the FDIC, the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS). CPP Council includes senior members from the four FBAs. TARP Investment Committee includes TARP's Chief Investment Officer and senior officials on financial markets, economic policy, financial institutions, and financial stability.

Source: PriceWaterhouseCoopers, LLP, Internal Control Documentation, received 1/16/2009; Treasury, CPP Program Lead Interview, 1/15/2009.

regulators will use a standardized process to review all applications to ensure consistency.[72]

This section provides an overview of the CPP process flow from the initial application to the disbursement of CPP funds. For illustrative purposes, Figure 3.2 shows an overview of the CPP process in three distinct phases: Application, Evaluation, and Settlement and Closing.

Application

Private and public U.S.-controlled banks, savings associations, bank holding companies, and certain savings and loan holding companies (engaged exclusively in financial activities) may apply for CPP funding. The application process consists of a six-page common application, available online.

The first four pages of the application are guidelines that do not require any information from the applicant. The fifth page asks for basic contact information. The last page of the application requires the applicant to submit data such as:[73]

- amount of preferred shares requested
- amount of authorized but unissued preferred stock available for purchase
- amount of authorized but unissued common stock
- amount of Total Risk-Weighted Assets
- signature of Chief Executive Officer (or authorized designee)
- description of any mergers, acquisitions, and capital raisings that are currently pending or under negotiation

The banks are not required to attach any additional information with their applications.

The application can be found on Treasury's website or on the website of an applicable bank regulator or Federal Banking Agency ("FBA"). FBAs include the Federal Reserve, FDIC, OCC, and OTS.

Treasury issued initial guidelines for public company applicants on October 20, 2008. Guidelines were released for private applicants on November 17, 2008, and for "S" corporations, on January 14, 2009. To date, no guidelines have been released for mutual organizations. Table 3.5 shows key dates for each type of institution that may apply for CPP funding.

Once a CPP application is complete, it is submitted to the institution's primary regulator for the initial eligibility determination, which is the first step in the evaluation process.

Total Risk-Weighted Assets: The amount of a bank's total assets after making adjustments based on the risk factor assigned to each individual asset.

Federal Banking Agency ("FBA"): One of four agencies: 1) the Comptroller of the Currency, 2) the Board of Governors of the Federal Reserve System, 3) the Federal Deposit Insurance Corporation, and 4) the Director of the Office of Thrift Supervision.

TABLE 3.5

KEY DATES AND DEADLINES FOR CPP APPLICATION PROCESS

Type	Announced Date	Application Deadline
Publicly Held [a]	10/20/2008	11/14/2008
Privately Held [b]	11/17/2008	12/8/2008
"S" Corporation [c]	1/14/2009	2/13/2009
Mutual Organization	TBD	TBD

Note: 'Private' QFIs are those that are Non-Public QFIs, excluding S Corporations and Mutual Organizations.

[a] Treasury, "Application Guidelines for TARP Capital Purchase Program," no date, www.treas.gov, accessed 1/22/2009.
[b] Treasury, "Process Related FAQs for Private Bank Capital Purchase Program," no date, www.treas.gov, accessed 1/22/2009.
[c] Treasury, "S Corporation FAQs," no date, www.treas.gov, accessed 1/22/2009.

CAMELS Rating: A rating of a bank's overall condition based on capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. The ratings are issued by the U.S. Government and are not released to the general public.

TARP Investment Committee: Includes TARP's Chief Investment Officer and senior Treasury officials on financial markets, economic policy, financial institutions, and financial stability.

CPP Council: Comprises senior members from the four FBAs.

Evaluation

When a financial institution submits an application for CPP funds, the evaluation process begins with an FBA consultation, which includes, among other things, a review of the bank's most recent financial statement, examination, and most recent quarterly data. FBAs take into strong consideration the applicant bank's CAMELS rating. All banks receive CAMELS (capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk) ratings from 1 to 5 that assess the "safety and soundness of financial institutions on a uniform basis."[74] After reviewing an applicant and determining a CAMELS rating, the FBA classifies each QFI under one of these categories:[75]

Category 1
- QFIs with a Composite CAMELS/RFI rating of "1"
- QFIs with a Composite CAMELS/RFI rating of "2" and for which the most recent examination rating is not more than 6 months old
- QFIs with a composite rating of "2" or "3" and acceptable performance ratios

Category 2
- QFIs with a Composite CAMELS/RFI rating of "2" and for which most recent examination rating is more than 6 months old and overall unacceptable ratios
- QFIs with a Composite CAMELS/RFI rating of "3" with overall unacceptable performance ratios

Category 3
- QFIs with a Composite CAMELS/RFI rating of "4"
- QFIs with a Composite CAMELS/RFI rating of "5"

Category 1 applications are forwarded directly to the TARP Investment Committee, for which CPP analysts help prepare presentations on the applicants.[76] The TARP Investment Committee comprises a group of senior Treasury officials on financial markets, economic policy, financial institutions, and financial stability. They can grant preliminary approval, in which case the application goes to the Assistant Secretary for Financial Stability, who has the final authority to approve the application. Alternatively, if there is some question about the bank's application, they can refer the application to the CPP Council.

A Category 2 application is forwarded by the FBAs directly to the CPP Council.[77] The CPP Council, chaired by the OCC and comprising of representatives from the four banking regulators, makes a recommendation, reached by majority rule, either to 1) recommend the applicant for approval, 2) request more information, or 3) recommend withdrawal. If the application is recommended for approval, it is forwarded to the TARP Investment Committee, which evaluates (or re-evaluates) the application.

Category 3 applicants are asked to send more information or withdraw their applications.[78] If the requested information is forwarded, then the applicant will be re-considered for funding.

Treasury notifies the QFI when the Assistant Secretary of Financial Stability has granted preliminary approval. Typically, applicants will be asked to make additional disclosures about events that have occurred since the time of the original application.[79] At this point in the process, and any time prior to closing, there is no legal commitment between the applicant and Treasury. The applicant is free to withdraw the application, and Treasury may also reconsider its decision.

Settlement and Closing

At the conclusion of the evaluation and after the granting of preliminary approval, the settlement stage begins. One of two law firms prepares the closing documentation and sends it to Bank of New York Mellon ("BNYM"), TARP's custodian. BNYM maintains the stock certificates and warrants in a distinct custody account for each QFI.[80] All completed transactions are publicly announced within two business days of closing, pursuant to the law. Announcements are not made regarding applicants that do not receive funding.[81]

CPP Terms and Conditions

The QFI may request a maximum investment equal to either $25 billion or 3% of its Total Risk-Weighted Assets, whichever is less; the minimum investment to request is equal to 1% of Total Risk-Weighted Assets,[82] which are calculated by adjusting the value of each of the bank's assets by a certain risk factor, which is based on the risk associated with the asset. For example, a credit card loan is riskier than cash and would therefore have a higher risk rating. This metric is often used to determine capital requirements for financial institutions.

Terms for Preferred Shares and Dividends

Treasury receives preferred shares in an amount equal to its CPP investment. The preferred stock annual coupon rate is 5% for the first five years and 9% for each year thereafter. This rate represents the dividend that the QFI must pay to Treasury.[83] The dividends are paid quarterly on February 15, May 15, August 15, and November 15 of each year.[84] As of January 23, 2009, Treasury had received more than $271 million in dividend payments from five different QFIs.[85]

Treasury, along with other preferred shareholders, will receive dividend payments before common stockholders. Treasury's preferred shares rank equal to the highest level of existing preferred stock issued by the QFI.[86] Subject to certain exemptions, institutions are required to pay full dividends to Treasury before paying out dividends to other shareholders.

Settlement: Payment is made for a trade.

Custodian: A bank, agent, trust company, or other organization responsible for safeguarding financial assets.

Annual Coupon Rate: The dividend rate paid by the QFI to Treasury.

Dividend: Distributions to stockholders of cash or stock declared by the company's board of directors.

Strike Price: The stated price per share for which underlying stock may be purchased by the option holder upon exercise of the option contract.

Executive Compensation: Payment to top executives of business corporations. This includes a base salary, bonuses, shares, options, and other company benefits for work.

Terms of Warrants

In CPP transactions involving public companies, Treasury also receives warrants of common stock, *i.e.*, the right to buy shares of common stock in the companies at a fixed price. Under the terms of the CPP contracts, the strike price for such warrants is determined by taking the average market price for the QFI's common stock over the previous 20 trading days prior to Treasury's approval of the QFI's application for participation in CPP. In CPP transactions involving most private companies, Treasury receives warrants of preferred shares, which are exercised immediately. For more information on the mechanics of warrants, see Section 2: "TARP Mechanics." For specific details on warrants and stock prices, see Appendix D: "Warrants."

Restrictions on Recipients

Treasury has established a series of restrictions on the firms receiving CPP funding.

Executive Compensation

All institutions that receive money through CPP must meet Treasury restrictions on executive compensation for as long as they are participants in the program (*i.e.*, as long as Treasury holds the shares). These standards apply to Senior Executive Officers ("SEOs"), which are defined as the Chief Executive Officer, Chief Financial Officer, and the next three most highly compensated executive officers:[87]

- Incentive compensation for SEOs must not encourage unnecessary and excessive risks that threaten the value of the QFI.
- Mandatory clawback of any bonus or incentive compensation paid to an SEO will be enforced if statements of earnings, gains, or other criteria are later proven to be materially inaccurate.
- Golden parachute payments to an SEO are prohibited. Under CPP, a golden parachute is defined as "any payment in the nature of compensation to (or for the benefit of) an SEO made on the account of an applicable severance from employment to the extent the aggregate present value of such payments equals or exceeds an amount equal to three times the SEO's base amount."[88] In other words, an SEO who leaves a QFI cannot receive a payment of more than three times his or her base salary.
- Executive compensation in excess of $500,000 or more for each SEO may not be deducted by the QFI for tax purposes.

Treasury has reported that it is "committed to rigorous oversight of the restrictions pertaining to executive compensation and is continuing to develop a comprehensive compliance program to ensure that institutions adhere to executive compensation provisions."[89] According to the Interim Assistant Secretary for Financial Stability, "We [Treasury] are now developing [as of December 10, 2008] procedures to ensure that compliance with these restrictions is maintained."[90] Treasury has announced that it expects to soon issue regulations that require specific certification and reporting requirements relating to executive compensation shortly. SIGTARP will report on these resolutions in the next Report.

Repurchase Conditions

Treasury has created a series of restrictions that limit a QFI's ability to buy back shares of its own stock. Likewise, there are restrictions on dividends. A QFI must pay dividends to Treasury in full prior to paying out any dividends to shareholders of lesser seniority. For the first three years that Treasury holds the shares, a QFI must receive Treasury's consent before increasing the common stock dividend rate. Additionally, Treasury's consent is required for most share repurchases during the first three years of the investment.[91]

Reporting

Treasury has announced that it is collaborating with FBAs to design a program that accurately measures the lending activities of recipients. The program will use quarterly data to analyze all balance-sheet changes. Treasury will also conduct monthly analysis via survey of its 20 largest investments.[92]

This Monthly Intermediation Snapshot survey was distributed to the recipients on January 16, 2009. Treasury asked for data as of December 31, 2008, and has set a due date for initial responses of January 31, 2009.[93] The Interim Assistant Secretary for Financial Stability sent letters to the 20 largest CPP recipients in which he explained this process:

> This Monthly Intermediation Snapshot will complement a more thorough analysis Treasury will conduct quarterly of all CPP recipient banks using call report data. The snapshot is designed to be simple enough to allow Treasury and TARP senior management to draw inferences about intermediation activity generally, but also granular enough to provide insight into patterns by broad category and by institution.[94]

TABLE 3.6

CPP INVESTMENT SIZE	
$10 Billion or More	6
$1 Billion to $10 Billion	17
$100 Million to $1 Billion	50
$10 Million to $100 Million	169
Less than $10 Million	75
TOTAL	**317**

Note: Data as of January 23, 2009. The total number of financial institutions was reduced by two because SunTrust Banks Inc. and Bank of America both received two capital investments under CPP.

Source: Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report for Period Ending January 23, 2009," 1/27/2009.

TABLE 3.7

CPP INVESTMENT SUMMARY	
Smallest Capital Payment	$1,037,000
Largest Capital Payment	$25,000,000,000
Average Capital Payment	$612,545,744
Median Capital Payment	$26,038,000

Note: Data as of January 23, 2009. Expenditures only refer to transactions with TARP recipients and do not account for overhead costs. Numbers affected by rounding.

Source: Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report for Period Ending January 23, 2009," 1/27/2009.

Status of CPP Funds

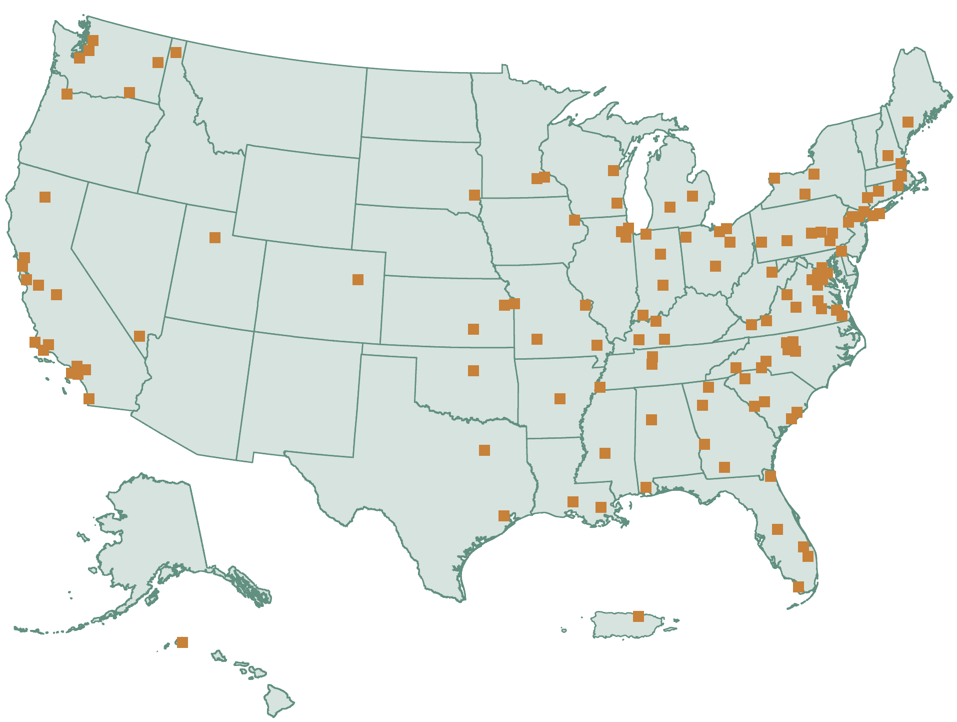
As of January 23, 2009, Treasury had purchased $194.2 billion in preferred shares from 317 different QFIs[95] in 43 states and Puerto Rico.[96] Figure 3.3 shows the geographical distribution of all the QFIs that have received funding. For a full listing of CPP recipients, see Appendix C: "Reporting Requirements."

Although CPP was intended for healthy, viable banks, two CPP recipients (Bank of America and Citigroup) also are participating in the Targeted Investment Program and the Asset Guarantee Program, which focus on financial institutions at risk of losing market confidence.

Six financial institutions accounted for $120 billion, but CPP also made smaller investments: 75 of the 317 recipients received less than $10 million. Table 3.6 and Table 3.7 show the distribution of the investment size. Table 3.8 provides a snapshot of the largest CPP investments.

FIGURE 3.3

TRACKING CAPITAL PURCHASE PROGRAM INVESTMENTS ACROSS THE COUNTRY



Note: Locations are approximate. Updated map on Treasury website not yet available.

Source: Treasury, "Tracking Capital Purchase Programs Across the Country," www.treas.gov, accessed 1/24/2009.

TABLE 3.8

CPP INVESTMENTS OF $10 BILLION OR MORE

Financial Institution	Dollars Invested	% of $250 Billion for CPP	% of $700 Billion for TARP
Bank of America Corporation	$25 billion	10%	4%
Citigroup, Inc.	$25 billion	10%	4%
JP Morgan Chase & Co.	$25 billion	10%	4%
Wells Fargo and Company	$25 billion	10%	4%
The Goldman Sachs Group Inc.	$10 billion	4%	1%
Morgan Stanley	$10 billion	4%	1%
TOTAL	**$120 billion**	**48%**	**17%**

Note: Data as of January 23, 2009. Expenditures only refer to transactions with TARP recipients and do not account for overhead costs. Numbers may be affected by standard rounding. Bank of America investments were made in two separate installments due to the merger with Merrill Lynch.

Source: Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report for Period Ending January 23, 2009," 1/27/2009.

Dividends Received by Treasury

As of January 23, 2009, Treasury had received more than $271 million in dividends from preferred stock investment.[97] Table 3.9 shows a detailed listing of the dividend payments received by date and by institution.

CPP Warrants

Treasury received warrants from 311 different QFIs, and it immediately exercised warrants of preferred shares received from 84 private companies. Treasury is currently holding the warrants of common stock it received from the 227 public corporations.

Six[98] Community Development Financial Institutions ("CDFIs") received CPP funding, but they did not have a warrant provision in their agreements. CDFIs typically provide credit to economically distressed communities, first-time home buyers, and not-for-profit developers. Under section 113(d)(3) of EESA, Treasury has the discretion to exempt certain investments of $100 million or less from the warrant requirement. For CDFIs, Treasury has decided not to require the issuance of warrants for investments of $50 million or less.[99]

TABLE 3.9

CPP DIVIDENDS PAID TO TREASURY

Institution	Amount	Date
JPMorgan Chase	$114,583,333	12/1/2008
State Street	$13,055,556	12/15/2008
SunTrust	$15,069,444	12/15/2008
Bank of New York/Mellon	$21,666,667	12/22/2008
Morgan Stanley	$106,944,444	1/15/2009
TOTAL AMOUNT	**$271,319,444**	

Note: Data as of January 23, 2009.

Source: Treasury: Office of Financial Stability, response to SIGTARP data call, 1/17/2009.

INSTITUTION-SPECIFIC ASSISTANCE

Unlike CPP, the other TARP programs have been driven by the unique situation of the companies that Treasury has supported. These TARP programs have extended assistance to companies to prevent disruption to financial markets:

- **Systemically Significant Failing Institutions ("SSFI") Program:** Under SSFI, Treasury offers capital to institutions on a case-by-case basis "to provide stability and prevent disruption to financial markets in order to limit the impact on the economy and protect American jobs, savings, and retirement security from the failure of a systemically significant institution."[100]
- **Targeted Investment Program ("TIP"):** The stated goal of TIP is to invest funds, on a case-by-case basis, "to strengthen the economy and protect American jobs, savings, and retirement security" where "the loss of confidence in a financial institution could result in significant market disruptions that threaten the financial strength of similarly situated financial institutions."[101]
- **Asset Guarantee Program ("AGP"):** Treasury stated that it, through AGP, will use insurance protections to help stabilize at-risk financial institutions. Treasury insures a select pool of troubled assets and collects premiums in return. This program differs from other programs in that Treasury does not invest TARP funds in the institution directly. Rather, TARP funds are reserved to cover possible losses in the selected assets. Treasury noted that it will apply AGP with "extreme discretion," and the program will not likely be made widely available.[102]
- **Automotive Industry Financing Program ("AIFP"):** The stated objective of AIFP is to prevent a significant disruption of the American automotive industry that could pose a systemic risk to financial market stability and have a negative effect on the economy of the United States.[103] The program requires participating institutions to implement plans that will achieve long-term viability and to adhere to executive compensation standards and other measures designated to protect the taxpayers' interests, including limits on the institution's expenditures and other corporate governance requirements.[104]

Table 3.2 shows the eligibility considerations that Treasury published for each of these programs. This section provides a description of these programs within the context of the individual companies that have been extended TARP support. The remainder of this section discusses how these institution-specific assistance programs are being used to help individual companies and industries.

American International Group Inc.

By mid-September 2008, American International Group Inc. ("AIG") was in crisis, reflected in a share price decline of 78% over a two-week period. The Federal Reserve Bank of New York ("FRBNY") decided that a disorderly failure of AIG could add to already significant levels of financial market fragility and lead to substantially higher borrowing costs, reduced household wealth, and materially weaker economic performances.[105] Action was taken and continued for the months that followed:

- **September 16, 2008:** FRBNY, after consultation with Treasury, authorized an $85 billion secured line of credit to AIG to assist the company in obtaining cash to pay for debts as they became due.[106]
- **October 8, 2008:** FRBNY announced an additional $37.8 billion secured loan to assist the company.[107]

TABLE 3.2

ELIGIBILITY REQUIREMENTS FOR THE FOUR INSTITUTION-SPECIFIC ASSISTANCE PROGRAMS

Eligibility Requirement	SSFI	TIP	AGP	AIFP
The extent to which destabilization of the institution could threaten the viability of creditors and counterparties exposed to the institution, whether directly or indirectly.	X	X	X	X
The extent to which an institution is at risk of a loss of confidence and the degree to which that stress is caused by a distressed or illiquid portfolio of assets.		X	X	
The number and size of financial institutions that are similarly situated or that would be likely to be affected by destabilization of the institution being considered for the program.	X	X	X	X
Whether the institution is sufficiently important to the nation's financial and economic system that a loss of confidence in the firm's financial position could potentially cause major disruptions to credit markets or payments and settlement systems, destabilize asset prices, significantly increase uncertainty, or lead to similar losses of confidence or financial market stability that could materially weaken overall economic performance.	X	X	X	X
The extent to which the institution has access to alternative sources of capital and liquidity, whether from the private sector or from other sources of government funds.	X	X	X	X

Note: For simplicity, the wording relating to TIP eligibility requirements appear in the table above. The eligibility requirements of the other programs (SSFI, AGP, and AIFP) are similar in meaning and can be represented by those from TIP. For the wording of the other programs, please reference the sources below.

Sources:
Treasury, "Guidelines for Systemically Significant Failing Institutions Program," 1/21/2009, www.treas.gov, accessed 1/30/2009.
Treasury, "Targeted Investment Program," 1/21/2009, www.treas.gov, accessed 1/30/2009.
Treasury, "Report to Congress Pursuant to Section 102 of EESA," 12/31/2008.
Treasury, "Guidelines for the Automotive Industry Financing Program," 1/21/2009, www.treas.gov, accessed 1/30/2009.

- **November 10, 2008:** FRBNY and Treasury announced the restructuring of government support to "establish a more durable capital structure, resolve liquidity issues, facilitate AIG's execution of its plan to sell certain of its businesses in an orderly manner, promote market stability, and protect the interests of the U.S. government and taxpayers."[108]
- **November 25, 2008:** As detailed below, through TARP, Treasury purchased $40 billion of newly issued AIG preferred shares, and AIG used the proceeds to reduce the amount that it had borrowed from the Federal Reserve under the initial $85 billion secured line of credit.
- **December 12, 2008:** The $37.8 billion securities borrowing facility was terminated and repaid in full.[109]

TARP Assistance to AIG

As of January 23, 2009, Treasury had committed $40 billion to AIG through the SSFI program. Treasury purchased $40 billion in senior preferred stock with warrants of common stock, and the company used the proceeds of the sale to repay FRBNY.[110]

Economic Terms of the Deal

According to the Securities Purchase Agreement between AIG and Treasury, 4 million shares of preferred stock were issued to Treasury in exchange for $40 billion in TARP funding. AIG will pay 10% dividends on the preferred stock. Payments will be made on a quarterly basis on February 15, May 15, August 15, and November 15 of each year. Table 3.3 shows the detail of the purchase of preferred shares.[111]

TABLE 3.3

SSFI PURCHASE DETAIL — PREFERRED SHARES

Institution	Number of Preferred Shares	Dividend Rate	Term of Agreement	Program
AIG	4,000,000	10%	Perpetual	SSFI

Source: AIG Securities Purchase Agreement, 11/25/2008.

In addition to the preferred shares, Treasury received 53,798,766 warrants at a strike price of $2.50.[111] On January 23, 2009, the stock price was $1.37,[112] making this warrant "out of the money." According to OFS, "the Federal Reserve's credit agreement requires that AIG amend its charter to lower the par value of its stock from $2.50 to $0.000001. Once completed, this will have the effect of lowering the Treasury warrant exercise price to the same level, bringing the warrants 'into the money.'"[113]

The warrants under this deal will last for 10 years and are exercisable immediately, in part or in whole. Table 3.4 shows the detail of the purchase of warrants. For more information on the mechanics of preferred shares and warrants, see Section 2: "TARP Mechanics."

TABLE 3.4

SSFI PURCHASE DETAIL — WARRANTS

Institution	Warrants	Strike Price	Stock Price at 1/23/09	Program
AIG[a]	53,798,766	$2.50 per share	$1.37 per share[b]	SSFI

Sources:
[a] AIG Securities Purchase Agreement, 11/25/2008.
[b] New York Stock Exchange, www.nyse.com, accessed 1/24/2009.

Conditions and Restrictions

The AIG Securities Purchase Agreement imposes various restrictions on AIG with respect to payment of dividends, repurchase of AIG stock, the payment of "golden parachute" severance payments to senior officials, the payment of bonuses, lobbying, and expenses. The agreement also requires certain corporate governance provisions and the formation of a risk management committee under the board of directors.[114]

Dividends and Repurchase Restrictions

AIG is not allowed, unless it receives Treasury approval, to declare or pay any dividend on its common stock other than under the following stipulations:

- dividends payable solely in shares of common stock
- dividends or distributions of rights of Junior Stock (*i.e.*, preferred shares junior in seniority to Treasury's shares issued) in connection with stockholders' rights plans

AIG is also restricted from redeeming, purchasing, or acquiring any shares of its own common stock, unless it receives Treasury approval, other than in connection with certain specified redemptions or purchases, such as employee benefit plans and stockholders' rights plans.[114]

Executive Compensation

AIG must comply with the executive compensation provisions established under EESA and CPP Interim Final Rule [31 C.F.R. Part 30]. Additionally, a separate regulation relevant to SSFI program participants applies "similar standards to those set out in the interim final regulations [31 C.F.R. Part 30], except for a more stringent

Bonus Pool: Pool of funds available for distribution.

Fiscal Year ("FY"): Accounting period covering 12 consecutive months over which a company determines earnings and profits.

Performance-based: Condition affecting the vesting or other factors affecting the fair value of an award that relates to an employee's performance.

Vest: To become exercisable. Typically used in the context of an employee stock ownership or option program.

rule with respect to golden parachute payments."[115] Under the terms of the AIG agreement and relevant regulations, these are the additional executive compensation restrictions with which AIG must comply:

- **Golden parachutes:** AIG has agreed to the restrictions regarding golden parachutes established under EESA and the Capital Purchase Program Interim Final Rule [31 C.F.R. Part 30] where senior partners, defined as employees who participate in the company's "senior partners plan," are prohibited from receiving golden parachute payments beyond three times their base salary amount.[116] In addition, under Notice 2008-PSSFI, AIG may not make any severance payment to AIG's top five Senior Executive Officers ("SEOs"), which are the Principal Executive Officer ("PEO"), Principal Finance Officer ("PFO"), and the next three highest paid executives of AIG.[117]
- **Bonuses:** The Securities Purchase Agreement states that bonus restrictions apply to both SEOs and AIG's senior partners. AIG agreed to place a freeze on the size of the annual bonus pool for this top category of AIG executives (approximately 60 people).[118]

Table 3.5 provides a summary of executive compensation restrictions and lists those who must comply with the restriction.

TABLE 3.5

EXECUTIVE COMPENSATION TERMS FOR AIG

Restriction	Definition	Employees Applicable to	Requirements for Compliance
Golden Parachutes	Any payment in the nature of compensation to (or for the benefit of) the applicable employee[c]	SEOs (the PEO, PFO, and the next 3 highest paid)[a]	Prohibits all severance payments to the aforementioned employee[a]
		Senior Partners (the partners who participate in the senior partners plan)[b]	Prohibits severance beyond 3x the aforementioned employees' base amount[b]
Bonus Compensation[b]	All payments (cash and assets) made in excess of the executive's base salary paid with respect to a fiscal year. This does not include: • benefits available to all employees • supplemental retirement benefits that senior executives and other leaders are already enrolled in as of 12/31/2008 • expatriate programs generally available • incentive compensation that is long-term and performance-based and vesting in FY 2009 and FY 2010 • sign-on awards for any senior executives and leadership starting in FY 2009	SEOs (the PEO, PFO, and the next 3 highest paid) and senior partners (the partners who participate in the senior partners plan)	Bonus compensation for FY 2009, retention payments, and termination payments shall not exceed 3.5 times the sum of the senior executives' base salary and target annual bonus for FY 2008. Bonus pools payable for FY 2008 shall not exceed the average of bonus pools paid in FY 2006, and for FY 2009, they shall not exceed the average paid in FY 2007.

Sources:
[a] Treasury: Notice 2008—PSSFI, 1/16/2009, www.treas.gov, accessed 1/19/2009.
[b] AIG Securities Purchase Agreement, 11/25/2008.
[c] Treasury, "31 CFR Part 30 TARP Capital Purchase Program," www.treas.gov, accessed 1/9/2009.

Lobbying and Expense Requirements

The AIG Securities Purchase Agreement also contains requirements on lobbying and on expenses.

- **Lobbying Restrictions:** AIG is required to maintain and implement its comprehensive written policy on lobbying, governmental ethics, and political activity. Any significant changes to the policy must be approved by Treasury, and any deviations from the policy must be reported to Treasury. The policy, which applies to all AIG employees, must govern the provision of items of value to government officials, lobbying and political activities, and contributions.
- **Expense Restrictions:** AIG is also required to maintain and implement its comprehensive written policy on corporate expenses. Any significant changes to the policy must be approved by Treasury, and any deviations from the policy must be reported to Treasury. The policy, which must apply to all AIG employees, governs the hosting, sponsorship, or other payment for conferences and events; the use of corporate aircraft; travel accommodations and expenditures; consulting arrangements; acquisition of real estate; expenses relating to office renovations or relocation; and expenses relating to entertainment or holiday parties. The policy also must provide for internal reporting, oversight and mechanisms for addressing non-compliance of the policy.[119]

Table 3.6 provides a summary of the expenses and lobbying requirements.

TABLE 3.6

EXPENSE AND LOBBYING REQUIREMENTS FOR AIG

Requirement	Definition	Requirements for Compliance
Lobbying Policy	Company policy governing the provisions of items of value to any U.S. government officials and the lobbying of those officials, as well as any U.S. political activity and contributions	Comply with applicable policy. Apply this policy to all company employees, including those of subsidiaries and affiliated entities. Provide for internal oversight and reporting, as well as mechanisms to address non-compliance with the policy.
Expense Policy	Company policy governing: • hosting and sponsorship for conferences and events • corporate aircraft use • travel accommodations and expenditure • consulting agreements with outside providers • any new lease or acquisition of real estate • office or facility renovations/relocations • entertainment/holiday parties	Comply with policy. Apply this policy to all company employees, including those of subsidiaries and affiliated entities. Provide for internal oversight and reporting as well as mechanisms to address non-compliance with the policy.

Note: Any material amendments made to either of these policies must be approved by Treasury. Any material deviations from such policy must be promptly reported to Treasury.

Source: AIG Securities Purchase Agreement, 11/25/2008.

Citigroup Inc.

Despite having received $25 billion in CPP funds on October 28, 2008,[120] Citigroup suffered significant instability shortly thereafter. On November 23, 2008, a package of transactions with Citigroup was announced that were intended to prevent Citigroup's problems from destabilizing the institution and negatively affecting the financial system at large.[121]

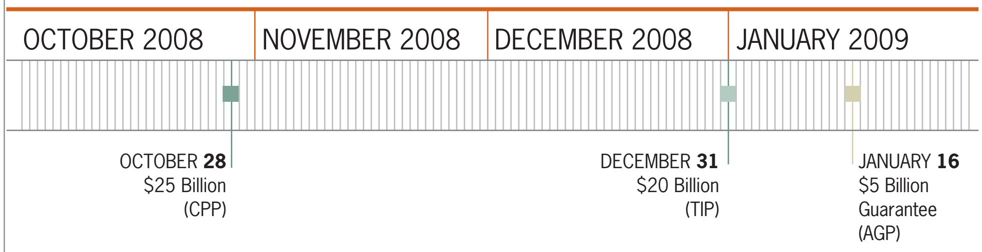
TARP Assistance to Citigroup

As of January 23, 2009, Treasury had committed $45 billion to Citigroup. Treasury will also provide certain loss protections of up to $5 billion on a select pool of Citigroup's troubled assets.[122] For a timeline of this assistance, see Figure 3.10. Treasury has provided this assistance under three TARP programs:

- **Capital Purchase Program ("CPP").** On October 28, 2008, Treasury invested $25 billion in Citigroup through CPP — the maximum amount allowed for investment to any institution.[123] For more information, see Section 3: "Capital Purchase Program."
- **Targeted Investment Program ("TIP").** On November 23, 2008, Treasury announced that it would invest an additional $20 billion from TARP to purchase preferred stock with an 8% annual dividend[124] payable quarterly, as well as warrants of common stock. The deal closed on December 31, 2008. The funding comes with restrictions, among other things, on executive compensation.[125] This investment occurred prior to the formal announcement of the Targeted Investment Program.
- **Asset Guarantee Program ("AGP").** The TARP Asset Guarantee Program, defined in Section 102 of EESA, authorizes the Secretary of Treasury to guarantee troubled assets and collect premiums in return.[126] On January 16, 2009,[127] Treasury, in partnership with FDIC and the Federal Reserve, provided certain

FIGURE 3.10

TIMELINE OF TREASURY'S ASSISTANCE TO CITIGROUP



Note: Numbers affected by rounding.

Source: Treasury, Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009.

TABLE 3.7

TARP FUNDING PROVIDED TO CITIGROUP — CPP & TIP

TARP Program	Cost	Date of Agreement	Description	Investment Specifics	Dividends	Term of Agreement
CPP[a]	$25 billion	10/28/2008	Preferred Equity	$25 billion	5% for first 5 years, 9% after	Perpetual
		10/28/2008	Common Stock Warrants	15% of Preferred Equity, Strike Price = $17.85/share	N/A	10 years
TIP[b]	$20 billion	12/31/2008	Preferred Equity	$20 billion	8%	Perpetual
		12/31/2008	Common Stock Warrants	188,501,414 Strike Price = $10.61/share	N/A	10 years

Sources:
[a] Citigroup Securities Purchase Agreement, 10/28/2008.
[b] Citigroup Securities Purchase Agreement, 12/31/2008.

loss protections with respect to $301 billion in troubled assets held by Citigroup, subject to certain deductibles. In return for the guarantees provided by Treasury and FDIC, the U.S. government collected $7 billion in premiums in the form of preferred stock and warrants; $4 billion of that amount and all of the warrants were received by Treasury. Citigroup must also implement a mortgage modification program.[128]

For a summary of TARP funding provided to Citigroup, see Table 3.7. Terms used in the table are explained in detail in the next section.

Economic Terms of the Citigroup Deals

Each of the three TARP programs specifies terms and conditions with which Citigroup must comply. Citigroup is bound by securities purchase agreements under CPP and TIP, as well as an asset guarantee agreement under AGP. The agreement made under TIP describes the process by which preferred shares are purchased and warrants can be exercised. The agreement under AGP provides the terms and conditions for guarantees and loss protections on a select pool of assets. For the terms and conditions with which Citigroup must comply under CPP, see Section 3: "Capital Purchase Program."

Targeted Investment Program Terms

According to the Securities Purchase Agreement, Citigroup issued to Treasury 20,000 shares of preferred stock in exchange for $20 billion in TARP funding. Citigroup will pay 8% annual dividends on the preferred stock. Payments will be made on a quarterly basis on February 15, May 15, August 15, and November 15 of each year.[129]

Table 3.8 shows the details of this purchase.

TABLE 3.8

TIP PURCHASE DETAIL — PREFERRED SHARES

Institution	Number of Preferred Shares	Dividend Rate	Term of Agreement	Program
Citigroup Inc.	20,000	8%	Perpetual	TIP

Source: Citigroup Securities Purchase Agreement, 12/31/2008.

Under the Securities Purchase Agreement, a warrant to purchase 188,501,414 shares of common stock was issued at a strike price of $10.61 per share. With a stock price of $3.47 on January 23, 2009, this warrant is "out of the money." The term of the warrant is for 10 years and is immediately exercisable in whole or in part.[130] Table 3.9 shows the details of this purchase. For more information on the mechanics of warrants, see Section 2: "TARP Mechanics."

TABLE 3.9

TIP PURCHASE DETAIL — WARRANTS

Institution	Warrants	Strike Price	Stock Price at 1/23/09	Program
Citigroup Inc.[a]	188,501,414	$10.61[b]	$3.47[b]	TIP

Sources:
[a] Citigroup: Securities Purchase Agreement, 12/31/2008.
[b] New York Stock Exchange, www.nyse.com, accessed 1/24/2009.

Asset Guarantee Program Terms

On January 16, 2009, Treasury, FDIC, and the Federal Reserve announced the finalized agreement to provide certain loss protections with respect to $301 billion in troubled assets held by Citigroup.[131] In return for this insurance, Citigroup provided Treasury $4 billion in preferred stock that pays an 8% dividend. Treasury also will have the option to exercise 66,531,728 warrants at a strike price of $10.61. FDIC will receive $3 billion in preferred stock that pays an 8% dividend.[132] Terms associated with the Citigroup premiums are summarized in Table 3.10.

TABLE 3.10

CITIGROUP PREMIUMS FOR AGP PROTECTIONS

Agency	Premium	Dividend	Warrant	Strike Price
Treasury	$ 4.034 billion	8%	66,531,728	$10.61
FDIC	$ 3.025 billion	8%	N/A	N/A
TOTAL	**$ 7.059 BILLION**		**66,531,728**	**$10.61**

Note: Numbers affected by rounding. Premiums paid with issuance of preferred shares
Source: Citigroup Securities Purchase Agreement, 1/15/2009.

According to the terms of the AGP agreement, the guarantee works like an insurance program with a deductible. If there are losses on the assets, Citigroup absorbs the first $39.5 billion[133] before TARP funds apply. Only if the bank's losses exceed this deductible do the U.S. government's protections apply.

If the losses on these assets exceed $39.5 billion, Citigroup will absorb 10% of all additional losses on the pool of assets. So, after the first $39.5 billion in losses, Treasury would absorb 90% of losses until its $5 billion maximum is reached. Next, FDIC would absorb 90% of losses until it reaches its $10 billion maximum. The Federal Reserve agreed to provide Citigroup non-recourse loans backed by these assets with the same 90%/10% loss-sharing provision if the coverage from Treasury and FDIC is exhausted.[134] The actual dollar value of these obligations would depend on the losses incurred as well as the deductibles, loss sharing provisions, and other terms of the agreements. Figure 3.4 depicts how the deductibles and loss-sharing apply to the pool of protected assets.

Deductible: The portion of a claim that is paid by the recipient of the guarantee before any payment is made by the provider of the guarantee. For example, after an automotive accident, a car owner typically pays the deductible for repairs before the insurance company covers the remaining damages.

Non-recourse Loan: A non-recourse loan is a secured loan whereby the borrower is relieved of the obligation to repay the loan upon the surrender of the collateral.

Conditions and Restrictions

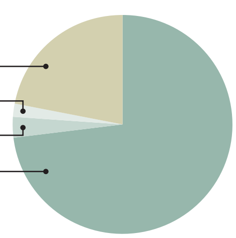
Although similar in many aspects, the conditions and restrictions on Citigroup in its Securities Purchase Agreement differ from those in the AIG agreement, including additional restrictions on executive compensation, internal controls/access to information, and dividends.[135] The Eligible Asset Guarantee agreement also includes a provision for the implementation of a mortgage modification program.[136] The following discussion elaborates on these additional restrictions.

FIGURE 3.4

U.S. GOVERNMENT GUARANTEES AND LOSS PROTECTIONS TO CITIGROUP

$ Billions

	Loss 1	Loss 2	Loss 3	Non-recourse Loan	**Total**
0	$39.5	$45.1	$56.2		$301
Citigroup	$39.5	$0.6	$1.1	$24.5	**$65.7**
Treasury	—	$5.0	—	—	**$5.0**
FDIC	—	—	$10.0	—	**$10.0**
Federal Reserve	—	—	—	$220.4	**$220.4**
	$39.5	**$5.6**	**$11.1**	**$244.8**	**$301.0**



Note: Numbers affected by rounding. According to the Federal Reserve, Citigroup's loss position is "exclusive of reserves."

Sources: Citigroup Master Agreement, 1/15/2009.
Federal Reserve, response to SIGTARP draft report, 1/29/2009.

Senior Leadership Committee: Part of Citigroup's corporate governance structure, the Senior Leadership Committee comprises senior leaders including the CEO and CFO. As of January 23, 2009, there were 50 members of this committee. Citigroup posts the committee members on its website (www.citigroup.com/citi/corporategovernance/slc.htm).

Executive Compensation

Under the Securities Purchase Agreement, Citigroup has agreed to follow the executive compensation restrictions set forth for CPP and EESA Section 111(b). These requirements can be found in the previous section on CPP. Additional restrictions for Citigroup are defined in the Securities Purchase Agreement in the following ways:

- **Golden parachutes:** Citigroup has agreed to restrictions regarding golden parachutes, where senior leadership, defined as employees who are members of the Company's "senior leadership committee," are prohibited from receiving golden parachute payments beyond three times their base amount. In addition, Citigroup has agreed to expand the definition of golden parachutes to prohibit the payment of all severance payments to Citigroup's top five SEOs, which are the Principal Executive Officer ("PEO"), Principal Finance Officer ("PFO"), and the next three highest paid executives of Citigroup.[137]
- **Bonuses:** Bonus restrictions apply to both SEOs and Citigroup's senior leadership members under the agreement. Citigroup must also comply with a 40% reduction, as compared to the 2007 bonus pool, for the members of the senior leadership committee. [138]

Table 3.11 describes the bonus compensation terms applicable to Citigroup. AIG and Citigroup share similar requirements on expenses, lobbying, and repurchase of stock. For details, see Section 3: "AIG."

TABLE 3.11

EXECUTIVE COMPENSATION TERMS FOR CITIGROUP

Restriction	Employees Applicable To	Definition	Requirements for Compliance
Bonus Compensation	SEOs (the five highest paid) and senior leadership (members of the senior leadership committee)	All payments (cash and assets) made in excess of the executives' base salary paid each fiscal year, which do not include: • benefits available to all employees • supplemental retirement benefits that senior executives and leadership are already enrolled in as of 12/31/2008 • expatriate programs generally available • incentive compensation that is long-term and performance-based, vesting in FY 2009 and FY 2010 • sign-on awards for any senior executives and leadership starting in FY 2009	Bonus compensation may not exceed 60% of the prior year's bonus compensation, by position. The Bonus Pool Cap in FY 2009 may be increased by the company if a written submission detailing the basis for the change is approved by Treasury Assistant Secretary for the Office of Financial Stability. • 60% of any Bonus Compensation given in FY 2008 is payable, at Citigroup's discretion, as a deferred stock or cash award • 40% shall be payable subject to performance-based vesting.

Source: Citigroup Securities Purchase Agreement, 12/31/2008.

Internal Controls/Access to Information

Under the Securities Purchase Agreement, Citigroup has agreed to establish appropriate internal controls to ensure that conditions are being met for corporate expenses, executive compensation, and dividend and stock repurchase. Internal controls must also be set up to monitor effectively Citigroup's use of TARP funds.

Citigroup is required to report each quarter on the status and compliance of the above conditions. Each quarterly report must be signed off by a senior executive and certified under criminal penalty that TARP conditions are being met and detailing how TARP funds are being used.[139]

Treasury is also requiring Citigroup submit to examination of corporate books to allow transparent discussion of the company's affairs and finances as well as review of any information provided to their appropriate federal banking agencies. Participants will also be required to permit Treasury, SIGTARP, and the GAO (U.S. Comptroller) to have access to personnel and any records or data relevant to ascertaining compliance with the terms and conditions.[140]

Restrictions on Dividends

Citigroup is not allowed to declare or pay any dividend on its common stock other than the following stipulations:

- regular, quarterly cash dividend of not more than $0.01 per share
- dividends payable solely in shares of common stock
- dividends or distributions of rights of Junior Stock (*i.e.*, preferred shares junior in seniority to Treasury's shares issued) in connection with stockholders' rights plans[141]

Bank of America Corporation

Despite having received $15 billion in CPP funds on October 28, 2008, and an additional $10 billion in CPP on January 9, 2009[142] (post-acquisition of Merrill Lynch), Bank of America faced significant instability by early January 2009. The company's troubled assets threatened to destabilize the institution and negatively affect the financial system at large. On January 16, 2009, the U.S. government announced agreements with Bank of America that included TARP funds.[143]

TARP Assistance to Bank of America

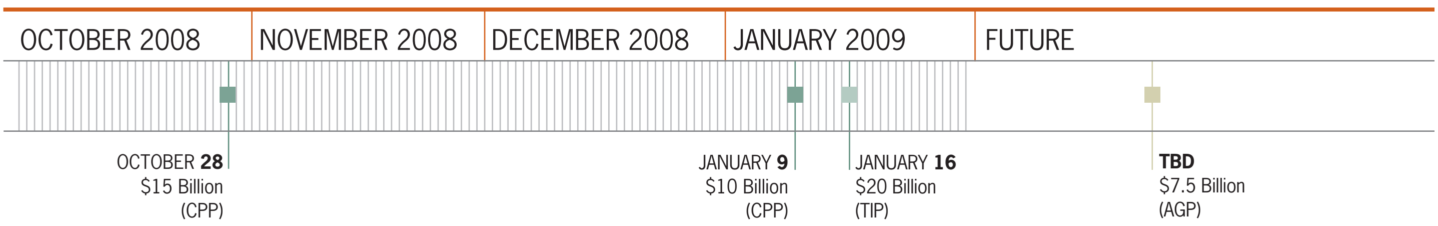
As of January 23, 2009, Treasury had committed $45 billion to Bank of America.[144] Treasury has also announced the intent to provide certain loss protections of up to $7.5 billion on a select pool of Bank of America troubled assets.[145] For a timeline of this assistance, see Figure 3.11.

Treasury has provided (or announced its intent to provide) this assistance under three TARP programs:

- **Capital Purchase Program.** On October 28, 2008, Treasury first invested $15 billion in Bank of America through CPP. At the same time, Merrill Lynch was allocated $10 billion, but because Bank of America announced on September 15, 2008,[146] that it intended to acquire Merrill Lynch, the funds were put on hold until the acquisition took place on January 1, 2009.[147] The funds were released to Bank of America on January 9, 2009.[148] This brought Treasury's CPP investment to $25 billion.[149]
- **Targeted Investment Program.** Seven days following this transaction, on January 16, 2009, Treasury announced that it would invest an additional $20 billion of TARP funds through the Targeted Investment Program. These funds purchased preferred stock with an 8% annual dividend, payable quarterly, as well as warrants of common stock. Like the Citigroup deal, funding came with restrictions on executive compensation, expense policy, lobbying policy, and dividend repurchase restrictions.[150]
- **Asset Guarantee Program.** On January 16, 2009, Treasury, in partnership with FDIC and the Federal Reserve, indicated the U.S. government's intent to provide certain loss protection for approximately $118 billion in troubled assets held by Bank of America subject to deductibles.[151] In return for the guarantees provided by Treasury and FDIC, the U.S. government would collect premiums in the form of $4 billion in preferred shares and warrants of common stock.

FIGURE 3.11

TIMELINE OF TREASURY'S ASSISTANCE TO BANK OF AMERICA



Note: Numbers affected by rounding.

Sources: Treasury, Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009. FDIC, "Explanation of FDIC's Loss Sharing Exposure," 1/16/2009, www.fdic.gov, accessed 1/23/2009.

TABLE 3.12

TARP FUNDING PROVIDED TO BANK OF AMERICA — CPP & TIP

TARP Program	Cost	Date of Agreement	Description	Investment Specifics	Dividends	Term of Agreement
CPP[a]	$15 billion	10/28/2008	Preferred Equity	$15 billion	5% for first 5 years, 9% after	Perpetual
		10/28/2008	Common Stock Warrants	15% of Preferred Equity Strike Price = $30.79	N/A	10 years
CPP[b]	$10 billion	1/9/2009	Preferred Equity	$10 billion	5% for first 5 years, 9% after	Perpetual
		1/9/2009	Common Stock Warrants	15% of Preferred Equity Strike Price = $30.79	N/A	10 years
TIP[c]	$20 billion	1/16/2009	Preferred Equity	$20 billion	8%	Perpetual
		1/16/2009	Common Stock Warrants	150,375,940 Strike Price = $13.30/share	N/A	10 years

Sources:
[a] Bank of America Securities Purchase Agreement, 10/26/2008.
[b] Bank of America Securities Purchase Agreement, 1/9/2009.
[c] Bank of America Securities Purchase Agreement, 1/15/2009.

There would also be a requirement to implement a mortgage modification program.[152] As of January 23, 2009, the AGP transaction has not closed, and the description herein is based solely on the intended terms announced by the parties.

For details of the funding provided to Bank of America, see Table 3.12. Terms used in the table are explained in detail in the next section.

Economic Terms of the Bank of America Deals

Each of the three TARP programs specifies terms and conditions with which Bank of America must comply. Bank of America is bound by securities purchase agreements under CPP and TIP and would be covered under an eligible asset guarantee agreement through the AGP program. The agreement made under TIP describes the process by which preferred shares are purchased and warrants can be exercised. For the terms and conditions with which Bank of America must comply under CPP, see Section 3: "Capital Purchase Program."

Targeted Investment Program Terms

According to the Securities Purchase Agreement, 800,000 shares of preferred stock have been issued to Treasury in exchange for $20 billion in TARP funding. Bank of America will pay 8% dividends on the preferred stock. Payments will be made on a quarterly basis on February 15, May 15, August 15, and November 15 of each year. Table 3.13 shows the details of this purchase.

TABLE 3.13

TIP PURCHASE DETAIL — PREFERRED SHARES

Institution	Number of Preferred Shares	Dividend Rate	Term of Agreement	Program
Bank of America Corporation	800,000	8%	Perpetual	TIP

Source: Bank of America Securities Purchase Agreement, 1/15/2009.

Under the Securities Purchase Agreement, a warrant to purchase 150,375,940 shares of common stock was issued at a strike price of $13.30 per share. On January 23, 2009, the stock price of Bank of America was $6.24,[153] so this warrant is out of the money. The term of the warrant is for 10 years, exercisable immediately, in whole or in part.[154] Table 3.14 shows the details of this purchase.

TABLE 3.14

TIP PURCHASE DETAIL — WARRANTS

Institution	Warrants	Strike Price (per share)	Stock Price at 1/23/09	Program
Bank of America Corporation[a]	150,375,940	$13.30	$6.24[b]	TIP

Sources:
[a] Bank of America Securities Purchase Agreement, 1/15/2009.
[b] New York Stock Exchange, www.nyse.com, accessed 1/24/2009.

Asset Guarantee Program Terms

On January 16, 2009, Treasury, FDIC, and the Federal Reserve announced their intention to provide certain loss protections with respect to $118 billion[155] in troubled assets held by Bank of America. In return for this insurance, Bank of America would provide the U.S. government (Treasury and FDIC) $4 billion in preferred stock paying an 8% dividend. Treasury also would have the option to exercise attached warrants at a strike price not yet determined.[156] Preliminary terms associated with Bank of America protections are summarized in Table 3.15.

TABLE 3.15

ANNOUNCED BANK OF AMERICA PREMIUMS FOR AGP PROTECTIONS

Agency	Premium	Dividend	Warrants
Treasury/FDIC	$4 Billion	8%	Exercise value of 10% of the total amount of shares issued.

Note: Numbers affected by rounding. The details in this table are based on preliminary terms announced by Treasury and FDIC on 1/16/2009. The premium would be paid through the issuance of preferred shares.

Sources: Bank of America Corporation "Summary of Terms Eligible Asset Guarantee," 1/15/2009.

Based on the preliminary terms announced on January 16, 2009, if the losses on these assets exceed $10 billion, Bank of America would absorb 10% of the additional losses of the pool of assets, and the U.S. government would absorb the rest. So, after the first $10 billion in losses, Treasury and FDIC would absorb 90% of losses until their $10 billion maximum is reached. According to the preliminary term sheet, the Federal Reserve would provide Bank of America non-recourse loans backed by these assets with the same 90%/10% loss-sharing provision if the coverage from Treasury and FDIC were to be exhausted.[157] The actual dollar value of these obligations would depend on the losses incurred as well as the deductibles, loss sharing provisions, and other terms of the future agreements. Figure 3.12 depicts how the deductibles and loss-sharing would apply to the pool of protected assets.

Conditions and Restrictions

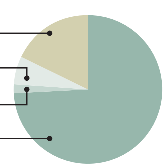
The announced Bank of America agreements contain conditions similar to Citigroup's. They pertain to the purchase of the preferred equity and warrants, as well as the treatment of dividends and repurchase of its own stock, and lay out various restrictions, including those on internal controls and access to information.[158] The announced Eligible Asset Guarantee summary of terms includes a provision for the implementation of a mortgage modification program.[159] For more information, refer to the discussion of Citigroup, presented earlier in this section.

FIGURE 3.12

ANNOUNCED U.S. GOVERNMENT GUARANTEES AND LOSS PROTECTIONS TO BANK OF AMERICA

$ Billions

	Loss 1 ▶	Loss 2 ▶	Non-recourse Loan	**Total**
0	$10.0	$21.1		$118.0
Bank of America	$10.0	$1.1	$9.7	**$20.8**
Treasury	—	$7.5	—	**$7.5**
FDIC	—	$2.5	—	**$2.5**
Federal Reserve	—	—	$87.2	**$87.2**
	$10.0	**$11.1**	**$96.9**	**$118.0**



Note: Numbers affected by rounding. The details in this graphic are based on preliminary terms announced by the Treasury, Federal Reserve and FDIC on 1/16/2009.

Sources: FDIC, "FDIC Press Release," 1/16/2009, www.FDIC.gov, accessed 1/23/2009.
Bank of America AGP Agreement, "Summary of Terms, Eligible Asset Guarantee," 1/15/2009.

General Motors

On December 19, 2008, Treasury established the Automotive Industry Financing Program ("AIFP").[160] The former Treasury Secretary explained,

> [W]e have acted to support General Motors and Chrysler, with the requirement that they move quickly to develop and adopt acceptable plans for long term viability. This step will prevent significant disruption to our economy while putting the companies on a path to the significant restructuring necessary to achieve long-term viability. At the same time, we are including loan provisions to protect the taxpayers to the maximum extent possible.
>
> Treasury will make these loans using authority provided for the Troubled Asset Relief Program. While the purpose of this program and the enabling legislation is to stabilize our financial sector, the authority allows us to take this action. Absent Congressional action, no other authorities existed to stave off a disorderly bankruptcy of one or more auto companies.[161]

Under AIFP, Treasury will provide General Motors Corporation ("GM") with up to $13.4 billion in short-term financing from TARP.[162] The agreement is intended to accomplish the following goals:

- Enable the automaker and its subsidiaries to develop a viable and competitive business that minimizes adverse effects on the environment.
- Enhance the ability and the capacity of the automaker and its subsidiaries to pursue the timely and aggressive production of energy-efficient advanced technology vehicles.
- Preserve and promote jobs for workers employed directly by the automaker and its subsidiaries and in related industries.
- Safeguard the ability of the automaker and its subsidiaries to provide retirement and health care benefits for their retirees and dependents.
- Stimulate manufacturing and sales of automobiles.[163]

On December 29, 2008, GM also received $884 million under a separate loan from TARP to purchase GMAC stock in a rights offering.[164]

Rights Offering: Offering of common stock to current shareholders, allowing them to buy future issues at a discount from the offering price.

TARP Assistance to General Motors

As of January 23, 2009, total TARP funds committed to GM under AIFP was $10.3 billion.[165] On December 31, 2008, Treasury lent $4 billion to GM, and $5.4 billion followed on January 21, 2009. An additional $884 million was loaned in connection with GM's participation in GMAC's rights offering on December 29, 2008. On February 17, 2009, $4 billion more will be provided to GM.[166] The loan expires in 2011, and the interest rate is a variable rate equal to 3% or 8% (if the company is in default of its terms under the agreement) plus LIBOR. The interest rate is reset annually on the interest payment date.[167]

This agreement requires GM to submit by February 17, 2009, a restructuring plan to achieve long-term viability for review by the President's Designee. If the goals of the restructuring plan are not met, the agreement provides for early repayment of the loan. The agreement includes executive compensation restrictions and expense controls designed to protect taxpayer funds.[168]

Treasury also signed an agreement to lend up to $1 billion of TARP funding for GM to participate in a rights offering by GMAC in support of GMAC's reorganization as a bank holding company.[169] The ultimate level of funding was dependent on the level of investor participation in GMAC's rights offering and totals $884 million.[170] The loan is secured by GMAC equity interests owned by GM and new equity interests being acquired by GM in the rights offering. The loan is exchangeable at any time, at Treasury's option, for the GMAC equity interests acquired by GM in the rights offering.[171] Details of GMAC's reorganization as a bank holding company are discussed later in this Section.

LIBOR: London Interbank Offered Rate; a short-term interest rate that banks charge when lending money to other banks, often quoted as a one-, three-, or six-month rate for U.S. dollars.

President's Designee: One or more officers from the Executive Branch designated by the President.

Bank Holding Company: A company that owns and/or controls one or more U.S. banks.

Terms and Conditions of GM Deal

The stated intent of the terms and conditions of financing to the domestic automotive industry is to facilitate restructuring, to prevent disorderly bankruptcies, and to protect the taxpayer by ensuring that only financially viable firms receive assistance.

Loan Collateral

The loan to GM is secured by various collateral, including GM's tangible or intangible property, intellectual property, cash and cash equivalents, and products and proceeds relating to other collateral. Under the GM agreement, a mandatory prepayment clause requires GM to repay part of the loan under certain circumstances, including the sale of Treasury's collateral other than in the ordinary course of business. Amounts that are repaid to Treasury by GM cannot be reborrowed.[172]

Executive Compensation

GM must comply with the executive compensation provisions established under the loan agreement, which limits executive compensation as follows:

- Golden parachutes. GM must comply with the provisions which expanded the definition of golden parachute (beyond CPP terms) to prohibit all severance payments to GM's SEOs,[173] which are defined as the PEO, PFO, and the next three highest paid executives.

- Bonuses. GM's senior employees (who are defined as the as the 25 most highly compensated employees) may not receive bonuses or incentive compensation unless approved by the President's Designee.[174]
- Compensation Plan. GM also cannot adopt a compensation plan that encourages manipulation of earnings to enhance compensation, and all suspensions and restrictions to benefit plans in place at the closing date must remain in place.[175]

GM must also comply with other executive compensation provisions under EESA and CPP. Additional CPP provisions are noted earlier in this Section.

Expense Control

The expense policy requirements for the GM deal are the same as discussed earlier for AIG. GM must sell any private passenger aircraft or interest in such aircraft and cannot acquire or lease any private passenger aircraft for the investment's duration.

Restructuring Plan and Targets

The loan agreement requires GM to submit a restructuring plan to achieve long-term viability, international competitiveness, and energy efficiency by February 17, 2009. The loan agreement provides for acceleration of the loan repayment if certain goals are not met. The restructuring plan must include specific actions intended to result in the following:

- repayment of the loan amount and other financing extended by the government
- the ability of the company and its subsidiaries to comply with applicable federal requirements for fuel efficiency and emissions
- domestic manufacturing of advanced technology vehicles
- the achievement of positive net present value, using reasonable assumptions and taking into account all existing and projected future costs, including repayment of the loan amount and any other financing extended by the government
- rationalization of costs, capitalization, and capacity with respect to the manufacturing workforce, suppliers, and dealerships of the company and its subsidiaries
- a product mix and cost structure that is competitive in the U.S. marketplace

The restructuring plan is to extend through 2014. It must include detailed historical and projected financial statements with supporting schedules and additional information as requested by the President's Designee.[176]

In addition to the restructuring plan, the automakers must use their best efforts to reduce unsecured public debt and compensation and apply work rules comparable to those U.S. employees of Nissan Motor Company, Toyota Motor Corporation, or American Honda Motor Company by December 31, 2009. To accomplish these targets, GM must submit term sheets signed by labor unions and creditors agreeing to restructuring targets to the President's Designee by February 17, 2009.[177]

Reporting Requirements

GM is required to report progress to Treasury regularly. By March 31, 2009, GM must submit a Restructuring Plan Report detailing the progress made toward implementing the plan. The report must also include updates on restructuring targets, identifying any changes to the targets, the rationale for the changes, and explanations as to why the changes do not jeopardize the company's long-term viability.[178]

The President's Designee will review the report and supporting documentation to determine if the company has taken the steps necessary to achieve and sustain long-term viability, international competitiveness, and energy efficiency. The President's Designee will issue a Plan Completion Certification if the standards outlined in the Restructuring Plan have been met. If the Restructuring Plan Report has not been certified within 30 days after March 31, 2009 (the certification deadline), the loan repayment schedule will be accelerated.[179]

In addition to the Restructuring Plan and Restructuring Plan Report, GM must submit periodic reports and certifications to Treasury on its liquidity status and adherence to terms and conditions stipulated in the TARP loan agreement.[180] Table 3.16 outlines the reporting requirements for GM under the loan agreement.

Oversight

For the duration of the loan, GM must allow Treasury and its agents, consultants, contractors, and advisors, as well as SIGTARP and GAO, access to personnel and any books, papers, records, or other data that may be relevant to ensure compliance with the financing terms and conditions.[181] GM must also notify the President's Designee in advance of any transaction of more than $100 million not made in the ordinary course of business. The President's Designee has the right to review and prohibit the transaction if it is inconsistent with or detrimental to the long-term viability of the company.[182]

TABLE 3.16

REPORTING REQUIREMENTS FOR AUTOMAKERS

Report Type	Due Date	Frequency
Restructuring Plan	2/17/2009	Once
Restructuring Plan Report	3/31/2009	Once
Cash Forecast Status Report	12/15/2008	Weekly (13-week rolling forecast)
Liquidity Status Report	After Closing Date	Bi-weekly
Expense Certification Statement	After Closing Date	Monthly
Executive Compensation Certification Statement	After Closing Date	Quarterly
Financial Statements	As Reported	As Reported

Sources: GM Agreement, "Loan And Security Agreement By and Between The Borrower Listed on Appendix A As Borrower and The United States Department of Treasury as Lender Dated as of December 31, 2008"; Chrysler Agreement, "Loan And Security Agreement By and Between The Borrower Listed on Appendix A As Borrower and The United States Department of Treasury as Lender Dated as of December 31, 2008."

Chrysler

On January 2, 2009, Treasury provided a three-year, $4 billion loan to Chrysler Holding LLC ("Chrysler") under AIFP.[183] The terms and conditions of this agreement are the same as the TARP deal to GM discussed in "Terms and Conditions of GM Deal," in this Section. The loan is secured by collateral, such as parts inventory, real estate, and certain equity interests held by Chrysler.[184]

GMAC

TARP funds were also used to assist auto finance companies. GMAC and Chrysler Financial both received assistance under AIFP. According to the Interim Assistant Secretary for Financial Stability:

> Because the finance companies serve as the lifeblood of the automakers, we knew that our program would need to address the short-term needs of the auto finance companies as well.[185]

Senior Preferred Equity: Stock with a senior liquidation preference, in which the owner is entitled to receive its liquidation preference before other series of preferred stock.

The Federal Reserve Board approved an application for GMAC to reorganize as a bank holding company in December 2008. As part of this reorganization, the Federal Reserve Board required GMAC to increase capital by raising $7 billion of new equity. TARP funded $5 billion through a purchase of senior preferred equity,[186] and GMAC conducted a rights offering for the remaining capital requirement. As part of this rights offering, GM and Cerberus (majority shareholder) entered into agreements to purchase new common equity.[187] Treasury loaned GM $884 million through TARP to participate in the GMAC rights offering.[188]

Although GM owned a significant portion of GMAC, Cerberus owned a majority of the GMAC shares. As a condition of the Federal Reserve's approval order, neither GM nor Cerberus may retain a controlling interest in GMAC. Because of this, GM will reduce its ownership interest in GMAC to less than 10%. GM's remaining equity interest in GMAC will be transferred to a trust managed by trustees approved by the Federal Reserve Board and Treasury (completely independent of GM).[189]

GMAC will make changes to its Board of Directors, which will be reconstituted no later than March 24, 2009, comprising seven members: the GMAC CEO, one representative from FIM Holdings LLC (a subsidiary of Cerberus), two directors appointed by a trust to be formed by Treasury, and three independent directors elected by the other directors. In addition, GM and FIM Holdings LLC are each entitled to one non-voting observer on the board.[190]

TARP Assistance to GMAC

On December 29, 2008, Treasury purchased $5 billion of senior preferred equity with an 8% annual dividend from GMAC. Under the agreement, GMAC issued warrants to Treasury to purchase additional preferred equity at a price of $.01 in an amount equal to 5% of the total preferred stock purchase. These warrants were exercised at closing of the investment transaction for additional preferred equity with a 9% annual distribution.[191] As mentioned in GM, Treasury also provided an $884 million loan to General Motors to support GMAC's reorganization as a bank holding company by purchasing common equity from GMAC in a rights offering.[192]

Terms and Conditions of GMAC Deal

Under the stock purchase agreement, GMAC must comply with restrictions on stock repurchase and dividends and executive compensation and expense policy requirements outlined in "Terms and Conditions of GM Deal" in this Section. Under the securities purchase agreement, bonuses paid to senior employees for FY 2008 and FY 2009 may not exceed 59.55% of the amount paid in FY 2007. The senior preferred equity purchased by Treasury may not be redeemed for three years from the date of investment, except with the proceeds from a qualified equity offering.[193] After three years, GMAC can buy the shares back.

All redemptions of the senior preferred equity must be 100% of its issue price, plus any accrued and unpaid distributions. Additionally, GMAC may not pay dividends to other stock of lower or equal status than Treasury-owned stock until all distributions are paid to Treasury.[194]

Chrysler Financial

Treasury will fund a loan of up to $1.5 billion to a special purpose entity created by Chrysler Financial to finance the extension of new consumer auto loans. The five-year loan will pay interest at a rate of one-month LIBOR plus 1% for the first year, and one-month LIBOR plus 1.5% for years two through five. It will be secured by a senior secured interest in a pool of newly originated consumer automotive loans, and full repayment is due January 16, 2014.[195] The special entity created by Chrysler Financial issued additional notes equal to 5% of the loan to Treasury in lieu of warrants.[196]

Special Purpose Entity: An off-balance sheet legal entity, which "holds" the receivables in a pool and issues the securities.

Senior Secured Interest: A senior proprietary right in a debtor's property that secures payment for performance of an obligation.

Terms and Conditions of Chrysler Financial Deal

Chrysler Financial must be in compliance with the executive compensation and expense control requirements discussed in "Terms and Conditions of GM Deal" in this Section. Under the purchase agreement between Chrysler Financial and the special purpose entity created under the loan agreement, the bonus payments to senior employees for FY 2009 must not exceed 60% of the FY 2007 amount.

TARP money will be used to fund retail auto loans made by Chrysler Financial on or after January 1, 2009. Two bank accounts will be established: a funding account and a collection account. TARP proceeds will be deposited into the funding account. Chrysler Financial may withdraw funds from this account to extend auto loans that meet certain geographic, credit quality, and other standard overconcentration limits for retail auto loans.[198]

Interest, principal, and other proceeds from repayment of the auto loans must be deposited into the collection account. In the case of default, Treasury will take control of both the funding and collection accounts. If Chrysler sells the auto loans, Chrysler Financial must repay the TARP loan in full.[199]

Status of Institution-specific Assistance

As of January 23, 2009, Treasury had committed $105.8 billion[200] to seven institutions. A total of $80 billion was allocated to SSFI (AIG) and TIP (Citigroup and Bank of America), and $5 billion had been allocated to AGP (Citigroup).[201] An additional $7.5 billion has been announced but not yet finalized under AGP (Bank of America).

Treasury has also allocated $20.8 billion of TARP to fund AIFP, and an additional $4 billion will be made available in February 2009 if certain conditions are met.[202]

Table 3.17 provides the status of TARP institution-specific assistance by program and company. For more information on the mechanics of these investments, see Section 2: "TARP Mechanics" in this Report.

TABLE 3.17

INSTITUTION-SPECIFIC ASSISTANCE PARTICIPANTS, $ IN BILLIONS

Institution	Dollars Committed	% of Relevant Program	% of $700 Billion for TARP
SSFI			
American International Group, Inc.	$40.0	100%	6%
TIP			
Bank of America Corporation	20.0	50%	3%
Citigroup Inc.	20.0	50%	3%
TIP Total	**40.0**		**6%**
AGP			
Citigroup Inc.	5.0	100%	<1%
AIFP			
GM	10.3	58%	1.5%
Chrysler	4.0	16%	<1%
GMAC	5.0	20%	<1%
Chrysler Financial	1.5	6%	<1%
AIFP Total	**20.8**		**3%**
TOTAL	**$105.8**[1]		**15%**

Note: Numbers affected by rounding.

Sources: Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009. Bank of America Corporation AGP Agreement, "Summary of Terms Eligible Asset Guarantee, 1/15/2009."

[1] This total does not include $7.5 billion to Bank of America under AGP that was announced but not finalized as of January 23, 2009, and $4 billion to GM due February 17, 2009.

TERM ASSET-BACKED SECURITIES LOAN FACILITY

Projected for implementation in February 2009, the Federal Reserve's Term Asset-backed Securities Loan Facility ("TALF") has been announced as a $200 billion[203] loan program intended to increase the availability of loans to consumers and small businesses. The program is meant to improve overall market conditions for asset-backed securities ("ABS"), which are going to be used as collateral for these loans.

Asset-backed Security ("ABS"): A tradable security backed by a pool of loans, leases, or any other cash-flow producing assets.

Subordinated Debt: Funding that has a lesser priority than other debt issued.

TALF Program Details

The TALF program comprises two main components:

- **lending program** — makes loans to institutions with eligible collateral
- **asset disposition facility** — a mechanism used by the Federal Reserve Bank of New York (FRBNY) to absorb and manage assets that it acquires when borrowers default on their loans or abandon the collateral

FRBNY will manage the lending program, and TARP will purchase subordinated debt to fund the asset disposition facility.[204]

Lending Program

TALF's lending program will grant up to $200 billion in secured loans to qualifying institutions.[205] All U.S. companies with eligible collateral can borrow from TALF. Eligible collateral must meet these conditions:[206]

- The collateral is ABS, which are securities backed by a pool of loans.
- The ABS must have a current and long-term credit rating of the highest investment-grade rating category (*e.g.*, AAA) by two or more major nationally recognized statistical rating organizations. In addition, the ABS cannot have a long-term credit rating less than the highest rating by any nationally recognized statistical rating organization.
- Substantially all of loans in the ABS must have originated in the United States.
- The loans in the ABS initially must be auto, student, and credit card loans, or small business loans guaranteed by the U.S. Small Business Administration (SBA).
- The ABS must be issued on or after January 1, 2009.
- The origination of the auto loans must be on or after October 1, 2007; origination of SBA loans must be on or after January 1, 2008; origination of the student loans must be on or after May 1, 2007. ABS backed by credit card loans must be issued to refinance maturing credit card ABS.[207]

According to the Federal Reserve, not all collateral will necessarily be accepted. The Federal Reserve "will develop and implement procedures to identify for further

Collateralized: Securing a loan with assets (in this case, ABS).

Non-recourse: The debtor's obligation to repay is limited to the collateral securing the debt.

scrutiny of potentially high-risk ABS and reserves the right to reject such ABS as collateral for a TALF loan."[208]

TALF loans are to be three-year term, collateralized, and non-recourse, which means that the most a borrower could lose in the event of default is the collateral and any payments already made on the loan. Interest payments are due monthly. Interest rates may be fixed or floating, as determined by the borrower. FRBNY will make all TALF loans and service all current loans.[209]

Asset Disposition Facility

Should FRBNY take ownership of the collateral (in the event that the borrower defaults on its loan payment), it will create a special purpose vehicle ("SPV") to "purchase, hold, and ultimately liquidate ABS that was posted as collateral under the loan facility but later foreclosed upon by FRBNY."[210] The SPV will purchase these assets at a "price equal to the TALF loan amount plus accrued but unpaid interest."[211] When the SPV buys the surrendered collateral, the SPV will own and manage it.[212]

Treasury Participation in TALF

When the SPV is created by FRBNY, Treasury will purchase with TARP funds $20 billion in subordinated debt issued by the SPV. The SPV, in turn, will use the $20 billion to purchase the surrendered collateral (ABS) from FRBNY.

As of January 23, 2009, Treasury allocated $20 billion for TALF; however, these funds have not yet been disbursed to the SPV. If the program is implemented (and Treasury disburses $20 billion to the SPV), Treasury could be liable for losses equal to $20 billion. Any residual returns (*e.g.*, proceeds from the sale of the assets or income earned on the assets) from the SPV would be shared by FRBNY and Treasury.[213] If SPV purchases of surrendered assets exceed $20 billion, then FRBNY may make a senior loan to the SPV.

TALF Process

Haircut: Difference in the value of the collateral and the value of the loan (the loan value is less than the collateral value). The size of the haircut for TALF has not yet been announced.

A private investor who has $10 million of AAA-rated ABS as collateral seeks a loan. The investor posts the collateral to the lender (FRBNY). In return, the lender (FRBNY) grants a loan secured by the collateral. The total loan amount available to the investor is a percentage less than the full market value of the collateral; this amount is called a "haircut." If there is a 20% haircut, the investor would receive an $8 million loan against the $10 million ABS posted as collateral. As long as the investor makes regular interest and principal payments throughout the life of the loan, the lender (FRBNY) returns the collateral once the loan is repaid.

If the private investor decides not to repay the loan, it would surrender the collateral to FRBNY. Since this is a non-recourse loan, there is no further action against the private investor, who can keep the total amount that he had borrowed. The lender (FRBNY) will then sell the collateral to the SPV, which is funded by TARP. When the SPV buys the collateral from the lender, it pays the full loan amount plus any unpaid interest. For example, if the private investor did not pay $60,000 of interest, then the SPV will use TARP funds (until the $20 billion is exhausted) to pay $8,060,000 ($8 million principal plus $60,000 in unpaid interest) to purchase the collateral from FRBNY. Once it purchases the ABS from the lender, the SPV manages the ABS. All profits and losses are held by the SPV.

For example, a private investor may choose to surrender its collateral to FRBNY if the value of the collateral (ABS) falls below the value of the loan. Using the above example, if the $10 million in collateral (ABS) the private investor assigned for the $8 million loan is only worth $5 million in the market a year later, then the private investor may choose to walk away from the loan and surrender the collateral. Since the loan is non-recourse, the private investor would no longer be liable for the loan. When the collateral is sold to the SPV at $8 million, the SPV would suffer a $3 million loss if it immediately sold the ABS on the open market ($8 million loan value minus $5 million market value).[214] Of course, the SPV would not be required to immediately sell the ABS, but could hold the collateral until either (1) the market price increased or (2) the ABS matured. See Section 4 of this Report for the Special Inspector General's initial TALF comments and recommendations.

TARP OPERATIONS AND ADMINISTRATION

Under EESA, Congress has authorized the Treasury Secretary to take such actions as necessary to build the operational and administrative infrastructure to support TARP activities. This includes the authority to establish program vehicles, issue regulations, directly hire or appoint employees, enter into contracts, and designate financial institutions as financial agents of the federal government.[215]

Office of Financial Stability

EESA authorizes that responsibility for administration of TARP activities be granted to OFS, which was established specifically for this purpose within Treasury's Office of Domestic Finance.[216] As reported previously by GAO, Treasury has established an overall organizational structure for OFS and has recruited several interim leaders for key positions within the organization. These leaders are charged with setting up their offices, hiring permanent staff, enabling programs to become operational, and helping identify permanent successors to their positions.[217]

In addition to using permanent staff, OFS plans to rely on contractors and financial agents in legal, investment consulting, accounting, and other key service areas. Under authority of the act, Treasury has used expedited solicitation procedures and structured selected agreements and contracts to allow for flexibility in obtaining these required services. Most of the contracts awarded thus far have been priced on a time-and-materials basis, which provides for payments based on a set hourly rate plus the cost of any materials.

Conflicts of Interest

Within the framework of TARP procurement and contracting, actual or potential conflicts of interest ("COI") can exist at the organizational level or pertain to an individual employee. EESA provides the Treasury Secretary the authority to issue regulations or guidelines necessary to address and manage or to prohibit COI that can arise in connection with the administration and execution of TARP.[218]

TARP-related COI may present themselves in a variety of situations, such as when retained entities perform similar work for Treasury and other clients. In these situations, contracted entities may find that their duty to certain clients may impair their objectivity when advising Treasury or may affect their judgment about the proper use of nonpublic information. Conflicts may also arise from the personal interests of individuals employed by retained entities. Accordingly, interim guidelines to address potential COI have been issued.[219] Public comments concerning these interim rules are due to Treasury on March 23, 2009.[220]

These interim COI rules[221] require interested contractors to provide sufficient information to evaluate the potential for organizational COI and plans to mitigate them. The mitigation plan then becomes a binding term of the contract arrangement. On potential personal COI, the provisions require that managers and employees of a hired entity disclose any financial holdings or personal and familial relationships that could impair their objectivity.

Financial agents and contractors have identified potential COI, and these parties have proposed solutions to mitigate the identified conflicts. In response to recommendations made to Treasury by the Comptroller General,[222] Treasury has reportedly taken steps to formalize its oversight and monitoring of potential COI.[223]

Post-employment Restrictions on Employees

EESA provides the Treasury Secretary the authority to issue regulations or guidelines necessary to address, manage, or prohibit COI in connection with the administration and execution of TARP. One aspect of potential COI mentioned in the act covers post-employment restrictions on employees. TARP employees and detailees are subject to the same post-employment restrictions as all federal government employees. Confidentiality restrictions apply to the employees of Treasury's contractors, but Treasury has not sought to impose post-employment restrictions on contractor employees who provide services to TARP.

Internal Controls and Compliance

EESA authorizes that Treasury establish and maintain an effective system of internal controls consistent with the standards prescribed under Section 3512(c) of Title 31, U.S. Code. OFS is implementing a framework for internal controls that is designed to accomplish three objectives:[224]

- Ensure compliance with EESA and all applicable laws and regulations.
- Prevent and detect fraud, waste, and abuse.
- Ensure the reliability of financial reporting to oversight bodies.

Treasury awarded contracts to two firms, PricewaterhouseCoopers, LLP ("PwC"), on October 16, 2008, and Ernst & Young, LLP, on October 18, 2008, to assist with accounting and internal controls services associated with administering the portfolio of assets purchased by Treasury.

Treasury has hired PwC to provide advice regarding internal controls for TARP programs. Internal controls are the checks throughout the system, such as signatures and reconciliations, which help ensure the proper level of oversight of TARP operations. PwC reported that TARP has implemented several internal control

TABLE 3.14

EXAMPLES OF INTERNAL CONTROLS AS REPORTED BY PWC

Process Stage	Relevant Program	Reported Internal Control Example
Pre-Approval	CPP	• Validation of Total Risk-Weighted Assets calculation • Documentation of Investment Committee meeting minutes to evidence QFI approval • Validation of warrant price calculation • Validation and authorization of pipeline report with authorized signatures
Approval	CPP	• Review of letter agreement for completeness and accuracy • Authorization signatures on pipeline report, which is the report that shows potential recipient and funding details for pending CPP closings • Reconciliation of letter agreement with pipeline report • Authorization and Countersignature of the Letter Agreement
Pre-Funding	CPP	• Authorization Request Letter for funding QFIs • Proper Instructions to Bank of New York/Mellon regarding QFIs to be funded • Validation of wire instructions with QFIs • Verification of funding availability for transaction
Pre-Closing	CPP	• Reconciliation of the closing schedule to the pipeline report
Funding	All TARP Programs	• Investment Committee minutes reconciled with approval letter • Authorized signatures on the letter requesting funding • Call to financial institution to confirm wire instructions • Reconciliation of funds sent to and received by Bank of New York/Mellon • Review of the evidence of wire funding transferred and received by QFI
Closing	All TARP Programs	• Reconciliation spreadsheet that compares figures reported on several documents (*e.g.*, pipeline report, letter agreement, securities) • Reconciliation of closing schedule to pipeline report • Legal agents' checklist completed at closing • Signatures required on pipeline reports before closing • Stock certificates scanned on site and reviewed in real time, remotely, to ensure accuracy and matching with the agreement
Settlement	All TARP Programs	• Confirmation of receipt of preferred shares prior to wire transaction of Treasury funds to QFI
Reporting	All TARP Programs	• Reconciliation of Investment Committee minutes to transaction reports
Record Retention	CPP	• Imaging, inventorying, and safekeeping of closing documentation

Source: PwC, interview with SIGTARP/PwC, 1/16/2009.

mechanisms aimed at safeguarding taxpayer dollars. Table 3.14 provides some examples of internal controls in place for TARP, as reported by PwC.

PwC reported that TARP's internal controls have evolved since inception. PwC noted that the foundation of the internal control process for TARP was Treasury's in-house operational controls and that these controls were customized to meet the specific control requirements of TARP transactions.[225]

The approach adopted by OFS in the development of internal controls reportedly incorporates both a short-term and long-term vision. The short-term vision focuses on first putting controls in place for the highest financial risk activities. To this end, OFS has attempted to develop core internal controls for its current TARP programs: CPP, SSFI, TIP, AGP, and AIFP. Additionally, OFS is relying on existing Treasury operations and controls for many of the support functions (e.g., budget, human resources, and procurement), but has also made progress developing controls for OFS-specific functions.[226]

Treasury has indicated that OFS and its vendors are working to implement a comprehensive system of internal controls and that in the absence of strong controls, program objectives may not be fully achieved and the interests of the government and taxpayers may not be adequately protected.[227]

According to the Treasury, OFS-Compliance continues to develop and implement a compliance program for TARP. Treasury reports that it is in the early stages of developing a program to oversee and enforce all aspects of compliance, and that it continues to focus on recruiting candidates to fill positions within the compliance program.[228]

TARP Administrative and Program Expenses

In addition to any net gain or loss on the purchase of TARP assets, Treasury will incur significant administrative and program expenses associated with TARP operations. The Congressional Budget Office ("CBO") anticipates that — in addition to professional services, such as accounting, legal, and internal controls consulting — these costs will depend largely on the types of assets purchased or insured. On the basis of the costs incurred by private investment firms that acquire, manage, and sell similar assets, CBO expects that, if Treasury maintains possession of all or most of the purchased assets, the administrative costs of operating the program could amount to more than $1 billion per year.[229]

On January 19, 2009, Treasury stated that it has incurred $3.88 million in TARP-related administrative expenditures through December 31, 2008, and that these administrative expenditures are expected to total $6.53 million through January 31, 2009.[230] Table 3.15 summarizes actual administrative TARP expenditures and

TABLE 3.15

TARP ADMINISTRATIVE EXPENDITURES

	For Period Ending 12/31/2008		For Period Ending 1/31/2009	
Budget Object Class Title	Obligations	Expenditures	Projected Obligations	Projected Expenditures
PERSONNEL SERVICES				
Personnel Compensation & Services	$713,928	$713,928	$1,193,000	$1,193,000
Total Personnel Services	**$713,928**	**$713,928**	**$1,193,000**	**$1,193,000**
NON-PERSONNEL SERVICES				
Travel & Transportation of Persons	$12,993	$6,725	$17,000	$12,000
Transportation of Things				
Rents, Communications, Utilities & Misc. Charges	$87,642	$87,642	$738,000	$153,000
Printing & Reproduction	$7,227	$7,227	$8,000	$8,000
Other Services	$4,730,497	$3,040,209	$24,417,000	$4,980,000
Supplies & Materials	$4,964	$4,784	$130,000	$130,000
Equipment	$20,844	$20,844	$50,000	$50,000
Total Non-Personnel Services	**$4,864,167**	**$3,167,431**	**$25,360,000**	**$5,333,000**
GRAND TOTAL	**$5,578,095**	**$3,881,359**	**$26,553,000**	**$6,526,000**

Source: Treasury, response to SIGTARP data call, 1/19/2009.

obligations as of December 31, 2008, as well as projected administrative expenses and obligations for the period ending January 31, 2009.

Of these administrative expenditures, the majority is allocated to direct Personnel Services and non-personnel Other Services, which comprise primarily accounting services and other administrative contracts. Treasury indicated direct personnel expenditures of $714,000 as of December 31, 2008, and projected $1.19 million for the period ending January 31, 2009. Other Services expenditures totaled $3.04 million as of December 31, 2008, and $4.98 million for this line item is projected for the period ending January 31, 2009. According to Treasury, of the $6.53 million in projected administrative expenses for the period ending January 31, 2009, $2.14 million has been expended as of January 23, 2009. Table 3.16 indicates the allocation of administrative obligations for non-personnel Other Services for the period ending December 31, 2008.

In addition to administrative expenses, Treasury has released details of programmatic expenditures. These expenditures include costs to hire financial agents and legal firms associated with TARP operations. Table 3.17 lists these programmatic costs, as of December 31, 2008.

TABLE 3.16

TARP ADMINISTRATIVE (NON-SALARY) OBLIGATIONS FOR THE PERIOD ENDING 12/31/2008

Vendor Name	Obligations
Alcohol and Tobacco Tax and Trade Bureau	$1,240,625
BAE Systems Information Technology	372,558
Bureau of Public Debt	44,136
Congressional Oversight Panel	100,000
Cushman and Wakefield of VA, Inc.	8,750
Ernst & Young LLP	492,007
Federal Tech Service National IT Program	9,000
General Accountability Office	735,000
Linholm & Associates, Inc.	174,720
Office of Chief Information Officer	138,624
Office of Personnel Management	80,000
PricewaterhouseCoopers LLP	1,206,497
Working Capital Fund	128,580
GRAND TOTAL	**$4,730,497**

Source: Treasury, response to SIGTARP data call, 1/19/2009.

TABLE 3.17

TARP PROGRAMMATIC EXPENDITURES FOR THE PERIOD ENDING DECEMBER 31, 2008

Vendor Name	Expenditures
EnnisKnupp	$675,000
Simpson, Thacher & Bartlett	825,000
Squire Sanders & Dempsey	786,147
Hughes Hubbard & Reed	530,000
Sonnenschein Nath & Rosenthal*	475,000
Bank of New York/Mellon	4,116,515
Pension Benefit Guarantee Corp	350,000
GRAND TOTAL	**$7,757,662**

* Formerly Thacher, Proffitt & Wood, LLP.

Source: Treasury, response to SIGTARP data call, 1/19/2009.

Current Contractors and Financial Agents

As of January 23, 2009, Treasury has retained 1 financial agent and 14 outside contractors to acquire a range of services to assist in administering TARP. As permitted in EESA, Treasury has used streamlined solicitation procedures and has structured several agreements and contracts to allow for flexibility in obtaining the required services expeditiously.

Treasury has used two approaches to acquire the necessary services to support TARP. First, Treasury exercised its authority under EESA to retain BNYM as a financial agent to provide custodial, accounting, and other services needed to administer TARP. Second, Treasury has entered into contracts and blanket purchase agreements under Federal Acquisition Regulation ("FAR") for legal, investment consulting, accounting, and other services. Although the financial agency agreement and certain contracts were awarded primarily to assist with the purchase of troubled assets, Treasury officials explained that they were redirecting requirements within the scope of the contracts to support TARP's shift to CPP and made similar modifications to the financial agency agreement. Table 3.18 lists outside vendors, including contract scope summaries, contract term, contract value, and associated expenditures, as of December 31, 2008.

In some cases, Treasury used streamlined contracting processes to expedite the award process, as allowed by EESA. Two of the contract awards, one for legal services and the other for investment consulting services, were obtained using existing statutory authority as the basis to award contracts using other than full and open competition procedures.

As required by EESA, SIGTARP must report the biographical information for each person or entity hired to manage the troubled assets associated with TARP. As of January 23, 2009, the asset manager positions are not yet filled, and Treasury is in the process of soliciting competitive bids for its selection of asset managers for its troubled asset investments.

TABLE 3.18

TARP CONTRACTS AND AGREEMENTS AWARDED AS OF JANUARY 20, 2009

Vendor Name	Contract Scope Summary	Contract Term	Contract Value	Expenditures as of 12/31/2008
Simpson, Thacher & Bartlett, LLP[1]	Provide legal advice on Treasury's equity purchases in banks.	10/10/2008 – 4/9/2009	$1,025,000	$825,000
EnnisKnupp & Associates, Inc.[1]	Assist Treasury in developing and maintaining investment policies and guidelines, as well as assisting with the oversight of the portfolio's multiple asset managers.	10/11/2008 – 10/11/2009	$2,495,190	$675,000
Bank of New York/ Mellon[2]	Assist with custodial, accounting, auction management, and other infrastructure services needed to administer the complex portfolio of troubled assets that Treasury may purchase.	10/14/2008 – 10/14/2011	$20,000,000	$4,116,515
Pricewaterhouse Coopers, LLP[1,3]	Assist with design and implementation of internal controls needed to administer TARP.	10/16/2008 – 9/30/2011	$1,563,987	$0
Ernst & Young, LLP[1,3]	Provide general accounting support and expert accounting advice and assist Treasury with accounting services needed to administer TARP.	10/18/2008 – 9/30/2011	$1,968,012	$0
GSA – Turner Consulting[1]	Provide archiving services.	10/23/2008 – 11/7/2008	$9,000	$7,446
Regus[1]	This contract relates to property leases.	10/27/2008 – 10/26/2009	$168,308 (negotiated settlement agreement)	$0
Hughes Hubbard & Reed, LLP[1]	Assist Treasury with executing TARP-related transactions, reviewing executed investment agreements, resolving pre-closing legal issues, and conducting the closing of transactions.	10/29/2008 – 4/28/2009	$5,645,162	$530,000
Squire Sanders & Dempsey[1]	Assist Treasury with executing TARP-related transactions. Review executed investment agreements, assist with identifying and resolving legal issues before or during closing of transactions.	10/29/2008 – 04/28/2009	$5,520,000	$786,147
Lindholm & Associates[1,3]	Provide human resources support for TARP initiative.	10/31/2008 – 9/30/2010	$710,528	$0
Sonnenschein Nath & Rosenthal[1] (Formerly Thacher, Proffitt & Wood, LLP)	Includes two contracts. Services include the negotiation and drafting of relevant documents, such as investment agreements, debt agreements, security agreements or other documentation necessary to implement Treasury investments in entities under TARP.	11/7/2008 – 2/28/2009 12/10/2008 – 6/9/2009	$1,467,326 1,300-hour Ceiling	$475,000
Washington Post[1]	Listing of vacancy announcements.	12/7/2008 – 1/7/2009	$395	$395
Eleven Eighteen LLP c/o Cushman Wakefield[1,3]	This contract is associated with GSA leases related to TARP.	12/30/2008 9/30/2010	$4,076,314	$0
Colonial Parking[1]	This contract is for leasing of parking spaces.	1/2/2009 – 9/30/2009	$75,850	$0

[1] Contract structure: Time and materials or firm-fixed-price task orders. The actual expenditure may vary because this is a time-and-materials contract.
[2] Contract Structure: Percentage of value of assets managed.
[3] Treasury, OFS, response to SIGTARP data call, 2/3/2009.

Sources: Treasury, response to SIGTARP data call, 1/17/2009; GAO-09-161, "Troubled Asset Relief Program: Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency," 12/2008; GAO-09-296, "Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues," 1/30/2009.

SECTION 4

LOOKING FORWARD: SIGTARP'S STRATEGY AND ONGOING RECOMMENDATIONS TO TREASURY

This section discusses the Special Inspector General for the Troubled Asset Relief Program's ("SIGTARP's") strategy and focus over the next quarter and beyond, beginning with the Audit Division's strategy, then the Investigations Division's strategy, and then concluding with SIGTARP's current recommendations.

AUDIT DIVISION STRATEGY

SIGTARP has tapped Barry Holman as its Deputy Special Inspector General for Audit. Operating now with a few auditors detailed from other agencies, the Audit Division has already begun to map out its strategic focus, identifying an initial set of audits and coordinating work with other audit agencies engaged in oversight of the Troubled Asset Relief Program ("TARP").

Strategic Focus

SIGTARP's Audit Division will conduct primarily performance audits involving TARP, using generally accepted government auditing standards. To fulfill SIGTARP's mandate to promote the economy, efficiency, and effectiveness of TARP programs, operations, and progress toward desired results, the Audit Division has preliminarily identified several aspects of TARP — some internal to Treasury and some external — that will be the general focus of its work. SIGTARP's audits will be designed to accomplish these objectives:

- Ensure transparency in TARP programs to the fullest reasonable extent so as to foster accountability in use of funds and program results.
- Examine whether Treasury managers have developed sufficient internal controls and procedures to manage TARP programs and the vendors hired to assist in such management.
- Ensure a fair, equitable, and consistent application and review process for individuals and entities seeking relief under the various TARP programs.
- Test compliance with the policies, procedures, regulations, terms, and conditions that are imposed on TARP participants.
- Coordinate actively with other relevant audit and oversight entities to maximize audit coverage while minimizing overlap and duplication of efforts.

Tactical Implementation

In its early efforts to implement these principles, the Audit Division has identified several areas that require audit attention and has begun projects to address them. These areas include use of TARP funds, executive compensation restrictions, the Capital Purchase Program ("CPP") application process, a premature funding incident, and audit coordination.

Use of TARP Funds

As noted above, in the interests of transparency and of establishing a baseline to test whether the various TARP programs are accomplishing program goals over time, SIGTARP is launching a significant initiative to determine how recipients have used TARP funds. In essence, CPP — representing an expected $250 billion of taxpayer investment — is based on Treasury's theory that investing money in healthy banks will, over time, among other things, allow banks to better meet the credit needs of their customers. Although there may be ways to model whether this theory is sound through macroeconomic metrics, it can also be measured by examining what the banks actually did with the funds. Accordingly, the Audit Division intends[231] to transmit a request to every recipient of TARP funds, seeking:

- a narrative response outlining the use or expected use of TARP funds
- copies of pertinent supporting documentation (financial or otherwise) to support such response
- a certification by a duly authorized senior executive officer of each company as to the accuracy of all statements, representations, and supporting information provided

The Audit Division anticipates that additional audit projects will be developed to test the effectiveness of TARP programs once this baseline information is received.

Executive Compensation

The Emergency Economic Stabilization Act of 2008 ("EESA") contains a specific provision limiting executive compensation at entities that receive TARP funds, and TARP agreements have executive compensation conditions that go beyond what is mandated in the statute. SIGTARP has identified enforcement of executive compensation conditions as one of its primary areas of focus, and the Audit Division has begun preliminary data collection efforts both from Treasury and from the recipients of TARP funds. From this baseline data, the Audit Division anticipates that it will be in a position to assess the control systems currently in place and to launch additional audits as appropriate.

CPP Application Process

As described above, the application process for CPP includes evaluation by Treasury officials who manage TARP as well as evaluation by the four primary federal bank regulators — the Federal Deposit Insurance Corporation ("FDIC"), Federal Reserve, Office of the Comptroller of the Currency, and Office of Thrift Supervision. The Inspector General for FDIC ("FDIC-IG") has undertaken an evaluation of applications processed by FDIC. Based on FDIC's model, the Inspector General for the Federal Reserve System has undertaken an evaluation of its applications. The Inspector General of Treasury has also initiated a case study of the CPP application and funding of City National Bank of Beverly Hills, California. The Government Accountability Office ("GAO") has also indicated that it is developing a methodology to sample CPP applications to determine, among other things, if the regulators and Treasury are applying established criteria for reviewing applications. SIGTARP intends to review and supplement these efforts with specific case studies and a general audit reviewing outside influences on the CPP application process. The Audit Division anticipates that these coordinated initial evaluations later will be the basis for additional audit work tied to the broader CPP application flow.

Premature Funding Incident

Treasury has disclosed to SIGTARP that the TARP securities custodian, Bank of New York/Mellon, reportedly made an error in the initial funding of the General Motors Acceptance Corporation LLC ("GMAC") transaction, releasing TARP funds after closing documents had been signed but before receiving an official notice from Treasury to release the funds. Although Treasury indicates that this error was immediately identified by the custodian to Treasury and did not cause any loss of TARP funds, Office of Financial Stability-Compliance ("OFS-Compliance") has undertaken a review of the incident and is preparing a report on what occurred and what steps have been taken to avoid a recurrence. SIGTARP has received a preliminary briefing and will examine the report once it is completed to determine whether further action, audit or otherwise, is required.

Audit Coordination

SIGTARP is cognizant of the requirement contained in its founding legislation to coordinate audits of TARP. As it builds its Audit Division, SIGTARP has been working with other applicable Inspectors General (IGs) and GAO to establish the TARP Inspector General Council (TARP-IGC). This organization has already borne fruit in the form of a coordinated evaluation of the CPP application process by some of the IGs responsible for U.S. bank regulators. Moreover, SIGTARP has made a particular effort to coordinate its efforts closely with GAO in light of the significant oversight role mandated to GAO in EESA. SIGTARP is pleased with the complementary relationship that has been developed with GAO thus far, and both bodies have expressed their commitment to coordinating, cooperating, and sharing information with one another to ensure maximum oversight coverage and to minimize the administrative burden on those managing TARP programs.

INVESTIGATIONS DIVISION STRATEGY

SIGTARP's Investigations Division is led by Deputy Special Inspector General for Investigations Christopher Sharpley. Concurrently with building a team of experienced special agents, investigators, attorney advisors, and analysts, the Investigations Division is forging partnerships with other law enforcement agencies, both criminal and civil.

Strategic Focus

The mission of the Investigations Division is to develop and support criminal and civil enforcement investigations against those — whether inside or outside of government — who waste, steal, or abuse TARP funds. Although SIGTARP will, of course, be ready to investigate any allegations or indications of wrongdoing with respect to Treasury's management of TARP, the Investigations Division will also focus on investigating vendors or participants who receive TARP funds through fraud or deceit or who corruptly attempt to avoid their legal obligations under TARP programs. The Investigations Division intends to develop a robust financial crimes investigative team capable of both leading its own investigations and supporting the investigations of other law enforcement agencies.

Tactical Implementation

In addition to responding to investigative leads from other agencies, which it has already begun to do with a limited staff, the Investigations Division is taking the lead on two activities — the Hotline and developing partnerships with other law enforcement agencies — designed to develop the infrastructure and framework necessary to carry out its strategic vision.

SIGTARP Hotline

SIGTARP has recently activated its Hotline — (877) SIG-2009 or (877) 744-2009 — which is designed to facilitate the reporting of concerns, information, allegations, and evidence of violations of civil and criminal laws in connection with TARP. Reporting could include allegations of fraud, waste, abuse, and reprisal in TARP-related matters. The SIGTARP Hotline is capable of receiving telephone, mail, fax, and online contacts. Additionally, SIGTARP has established a Hotline connection on its website at www.SIGTARP.gov. SIGTARP will abide by all applicable whistleblower protections set forth in the Inspector General Act of 1978, as amended.

Law Enforcement Agency Partnerships

SIGTARP has already begun forging partnerships with other law enforcement agencies, both criminal and civil. The Special Inspector General has joined the President's Corporate Fraud Task Force, has founded the TARP-IGC, and has met with numerous law enforcement agencies, both within the IG community and with other enforcement agencies with expertise in financial fraud investigations, such as the Federal Bureau of Investigation, the New York State Attorney General's office, and the Securities and Exchange Commission. The goal is to marry our collective resources and expertise both on investigations developed elsewhere and on those developed by SIGTARP.

SIGTARP RECOMMENDATIONS FOR OPERATION OF THE TARP

Although SIGTARP is less than 60 days old and is still in the early stages of hiring employees, the Special Inspector General has been and remains committed to providing effective oversight to the fullest extent possible. One way to accomplish that goal is to bring the expertise of the Special Inspector General and SIGTARP's senior staff to bear on oversight-related issues and provide timely recommendations to Treasury officials so that TARP agreements and programs can be designed, at the outset, with appropriate controls and fraud prevention considerations in mind. As noted in Section 1, SIGTARP has made several recommendations that Treasury has already adopted. Set forth below are those recommendations that remain ongoing — *i.e.*, those that have not been fully implemented or that otherwise remain applicable going forward — as well as other recommendations that SIGTARP has recently made.

Oversight Language in TARP Agreements

As noted above, SIGTARP has recommended that Treasury include language in new TARP program agreements to facilitate compliance and oversight. Specifically, this recommendation, which is ongoing, is as follows:

- The program participant should acknowledge explicitly the jurisdiction and authority of SIGTARP and other oversight bodies, as relevant, to oversee compliance of the conditions contained in the agreement in question.
- For each condition imposed, the participant should be required to (1) establish internal controls with respect to that condition, (2) report periodically to OFS-Compliance regarding the implementation of those controls and its compliance with the condition, and (3) provide a signed certification from an appropriate senior official to OFS-Compliance that such report is accurate.
- In addition, the participant should be required to use best efforts to account for the use of TARP funds, to set up internal controls to comply with such accounting, and to report periodically to OFS-Compliance on the results, with appropriate certification, in the manner discussed above.

Asset Management Issues

To date, Treasury has not fully developed significant policies or controls with respect to asset management issues. Although this is understandable — in light of the urgency associated with standing up TARP, the fact that no asset managers have yet been retained, and given that Treasury's focus has been on the purchase of preferred stock and warrants rather than on specific troubled assets — Treasury needs, in the near term, to begin developing a more complete strategy on what to do with the very substantial portfolio that it now manages on behalf of the American people. There are three aspects of asset management in particular that need to be addressed:

- Currently, Treasury values the preferred shares and warrants at cost. Although SIGTARP is not criticizing this valuation methodology as a stopgap measure, in light of the market volatility and the distressed financial condition of some of the entities in which Treasury has made an investment, the cost-based valuation methodology will not provide an accurate view of the value of the securities over time. SIGTARP recommends that Treasury quickly determine its going-forward valuation methodology.
- Treasury needs to begin developing a framework for its overall investment strategy. It now manages hundreds of billions of dollars of preferred shares and warrants of common stock. How long these securities should be held and when, and under what circumstances, they should be sold into the market are vitally important questions that implicate not only the taxpayers' return on their investment but also the stability of the markets, both generally and for the individual entities involved. SIGTARP recommends that Treasury begin to develop an overall investment strategy to address those questions.
- For warrants of common stock, Treasury must decide whether it has any intention to exercise warrants in order to hold the common stock. As a matter of investment strategy, doing so would be unusual because warrants are generally sold as warrants without exercise or are exercised simultaneously with the sale of the common stock. However, because Treasury has not set aside any TARP money to fund the exercise of warrants, it needs either to (a) rule out the possibility of exercising warrants for the purpose of holding the common stock or (b) reserve sufficient TARP funds to pay for the exercise price of the warrants that it anticipates exercising for that purpose. We have inquired of Treasury what its intentions are on this point, and it has indicated that no decision has been made.

Potential Fraud Vulnerabilities Associated with TALF

Based on SIGTARP's initial review of the Term Asset-backed Securities Loan Facility ("TALF") program and our briefings by Treasury and Federal Reserve officials on the planned implementation of the program, SIGTARP has informed Treasury and the Federal Reserve of its concerns regarding the program's vulnerability to fraud, waste, and abuse. Because the outlines of the program are still not final, SIGTARP makes these recommendations based on our understanding of the current design of the program:

- First, as discussed more fully in Section 3, TALF is a program in which participants can receive loans upon the posting of certain asset-backed securities ("ABS") as collateral. Because the loans will be non-recourse, that is, the participant can walk away from the loan by forfeiting the collateral, the risk associated with the ABS (which, in turn, is dependent on the risk of the underlying asset — in this case, certain consumer loans) is critically important to whether the taxpayers' investment is a sound one. For this reason, Treasury should consider requiring that some baseline fraud prevention standards be imposed (such as minimum underwriting standards or some other combination of provisions that will minimize the risk of fraud) on the ABS and/or the assets underlying the ABS used as collateral in TALF. SIGTARP was informed in early January by Treasury and the Federal Reserve that the program relies on:

    (1) the requirement that the ABS receive a certain minimum rating from credit rating agencies
    (2) the belief that the investor who is purchasing the ABS in the first instance will have an incentive to do appropriate diligence because that party will be vulnerable to lose whatever "haircut" percentage is imposed

    SIGTARP has raised a concern that relying on these private-sector parties could result in a risk that the government would be obtaining securities tied to underlying loans that have been overvalued due to fraud or lax underwriting. Although Treasury has suggested that the asset classes proposed for participation in TALF have historically low losses, as the recent experience of another ABS market — the mortgage-backed securities ("MBS") market — demonstrates, lax underwriting increases the risk of fraud loss, because criminally minded borrowers take advantage of the failure of lending institutions to verify and confirm information on loan applications. At least in that market, neither the ratings agencies nor the MBS customers successfully ensured, even for the most highly rated securities, that the loans underlying the securities were properly underwritten. Indeed, the structure of TALF, which may reduce the risk of loss to both the underlying lender and to the purchaser of ABS, may actually encourage lax underwriting standards. In addition, SIGTARP was told that the models used by Treasury and the Federal Reserve to project potential losses do not account for the impact of the TALF program on underwriting standards.

After discussing these issues further with the Federal Reserve and Treasury, SIGTARP was informed that there are currently under consideration several measures (more than mere reliance on rating agencies and investors' own due diligence) that are intended to address these concerns. These reportedly include imposition of varying "haircut" rates depending on asset class (reflecting the risk of investment in each class) and on a risk screening procedure that will be conducted for each pool of ABS brought to the TALF window.

SIGTARP encourages these efforts and continues to recommend that, in formulating the structure of TALF, Treasury should consider requiring, before committing TARP funds to the program, that certain minimum underwriting standards and/or other fraud prevention mechanisms be in place with respect to the ABS and/or the assets underlying the ABS used for collateral.

- Second, Treasury should consider, before committing TARP funds to TALF, requiring that beneficiaries (*i.e.,* the TALF borrowers, the originators/sponsors, and the primary dealers) of TALF sign an agreement that includes oversight-enabling provisions. SIGTARP has been informed by the Federal Reserve that it is considering a requirement that some or all of these entities sign an agreement giving the Federal Reserve the right to inspection. SIGTARP recommends that such agreements also include an acknowledgement that:

    (1) they are subject to the oversight of OFS-Compliance and SIGTARP
    (2) with respect to any condition imposed as part of TALF, that the party on which the condition is imposed is required to establish internal controls with respect to each condition, report periodically on such compliance, and provide a certification with respect to such compliance

Although SIGTARP believes that OFS-Compliance and SIGTARP itself would have the authority under EESA to oversee compliance with conditions by TALF participants (because of the TARP investment guaranteeing the Federal Reserve loans), a contractual acknowledgement regarding the oversight would avoid delay and provide an important deterrent to fraud from the outset of the program.

- Third, to the extent that TALF is expanded in the future to cover MBS, as has been suggested in public statements, Treasury should undertake a full evaluation of potential risks that may be associated with doing so. Based on SIGTARP's initial conversations with the Federal Reserve, it does not appear that the current loss modeling conducted for TALF has included application of the program to MBS, and no consideration has been given to the impact that TALF would have on the underwriting standards of MBS sponsors. In light of the prevalence of mortgage fraud over recent years, SIGTARP recommends that Treasury should give careful consideration before agreeing to the expansion of TALF to include MBS without further review and without considering certain minimum fraud protections.

- Fourth, we have been informed by both the Federal Reserve and Treasury that TALF, as currently configured, is not designed to purchase previously issued MBS. These so-called "legacy" MBS are, of course, securities whose sponsors may have actively engaged in the lax underwriting that helped fuel the current financial crisis, and many prior MBS sponsors no longer exist. SIGTARP recommends that Treasury oppose any expansion of TALF to such legacy MBS without significant modifications to the program to ensure a full assessment of risks associated with such an expansion.

- Finally, Treasury should establish a compliance protocol with the Federal Reserve before TALF is put into effect. SIGTARP had previously been informed by a representative of the Federal Reserve that, due to a lack of resources, compliance activities with regard to conditions imposed as part of TALF might be limited to relying upon required certification statements. Any conditions imposed on beneficiaries of TALF will have little meaning unless Treasury or the Federal Reserve has a system in place to ensure compliance with such conditions. SIGTARP recommends that Treasury not participate in TALF until such time as an appropriate compliance program is put into effect.

SIGTARP will continue to monitor development of TALF procedures and may make future recommendations concerning underwriting standards and other mechanisms to protect against fraud in the underlying loan transactions.

1. As per OFS, this figure represents what Treasury has announced to the public (in testimony and/or tranche reports) on what Treasury plans to do with TARP funds. Treasury, response to SIGTARP data call, 1/26/2009.
2. As of 1/23/2009, there have been 319 CPP transactions, but Bank of America and SunTrust had 2 transactions each. For this count, every institution was counted once. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009.
3. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009.
4. There were 323 preferred share transactions. There were multiple transactions from Bank of America (3-2CPP and 1 TIP), SunTrust (2CPP), and Citi (3-1CPP, 1TIP, and 1AGP); these institutions were only counted once. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009.
5. OFS Interim Chief Compliance Officer, response to SIGTARP data call, 1/17/2009.
6. There were 235 warrant transactions. There were multiple transactions from Bank of America (3-2CPP and 1 TIP), SunTrust (2CPP), and Citi (3-1CPP, 1TIP, and 1AGP); these institutions were only counted once. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009.
7. Treasury, "HP-1149: Statement by Secretary Henry M. Paulson, Jr. on Comprehensive Approach to Market Developments," 9/19/2008, http://www.ustreas.gov/press/releases/hp1149.htm, accessed 1/22/2009.
8. Treasury, "Legislative Proposal for Treasury Authority To Purchase Mortgage-Related Assets," 9/20/2008.
9. Treasury, "HP-1153: Testimony by Secretary Henry M. Paulson, Jr. before the Senate Banking Committee on Turmoil in US Credit Markets: Recent Actions regarding Government Sponsored Entities, Investment Banks and other Financial Institutions," 9/23/2008, http://www.treasury.gov/press/releases/hp1153.htm, accessed 1/21/2009.
10. Treasury, "Legislative Proposal for Treasury Authority To Purchase Mortgage-Related Assets," 9/20/2008, p. 2.
11. Treasury, "Legislative Proposal for Treasury Authority To Purchase Mortgage-Related Assets," 9/20/2008, p. 3.
12. Treasury, "Legislative Proposal for Treasury Authority To Purchase Mortgage-Related Assets," 9/20/2008, p. 3.
13. Clerk of the U.S. House of Representatives, "Final Vote Results for Roll Call 681," 10/3/2008, http://clerk.house.gov/evs/2008/roll681.xml, accessed 1/30/2009.
14. Treasury, "HP-1175: Paulson Statement on Emergency Economic Stabilization Act," 10/03/2008, http://www.treasury.gov/press/releases/hp1175.htm, accessed 1/22/2009.
15. Treasury, "HP-1177: Statement by the President's Working Group on Financial Markets," 10/06/2008, http://www.treasury.gov/press/releases/hp1177.htm, accessed 1/22/2009.
16. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 2.
17. Treasury, "The U.S. Treasury Department Summary Response to Recommendations in the December 2008 GAO Report," 1/9/2009, p. 5.
18. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 4.
19. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 3.
20. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, pp. 2–3.
21. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 3.
22. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 13. Definition of "golden parachute": U.S. Internal Revenue Service, "Notice 2008-94: Section 162(m) — Excessive Compensation; Section 280G — Golden Parachute Payments," 10/8/2008, pp. 22–23, http://www.irs.gov/pub/irs-drop/n-08-94.pdf, accessed 1/29/2009.
23. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 39.
24. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 16.
25. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, pp. 13–15.
26. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 24
27. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, pp. 24–26.
28. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008.
29. GAO, "Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues," 1/30/2009, p. 10.
30. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008.
31. As of January 23, 2009, Treasury had not published this certification of need. However, this press release states that the first $350 billion has been authorized. Treasury, "Secretary Paulson Statement on Stabilizing the Automotive Industry," 12/19/2008, www.treas.gov, accessed 1/25/2009.
32. The White House, "Troubled Asset Relief Program Section 115 Plan to Exercise Authority," 1/12/2009, www.whitehouse.gov, accessed 1/12/2009.
33. The White House, "Troubled Asset Relief Program Section 115 Plan to Exercise Authority," 1/12/2009, www.whitehouse.gov, accessed 1/12/2009.
34. The Library of Congress, "A joint resolution relating to the disapproval of obligations under the Emergency Economic Stabilization Act of 2008," 1/15/2009, www.thomas.loc.gov, accessed 1/19/2009.
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36. New York Stock Exchange, www.nyse.com, accessed 1/23/2009.

37. Federal Reserve, response to SIGTARP draft report, 1/30/2009.
38. Federal Reserve, response to SIGTARP draft report, 1/30/2009.
39. TARP Capital Purchase Plan Agreement, "Senior Preferred Stock and Warrants, Summary of Senior Preferred Terms."
40. Treasury, "TARP Capital Purchase Program (Non-Public QFIs, excluding S Corps and Mutual Organizations) Preferred Securities, Summary of Warrant Terms."
41. Treasury, "Section 105(a) Troubled Asset Relief Progam Report to Congress for Period December 1, 2008 to December 31, 2008," 1/16/2009.
42. Emergency Economic Stabilization Act of 2008, P.L. 110-343, 10/3/2008, p. 5.
43. Treasury: Office of Financial Stability, response to SIGTARP data call, 1/26/2009.
44. Treasury, response to SIGTARP data call, 1/26/2009; Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009. This figure ($387.4 billion) represents what Treasury has announced to the public on what it plans to do with TARP funds. GAO-09-296 reported the same figure as the "announced program funding level."
45. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009. GAO-09-296 reports total asset purchase price of $300.00 billion. For purposes of this Report, SIGTARP used the $299.96 billion as reported in the Treasury's 1/27/2009 Transactions Report and considers the "asset purchase price" as "committed." Treasury notes $300.01 billion as the total "Cash Basis Obligations" and states that this amount is "what Treasury has committed to spend (e.g. signed agreements with TARP fund recipients)." Treasury, response to SIGTARP data call, 1/26/2009.
46. The expended amount of $293.76 billion equals the $299.96 billion committed (as reported on Treasury's Transactions Report) less the $5 billion Citigroup guarantee that has not been expended and less the $1.2 billion of the Chrysler Financial loan, which has not been entirely expended as of January 23, 2009. GAO-09-296 reports a disbursed amount of $293.7 billion. The $293.76 billion reported by SIGTARP includes the $884 million final funding level for the loan to GM. In Treasury's response to SIGTARP data call, this $884 million was listed as an outlay.
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48. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009. Numbers affected by rounding.
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57. Treasury, "Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act," 12/31/2008, www.treas.gov, accessed 1/25/2009.
58. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009.
59. Treasury: Office of Financial Stability, response to SIGTARP data call, 1/26/2009.
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61. FDIC, "Explanation of the FDIC's Loss Sharing Exposure," 1/16/2009, www.fdic.gov, accessed 1/25/2009.
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64. Treasury, "Automotive Industry Financing Program," www.treas.gov, accessed 1/25/2009.
65. Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transactions Report," 1/27/2009.
66. Emergency Economic Stabilization Act of 2008, P.L. 110–343, 10/3/2008
67. Treasury, "Interim Assistant Secretary for Financial Stability Neel Kashkari Review of the Financial Market Crisis and the Troubled Asset Relief Program," 1/13/2009, www.treas.gov, accessed 1/17/2009.
68. Treasury, "Responses to Questions of the First Report of the Congressional Oversight Panel for Economic Stabilization," 12/30/2008, www.treas.gov, accessed 1/6/2009.
69. Treasury, "Testimony by Treasury Secretary Henry M. Paulson, Jr. before the House Committee on Financial Services," 11/18/2008, www.treas.gov, accessed 1/6/2009.
70. Treasury, "Summary Response to Recommendations in the December 2008 GAO Report," received 1/22/2009.
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79. Treasury, CPP Program Lead, SIGTARP interview, 1/15/2009.
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102. P.L. 110-343, "Emergency Economic Stabilization Act," 10/3/2008. Treasury, "Report to Congress Pursuant to Section 102 of EESA," 12/31/2008.
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GLOSSARY OF TERMS

Actuarial Analysis/(Actuaries): "Experts in:

- evaluating the likelihood of future events.
- reducing the impact of undesirable events.
- designing creative ways to reduce the likelihood of undesirable events.

Actuaries apply their mathematical expertise, statistical knowledge, economic and financial analyses, and problem-solving skills to a wide range of business problems. They help companies evaluate the long-term financial implications of their decisions; they develop new ways to manage risk, and they estimate the costs of uncertain future events ranging from tornadoes and hurricanes to changes in life expectancy. Actuaries work in all sectors of the economy, though they are more heavily represented in the financial services sector. Their work is the analytical backbone of the nation's financial security programs, including insurance, Social Security, and Medicare."

Automotive Industry Financing Program (AIFP): The Automotive Industry Financing Program was created to provide strategic investments in U.S. automotive companies to prevent a significant disruption of the U.S. automotive industry or to financial markets.

Annual Basis: "The technique in statistics of taking a figure covering a period of less than one year and extrapolating it to cover a full one year period."

Annual Coupon Rate: "In bonds, notes, or other fixed income securities, the stated percentage rate of interest, usually paid twice a year."

Asset-Backed Security (ABS): "Asset-backed security means a security that is primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period. Asset-backed security includes any rights or other assets designed to ensure the servicing or timely distribution of proceeds to the security holders."

Auction: "An asset sales strategy in which assets are sold either individually or in pools to the highest bidder in an open-outcry auction."

Balance Sheet: "The balance sheet is a snapshot of the company's financial standing at an instant in time. The balance sheet shows the company's financial position, what it owns (assets) and what it owes (liabilities and net worth). The "bottom line" of a balance sheet must always balance (i.e. assets = liabilities + net worth). The individual elements of a balance sheet change from day to day and reflect the activities of the company. Analyzing how the balance sheet changes over time will reveal important information about the company's business trends."

Bank: "Means:

A. a banking institution organized under the laws of the United States, or a Federal savings association, as defined in section 2(5) of the Home Owners' Loan Act [12 USCS 1462(5)]
B. a member bank of the Federal Reserve System,
C. any other banking institution, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under the authority of the Comptroller of the currency pursuant to section 92a of Title 12, and which is supervised and examined by State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of this title, and
D. a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (A), (B), or (C) of this paragraph."

Bank Holding Company (BHC): "A company that owns and/or controls one or more U.S. banks or one that owns, or has controlling interest in, one or more banks. A bank holding company may also own another bank holding company, which in turn owns or controls a bank; the company at the top of the ownership chain is called the top holder. The Board of Governors is responsible for regulating and supervising bank holding companies, even if the bank owned by the holding company is under the primary supervision of a different federal agency (OCC or FDIC)."

Bonus Pool: A pool or fund of money accumulated during the year by a business to be paid out at the end of a specified time period, typically a year. It serves as compensation to employees of the business as a reward for achieving certain defined levels of company and or employee performance.

CAMELS Rating: A rating of a bank's overall condition based on capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. The ratings are issued by the U.S. government and are not released to the general public.

Capital: "Money invested in a firm."

Capital Purchase Program (CPP): The Capital Purchase Program is a program that is part of the Troubled Asset Recovery Program (TARP). It is a program that will invest in Qualifying Financial Institutions by purchasing preferred stock and equity warrants.

Clawback: "Provision for the recovery of bonuses or incentive compensation paid to a senior executive based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate."

Closing Date: "The time and date on which the Closing occurs is the closing date."

Collateral: "The property, including securities in definitive form only, in which the Pledgor has granted a security interest to the Pledgee."

Collateralized: Securing a loan with assets.

Collateralized Debt Obligation (CDO): "A collateralized debt obligation (CDO) is a security that entitles the purchaser to some portion of the cash flows from a portfolio of assets, which may include bonds, loans, mortgage-backed securities, or other CDOs. For a given pool, CDOs designated as senior debt, mezzanine debt, subordinated debt, and equity often are issued."

Commitment: "Any legally binding arrangements that obligate a bank to extend credit in the form of loans or lease financing receivables; to purchase loans, securities, or other assets; or to participate in loans and leases. Commitments also include overdraft facilities, revolving credit, home equity and mortgage lines of credit, eligible ABCP liquidity facilities, and similar transactions. Normally, commitments involve a written contract or agreement and a commitment fee, or some other form of consideration."

Common Stock: "A class of securities representing ownership and control in a corporation and that may pay dividends as well as appreciate in value."

CPP Council: "A council comprised of senior members from the four Federal Banking Agencies with Treasury officials as observers. Applicant institutions with lower examination ratings or other considerations that require further review are referred to the CPP Council for Review."

Credit Enhancement: "Techniques whereby a company attempts to reduce the credit risk of its obligations. Credit enhancement may be provided by a third party (external credit enhancement) or by the originator (internal credit enhancement), and more than one type of enhancement may be associated with a given issuance."

Custodian: "Either (1) a bank, agent, trust company, or other organization responsible for safeguarding financial assets, or (2) the individual who oversees the mutual fund assets of a minor's custodial account."

Deductible: "An amount or period which must be deducted before an insurance payout or settlement is calculated."

Default: "Default means any failure to comply with the terms of an obligation to such an extent that:
(1) **A judgment h**as been rendered in favor of the FDIC or a failed institution; or
(2) In the case of a secured obligation, the property securing such obligati**on is foreclosed on."**

Deferred Cash Award: See **Deferred Compensation.**

Deferred Compensation: **"**An amount that has been earned but is not actually paid until a later date, typically through a payment plan, pension, or stock option plan."

Deferred Stock Award: See **Deferred Compensation**.

Disbursements: "Amounts paid by federal agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations."

Distributions: **"**Payments from fund or corporate cash flow. May include dividends from earnings, capital gains from sale of portfolio holdings and return of capital. Fund distributions can be made by check or by investing in additional shares. Funds are required to distribute realized capital gains (if any) to shareholders at least once per year if they are not to be taxed by the fund itself. Some corporations offer Dividend Reinvestment Plans (DRP)."

Dividend: "Distributions to stockholders of cash or stock declared by the company's board of directors."

Emergency Economic Stabilization Act of 2008 (EESA): "An act to provide authority for the Federal Government to purchase and insure certain types of troubled assets for the purposes of providing stability to and preventing disruption in the economy and financial system and protecting taxpayers, to amend the Internal Revenue Code of 1986 to provide incentives for energy production and conservation, to extend certain expiring provisions, to provide individual income tax relief, and for other purposes."

Equity: "The ownership interest of stockholders in a company. Also, the excess of the market value of securities over debit balances in a margin account."

Equity Interest: "Equity interest means any ownership interest or rights in an organization, whether through an equity security, contribution to capital, general or limited partnership interest, debt or warrants convertible into ownership interests or rights, loans providing profit participation, binding commitments to acquire any such items, or some other form of business transaction."

Executive Compensation: The terminology for how top executives of business corporations are paid for the services they provide. The forms of compensation typically include a base salary, bonuses, shares, options, and other company benefits.

Expenditure: "The actual spending of money—an outlay."

Expense: "Outflow or other depletion of assets or incurrences of liabilities (or a combination of both) during some period as a result of providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period."

Facility: "(i) (Banking) Generally, a funding arrangement between a borrower and a bank, such as a loan facility. (ii) In the international markets often used as a short-hand term for the backstop or underwritten facility, such as a note issuance facility, multi-option financing facility, or short-term note issuance facility (SNIF), between an issuer of short-term securities, such as euronotes or certificates of deposit, and a group of under-writing banks which commit to buy such securities at an agreed rate throughout the life of the facility, irrespective of whether notes are issued."

Federal Banking Agency (FBA): "The term 'appropriate Federal banking agency' means —

(1) the Comptroller of the Currency, in the case of any national banking association, or any Federal branch or agency of a foreign bank;
(2) the Board of Governors of the Federal Reserve System, in the case of —
    (A) any State member insured bank,
    (B) any branch or agency of a foreign bank with respect to any provision of the Federal Reserve Act which is made applicable under the International Banking Act of 1978,
    (C) any foreign bank which does not operate an insured branch,
    (D) any agency or commercial lending company other than a Federal agency,
    (E) supervisory or regulatory proceedings arising from the authority given to the Board of Governors under section 7(c)(1) of the International Banking Act of 1978, including such proceedings under the Financial Institutions Supervisory Act of 1966, and
    (F) any bank holding company and any subsidiary of a bank holding company (other than a bank);
(3) the Federal Deposit Insurance Corporation in the case of a State nonmember insured bank, or a foreign bank having an insured branch; and
(4) the Director of the Office of Thrift Supervision in the case of any savings association or any savings and loan holding company.

Under the rule set forth in this subsection, more than one agency may be an appropriate Federal banking agency with respect to any given institution."

Fiscal Year: "Accounting period covering 12 consecutive months over which a company determines earnings and profits. The fiscal year serves as a period of reference for the company and does not necessarily correspond to the calendar year."

Frozen Credit Markets: Widespread disruptions that cause lenders to be unwilling to lend money, and creditworthy consumers and firms are unable to get access to loans to make purchases or investments.

Golden Parachute Payment: "If a company is taken over, this provides the company's executives with profitable benefits (such as a large severance check and stock allowances) so that they will be financially secure in the event that they are let go."

Guarantee: "Guarantee means a financial guarantee, letter of credit, insurance, or other similar financial instrument (other than a credit derivative) that allows one party (beneficiary) to transfer the credit risk of one or more specific exposures (reference exposure) to another party (protection provider)."

Haircut: "(i) The margin in a repurchase transaction. This is the difference between the yield or price on the bid quote and the yield or price used in the repurchase agreement. (ii) Calculation of the discount to be applied on a firm's inventory of securities used by the regulator to ascertain the capital requirements for broker-dealers (cf. capital adequacy). See FOCUS report. (iii) The capital required by a financial intermediary to support a position. (iv) Another term for a commission or fee. (v) The margin requirement of a member on a futures or options exchange when undertaking transactions."

Holding Company: "Means: A) any bank holding company (as defined in section 2 of the Bank Holding Company Act of 1956); B) any company described in section 4(f)(1) of the Bank Holding Company Act of 1956; and C) any savings and loan holding company (as defined in the Home Owners' Loan Act)."

Hope for Homeowners Program: "A program under the Department of Housing and Urban Development (HUD), designed to help mortgage borrowers at risk of default and foreclosure to refinance into more affordable, sustainable loans which are in turn guaranteed by HUD."

Illiquid: "Illiquidity occurs when a bank is not able to meet its current obligations as they come due. Illiquidity may arise because banks issue demand deposits — obligations due upon demand — to fund lending activity, and are therefore susceptible to bank runs. When depositors know or believe that a bank is in danger of failing, they may attempt to withdraw their deposits as quickly as possible, causing a liquidity crisis at the bank."

In-the-Money: "Options or warrants with 'positive intrinsic value'. In other words, a call option/warrant with an exercise price below the price of the underlying instrument, or a put option/warrant with an exercise price above the price of the underlying instrument. In either case they are said to be 'in-the-money'."

Insolvent: "A firm that is unable to pay debts (its liabilities exceed its assets)."

Interest: "Interest means any payment to a consumer or to an account for the use of funds in an account, calculated by application of a periodic rate to the balance. The term does not include the payment of a bonus or other consideration worth $10 or less given during a year, the waiver or reduction of a fee, or the absorption of expenses."

Issue Price: "The price at which a company's shares are offered to the market for the first time, which might be at par or at a premium or discount. When they begin to be traded, the market price may be above or below the issue price."

Leverage: "Any means of increasing value and return by borrowing funds or committing less of one's own. For corporations, it refers to the ratio of debt (in the form of bonds and preferred stock outstanding) to equity (in the form of common stock outstanding) in the company's capital structure. The more long-term debt there is, the greater the financial leverage. Shareholders benefit from this financial leverage to the extent that the return on the borrowed money exceeds the interest costs of borrowing it. The market value of the company rises and so do its shares. Because of this effect, financial leverage is popularly called 'trading on the equity.' For individuals, leverage can involve debt, as when an investor borrows money from his broker 'on margin' and so is able to buy more stock than he otherwise could. If the stock goes up, he repays the broker the loan amount and keeps the profit nd option contracts also provide leverage, not through debt but by offering the prospect of a high return for little or no investment."

LIBOR: "London Interbank Offered Rate; a short-term interest rate often quoted as a 1, 3, 6-month rate for U.S. dollars."

Liquidity: "A high level of trading activity, allowing buying and selling with minimum price disturbance. Also, a market characterized by the ability to buy and sell with relative ease. Antithesis of illiquidity."

Mortgage-Backed Securities (MBS): "Debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool, a process known as securitization."

Mutual Company: "A corporation that is owned by a group of members and that distributes income in proportion to the amount of business that members do with the company."

Mutual Organization: See **Mutual Company**

Net Present Value: "The present value of the estimated future cash inflows minus the present value of the cash outflows."

Non-Recourse Funding/Loan: "A debt for which the debtor's obligation to repay is limited to the collateral securing the debt and for which a deficiency judgment against the debtor is not permitted, and would limit the amount of a non-recourse debt to the net equity in the collateral, as defined."

Note/Notes: "Debt instruments with initial maturities longer than one year and shorter than 10 years."

Obligation: "A legal responsibility, such as to pay a debt."

Office of Financial Stability (OFS): "Office within the Department of the Treasury created by the EESA to operate the TARP."

Performance-Based (Condition): "A condition affecting the vesting, exercisability, exercise price, or other pertinent factors used in determining the fair value of an award that relates to both (a) an employee's rendering service for a specified (either explicitly or implicitly) period of time and (b) achieving a specified performance target that is defined solely by reference to the employer's own operations (or activities). Attaining a specified growth rate in return on assets, obtaining regulatory approval to market a specified product, selling shares in an initial public offering or other financing event, and a change in control are examples of performance conditions for purposes of this Statement. A performance target also may be defined by reference to the same performance measure of another entity or group of entities. For example, attaining a growth rate in earnings per share that exceeds the average growth rate in earnings per share of other entities in the same industry is a performance condition for purposes of this Statement. A performance target might pertain either to the performance of the enterprise as a whole or to some part of the enterprise, such as a division or an individual employee."

Perpetual Senior Preferred Stock: Shares that give the stockholder the right to dividend payments that do not expire for as long as the stockholder owns the stock.

Pipeline: Transactions that have been approved but have not yet closed.

Pool: "In capital budgeting, the concept that investment projects are financed out of a pool of bonds, preferred stock, and common stock, and a weighted-average cost of capital must be used to calculate investment returns. In insurance, a group of insurers who share premiums and losses in order to spread risk. In investments, the combination of funds for the benefit of a common project, or a group of investors who use their combined influence to manipulate prices."

Preferred Stock: "A security that usually pays a fixed dividend and that gives the holder a claim on corporate earnings and assets that is superior to that of holders of common stock."

Premium(s): "The price of insurance protection for a specified risk for a specified period of time."

Prepayment: "A "prepayment" occurs upon —

(i) Refinancing or consolidation of the indebtedness;
(ii) Actual prepayment of the indebtedness by the debtor, whether voluntarily or following acceleration of the payment obligation by the creditor; or
(iii) The entry of a judgment for the indebtedness in favor of the creditor."

President's Designee: One or more officers from the Executive Branch designated by the President.

President's Corporate Fraud Task Force: The President's Corporate Fraud Task Force was created by an executive order of President George W. Bush to "provide direction for the investigation and prosecution of cases of securities fraud, accounting fraud, mail and wire fraud, money laundering, tax fraud based on such predicate offenses, and other related financial crimes committed by commercial entities and directors, officers, professional advisers, and employees thereof (hereinafter "financial crimes")." Created in 2002, it is an inter-agency group that coordinates enforcement efforts among several agencies, including the Departments of Justice, the Commodities Futures Trading Commission, the Federal Energy Regulatory Commission, Treasury, Labor, the Securities and Exchange Commission, and U.S. Postal Inspection Service.

Primary Dealer: " 'Primary Dealer' shall mean a securities dealer or government securities dealer that is designated as a primary dealer by the Federal Reserve Bank of New York from time to time."

Procurement: "In the Federal Government, the process of obtaining services, supplies, and equipment in conformance with applicable laws and regulations."

Profit: "Is the difference between the purchase or sale price of the security and the value of that security as measured by the trading price of the security a reasonable period after public dissemination of the nonpublic information."

Purchasing Authority: The authority to purchase goods and services.

Qualified Equity Offering: the Sale by a Qualifying Financial Institution after the date of this investment of Tier 1 qualifying perpetual preferred stock or common stock for cash.

Qualifying Financial Institution (QFI): Sale by a Qualifying Financial Institution after the date of investment in Tier 1 qualifying perpetual preferred stock or common stock for cash.

Rating: "An evaluation of credit quality of a company's debt issue by Thomson Financial BankWatch, Moody's, S&P, and Fitch Investors Service. Investors and analysts use ratings to assess the riskiness of an investment. Ratings can also be an evaluation a country's creditworthiness or ability to repay, taking into consideration its estimated percentage default rate and political risk."

Recapitalize: "Restructure its capitalization (debt and equity)."

Related Party: "Affiliates of the enterprise; entities for which investments are accounted for by the equity method by the enterprise; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; principal owners of the enterprise; its management; members of the immediate families of principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests."

Reorganization: "Creation of a plan to restructure a debtor's business and restore its financial health."

Revenue: "Either of the following: (1) As used in the congressional budget process, a synonym for governmental receipts. Revenues result from amounts that result from the government's exercise of its sovereign power to tax or otherwise compel payment or from gifts to the government. Article I, Section 7, of the U.S. Constitution requires that revenue bills originate in the House of Representatives. (2) As used in federal proprietary accounting, an inflow of resources that the government demands, earns, or receives by donation. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when a government entity provides goods and services to the public or to another government entity for a price. Another term for exchange revenue is 'earned revenue.' Nonexchange revenues arise primarily from exercise of the government's power to demand payments from the public (e.g., taxes, duties, fines, and penalties) but also include donations. The term 'revenue' does not encompass all financing sources of government reporting entities, such as most of the appropriations they receive. Revenues result from (1) services performed by the federal government and (2) goods and other property delivered to purchasers."

Rights Offering: "Means offers and sales for cash of equity securities where: 1) The issuer grants the existing security holders of a particular class of equity securities (including holders of depositary receipts evidencing those securities) the right to purchase or subscribe for additional securities of that class; and 2) The number of additional shares an existing security holder may purchase initially is in proportion to the number of securities he or she holds of record on the record date for the rights offering. If an existing security holder holds depositary receipts, the proportion must be calculated as if the underlying securities were held directly."

Risk-based Premium: A premium is the price of insurance protection for a specified risk for a specified period of time. With a risk-based premium, the price paid escalates in line with the probability of default and loss upon default.

S Corporation: "A Qualifying Financial Institution ('QFI') under these terms of our Capital Purchase Program means a bank, savings association, bank holding company, or savings and loan holding company that has made a valid election to be taxed under Subchapter S of Chapter 1 of the U.S. Internal Revenue Code (a 'S-Corp') and is also one of the following: 1) a top-tier Bank Holding Company ('BHC'), or top-tier Savings and Loan Holding Company ('SLHC') that engages solely or predominately in activities permissible for financial holding companies under relevant law, 2) a U.S. bank or U.S. savings association that is not controlled by a BHC or SLHC, or 3) a U.S. bank or U.S. savings association that is a qualifying S-Corp subsidiary which is controlled by a BHC or SLHC which itself is an S-Corp and which does not engage solely or predominately in activities that are permitted for financial holding companies under relevant law."

Savings and Loan Association: "A financial institution that accepts deposits primarily from individuals and channels its funds primarily into residential mortgage loans."

Savings and Loan Holding Company (SLHC): "Any company that directly or indirectly controls a savings association."

Savings Association: "Any Federal savings association or Federal savings bank; any building and loan association, savings and loan association, homestead association, or cooperative bank if such association or cooperative bank is a member of the Deposit Insurance Fund; and any savings bank or cooperative bank which is deemed by the Director of the Office of Thrift Supervision to be a savings association under section 10(1) of the Home Owners' Loan Act."

Secondary Mortgage Market: "If you think of America's mortgage lenders as retail stores where people go to get mortgages, the secondary mortgage market is their supplier. Buyers of home mortgages in the United States, such as Freddie Mac, are considered a secondary market conduit between mortgage lenders and investors. Lenders look to secondary market conduits for the funds they need to meet consumer demand for home mortgages and multifamily housing."

Secure: A process in which the borrower offers an asset to which the lender has access in the event that the borrower fails to make repayment. A mortgage backed by property is an example: the mortgage is secured by the property.

Secured Debt: "Debt that has first claim on specified assets in the event of default."

Securitization: "The creation of financial assets by combining other similar assets, ranging from mortgages to royalties, and selling them in the new, tradable form to investors."

Securitization Vehicle: "The term 'securitization vehicle' means a trust, corporation, partnership, limited liability entity, special purpose entity, or other structure that--
(A) is the issuer, or is created by the issuer, of mortgage pass-through certificates, participation certificates, mortgage-backed securities, or other similar securities backed by a pool of assets that includes residential mortgage loans; and (B) holds such loans."

Security: " 'Security' means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a 'security', or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing."

Senior Debt: "Issues that rank ahead of all others in right of payment (cf. junior; pari passu). Senior secured means that the debt has first prior claim in the event of default; senior unsecured debt ranks ahead of unsecured debt in any repayment (cf. unsecured)."

Senior Leadership Committee: Part of Citigroup's corporate governance structure, the Senior Leadership Committee comprises senior leaders including the CEO and CFO. Citigroup posts the committee members on its website (www.citigroup.com/citi/corporategovernance/slc.htm).

Senior Preferred Membership Interests: Refers to individuals or other organizations with an ownership interest in a Limited Liability Company ("LLC") with a senior liquidation preference, entitling it to receive its liquidation preference before any other ownership interest in the LLC.

Senior Preferred Shares/(Stock): Stock with a senior liquidation preference, entitling it to receive its liquidation preference before any other stock, preferred or common.

Senior Secured Interest: A senior proprietary right in a debtor's property that secures payment for performance of an obligation.

Senior Unsecured Note: A note that takes priority over other unsecured debt in liquidation.

Settlement: "When payment is made for a trade."

Special Purpose Entity/Vehicle (SPV): "An off-balance sheet legal entity, which 'holds' the receivables in a pool and issues the securities."

Spread: "1) The gap between bid and ask prices of a stock or other security, 2) The simultaneous purchase and sale of separate futures or options contracts for the same commodity for delivery in different months, Also known as a straddle, 3) Difference between the price at which an underwriter buys an issue from a firm and the price at which the underwriter sells it to the public, 4) The price an issuer pays above a benchmark fixed-income yield to borrow money."

Strike Price: "The stated price per share for which underlying stock may be purchased (in the case of a call) or sold (in the case of a put) by the option holder upon exercise of the option contract."

Subordinated: "A claim ranked lower in priority than other claims. Common stock claims are always subordinated to debt."

Subordinated Debt: Funding that has a lesser priority than other debt issued.

Systemically Significant Failing Institution (SSFI): "In an environment of substantially reduced confidence, severe strains, and high volatility in financial markets, the disorderly failure of a systemically significant institution could impose significant losses on creditors and counterparties, call into question the financial strength of other similarly situated financial institutions, disrupt financial markets, raise borrowing costs for households and businesses, and reduce household wealth. The resulting financial strains could threaten the viability of otherwise financially sound businesses, institutions, and municipalities, resulting in adverse spillovers on employment, output, and income. In determining whether an institution is systemically significant and at substantial risk of failure, Treasury may consider, among other things: 1) The extent to which the failure of an institution could threaten the viability of its creditors and counterparties because of their direct exposures to the institution; 2) The number and size of financial institutions that are seen by investors or counterparties as similarly situated to the failing institution, or that would otherwise be likely to experience indirect contagion effects from the failure of the institution; 3) Whether the institution is sufficiently important to the nation's financial and economic system that a disorderly failure would, with a high probability, cause major disruptions to credit markets or payments and settlement systems, seriously destabilize key asset prices, significantly increase uncertainty or losses of confidence thereby materially weakening overall economic performance; or 4) The extent and probability of the institution's ability to access alternative sources of capital and liquidity, whether from the private sector or other sources of government funds. In making these judgments, Treasury will obtain and consider information from a variety of sources, and will take account of any recommendations received from the institution's primary regulator, if applicable, or any other regulatory body in a position to provide insight into the potential consequences of the failure of a particular institution."

TALF: Term Asset-backed Securities Loan Facility is a Federal Reserve loan program intended to increase the availability of loans to consumers and small businesses. TARP funds will be indirectly invested in this program through a special purpose vehicle.

TARP Investment Committee: Includes the Troubled Asset Relief Program's (TARP's) Chief Investment Officer and senior officials on financial markets, economic policy, financial institutions, and financial stability.

Total Risk-Weighted Assets: "The amount of a banks total assets after adjusting based on the risk factor assigned to each individual asset."

Variable Rate of Interest: "A variable-rate agreement, as distinguished from a fixed-rate agreement, calls for an interest rate that may fluctuate over the life of the loan. The rate is often tied to an index that reflects changes in market rates of interest. A fluctuation in the rate causes changes in either the payments or the length of the loan term. Limits are often placed on the degree to which the interest rate or the payments can vary."

Vest/Vesting: "Become applicable or exercisable. A term mainly used on the context of employee stock ownership or option programs. Employees might be given equity in a firm but they must stay with the firm for a number of years before they are entitled to the full equity. This is a vesting provision. It provides incentive for the employee to perfor

Volatility: "A measure of risk based on the standard deviation of the asset return. Volatility is a variable that appears in option pricing formulas, where it denotes the volatility of the underlying asset return from now to the expiration of the option. There are volatility indexes. Such as a scale of 1-9; a higher rating means higher risk."

Warrant: "A certificate issued by a company giving the holder the right to purchase securities at a stipulated price within specific time limits or with no expiration date (perpetual warrant). A warrant is sometimes offered by a company as an inducement to buy."

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ACRONYMS

ABS	Asset-Backed Securities
AGP	Asset Guarantee Program
AIFP	Automotive Industry Financing Program
AIG	American International Group, Inc.
BNYM	Bank of New York/Mellon
CAMELS	capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk
CBO	Congressional Budget Office
CDFI	Community Development Financial Institution
COI	Conflict of Interest
COP	Congressional Oversight Panel
CPP	Capital Purchase Program
DOJ	Department of Justice
EESA	Emergency Economic Stabilization Act of 2008
FAR	Federal Acquisition Regulation
FBA	Federal Banking Agency
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FOIA	Freedom of Information Act
FRBNY	Federal Reserve Bank of New York
FSOB	Financial Stability Oversight Board
GAO	Government Accountability Office
GM	General Motors Corporation
GMAC	General Motors Acceptance Corporation LLC
H4H	Hope for Homeowners
HUD	Department of Housing and Urban Development
HUD-OIG	Department of Housing and Urban Development Office of Inspector General
IG	Inspector General
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
MBS	Mortgage-Backed Securities
OCC	Office of the Comptroller of the Currency
OFS	Office of Financial Stability
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision
PwC	PricewaterhouseCoopers, LLP
PEO	Principal Executive Officer
PFO	Principal Finance Officer
QFI	Qualifying Financial Institution
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SEO	Senior Executive Officer
SIGIR	Special Inspector General for Iraq Reconstruction
SIGTARP	Special Inspector General for the Troubled Asset Relief Program
SPV	Special Purpose Vehicle
SSFI	Systemically Significant Failing Institutions
TAIFF	Troubled Assets Insurance Financing Fund
TALF	Term Asset-backed Securities Loan Facility
TARP	Troubled Asset Relief Program
TARP-IGC	TARP Inspector General Council
TIGTA	Treasury Inspector General for Tax Administration
TIP	Targeted Investment Program

REPORTING REQUIREMENTS FOR THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM

This appendix provides a compilation of the data necessary to meet the reporting requirements of the Special Inspector General for the Troubled Asset Relief Program outlined in EESA Section 121:

A. a description of the categories of troubled assets purchased or otherwise procured by the Secretary.
B. a listing of the troubled assets purchased in each such category described under subparagraph (A).
C. an explanation of the reasons the Secretary deemed it necessary to purchase each such troubled asset.
D. a listing of each financial institution that such troubled assets were purchased from.
E. a listing of and detailed biographical information on each person or entity hired to manage such troubled assets.
F. a current estimate of the total amount of troubled assets purchased pursuant to any program established under Section 101, the amount of troubled assets on the books of the Treasury, the amount of troubled assets sold, and the profit and loss incurred on each sale or disposition of each such troubled asset.
G. a listing of the insurance contracts issued under section 102.
H. a detailed statement of all purchases, obligations, expenditures, and revenues associated with any problem established by the Secretary of the Treasury under sections 101 and 102.

A — Description of Categories

Set forth below are descriptions of the TARP programs provided by Treasury on its website. Sections 2 and 3 of this Report provide more detailed descriptions of each type of asset and each TARP program to date.

A.1 Capital Purchase Program[1]

Verbatim from Treasury's Initial Section 105(a) Troubled Asset Relief Program Report to Congress, 12/5/2008

Under the voluntary Capital Purchase Program (CPP), the Treasury is purchasing senior preferred shares from qualified financial institutions. In accordance with the considerations of the EESA, a broad spectrum of institutions is eligible for the program: U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies. To protect the interests of the taxpayer, only viable institutions are accepted into the program. A recommendation on acceptance is received from the institution's primary federal regulator or, in some cases, from a council of representatives from each federal regulator; the Treasury is responsible for final approval.

The minimum subscription amount is one percent of the institution's risk-weighted assets; the maximum subscription amount is 3 percent of risk-weighted assets (up to a maximum of $25 billion). Standardized terms have been developed for institutions that are organized as publicly traded and privately held institutions; terms applicable to S corporations and mutual organizations are still under consideration. The standardized terms impose restrictions on executive compensation and corporate governance and include provisions (such as the issuance of warrants) that will enable the taxpayer to benefit from the future profitability of the firm.

A.2 Systemically Significant Failing Institutions Program[2]

Verbatim from Treasury's Initial Section 105(a) Troubled Asset Relief Program Report to Congress, 12/5/2008

The Treasury will determine the eligibility of participants on a case-by-case basis. In determining whether an institution is systemically significant and at substantial risk of failure, Treasury may consider, among other things:

1. The extent to which the failure of an institution could threaten the viability of its creditors and counterparties because of their direct exposures to the institution;
2. The number and size of financial institutions that are seen by investors or counterparties as similarly situated to the failing institution, or that would otherwise be likely to experience indirect contagion effects from the failure of the institution;
3. Whether the institution is sufficiently important to the nation's financial and economic system that a disorderly failure would, with a high probability, cause major disruptions to credit markets or payments and settlement systems, seriously destabilize key asset prices, significantly increase uncertainty or losses of confidence thereby materially weakening overall economic performance; or
4. The extent and probability of the institution's ability to access alternative sources of capital and liquidity, whether from the private sector or other sources of government funds.

Treasury will determine the form, terms, and conditions of any investment made pursuant to this program on a case-by-case basis. Treasury may invest in any financial instrument, including debt, equity, or warrants, that the Secretary determines to be a troubled asset, after consultation with the Chairman of the Board of Governors of the Federal Reserve System and notice to Congress. Treasury will require any institution participating in this program to provide Treasury with warrants or alternative consideration, as necessary, to minimize the long-term costs and maximize the benefits to the taxpayers in accordance with EESA. A participating institution also must comply with restrictions on executive compensation and corporate governance.

A.3 Targeted Investment Program[3]

Verbatim from Treasury's website detailing the program description of the Target Investment Program

In determining whether an institution is eligible for participation, Treasury may consider, among other things:

1. The extent to which destabilization of the institution could threaten the viability of creditors and counterparties exposed to the institution, whether directly or indirectly;
2. The extent to which an institution is at risk of a loss of confidence and the degree to which that stress is caused by a distressed or illiquid portfolio of assets;
3. The number and size of financial institutions that are similarly situated, or that would be likely to be affected by destabilization of the institution being considered for the program;
4. Whether the institution is sufficiently important to the nation's financial and economic system that a loss of confidence in the firm's financial position could potentially cause major disruptions to credit markets or payments and settlement systems, destabilize asset prices, significantly increase uncertainty, or lead to similar losses of confidence or financial market stability that could materially weaken overall economic performance; and
5. The extent to which the institution has access to alternative sources of capital and liquidity, whether from the private sector or from other sources of government funds.

In making these judgments, Treasury will obtain and consider information from a variety of sources, and will take into account recommendations received from the institution's primary regulator, if applicable, or from other regulatory bodies and private parties that could provide insight into the potential consequences if confidence in a particular institution deteriorated.

Treasury will determine the form, terms, and conditions of any investment made pursuant to this program on a case-by-case basis in accordance with the considerations mandated in EESA. Treasury may invest in any financial instrument, including debt, equity, or warrants, that the Secretary of the Treasury determines to be a troubled asset, after consultation with the Chairman of the Board of Governors of the Federal Reserve System and notice to Congress. Treasury will require any institution participating in this program to provide Treasury with warrants or alternative consideration, as necessary, to minimize the long-term costs and maximize the benefits to the taxpayers in accordance with EESA. Treasury will also require any institution participating in the program to adhere to rigorous executive compensation standards. In addition, Treasury will consider other measures, including limitations on the institution's expenditures, or other corporate governance requirements, to protect the taxpayers' interests.

These program guidelines are being published in accordance with the requirements of Section 101(d) of EESA.

A.4 Asset Guarantee Program[4]

Verbatim from Treasury's Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act dated 12/31/2008

As required by section 102(a), Treasury established the Asset Guarantee Program (AGP). This program provides guarantees for assets held by systemically significant financial institutions that face a high risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets. This program will be applied with extreme discretion in order to improve market confidence in the systemically significant institution and in financial markets broadly. It is not anticipated that the program will be made widely available.

Under the AGP, Treasury would assume a loss position with specified attachment and detachment points on certain assets held by the qualifying financial institution; the set of insured assets would be selected by the Treasury and its agents in consultation with the financial institution receiving the guarantee. In accordance with section 102(a), assets to be guaranteed must have been originated before March 14, 2008.

Treasury would collect a premium, deliverable in a form deemed appropriate by the Treasury Secretary. As required by the statute, an actuarial analysis would be used to ensure that the expected value of the premium is no less than the expected value of the losses to TARP from the guarantee. The United States government would also provide a set of portfolio management guidelines to which the institution must adhere for the guaranteed portfolio.

Treasury would determine the eligibility of participants and the allocation of resources on a case-by-case basis. The program would be used for systemically significant institutions, and could be used in coordination with other programs. Treasury may, on a case-by-case basis, use this program in coordination with a broader guarantee involving one or more other agencies of the United States government.

A.5 Automotive Industry Financing Program[5]

Verbatim from Treasury's website detailing the program description of the Automotive Industry Financing Program

The Treasury will determine eligibility of participants and allocation of resources under EESA pursuant to the Program. Institutions will be considered for participation in the Automotive Industry Financing Program on a case-by-case basis. In determining whether an institution is eligible for participation, Treasury may consider, among other things:

1. The importance of the institution to production by, or financing of, the American automotive industry;
2. Whether a major disruption of the institution's operations would likely have a materially adverse effect on employment and thereby produce negative spillover effects on overall economic performance;
3. Whether the institution is sufficiently important to the nation's financial and economic system that a major disruption of its operations would, with a high probability, cause major disruptions to credit markets and significantly increase uncertainty or losses of confidence, thereby materially weakening overall economic performance; and
4. The extent and probability of the institution's ability to access alternative sources of capital and liquidity, whether from the private sector or other sources of U.S. government funds.

In making these judgments, Treasury will obtain and consider information from a variety of sources and will take into account recommendations received from regulatory bodies, as applicable, that could provide insight into the potential consequences of the failure of a particular institution.

Treasury will determine the form, terms, and conditions of any investment made pursuant to this program on a case-by-case basis in accordance with the considerations mandated in EESA. Treasury may invest in any financial instrument, including debt, equity, or warrants, that the Secretary of the Treasury determines to be a troubled asset, after consultation with the Chairman of the Board of Governors of the Federal Reserve System and notice to Congress. Treasury will require any institution participating in this program to provide Treasury with warrants or alternative consideration, as necessary, to minimize the long-term costs and maximize the benefits to the taxpayers in accordance with EESA. Treasury will also require any institution participating in the program to adhere to rigorous executive compensation standards. In addition, Treasury will consider other measures, including limitations on the institution's expenditures, or other corporate governance requirements, to protect the taxpayers' interests.

These program guidelines are being published in accordance with the requirements of Section 101(d) of EESA.

A.6 Term Asset-Backed Securities Loan Facility[6]

Verbatim from Treasury's Initial Section 105(a) Troubled Asset Relief Program Report to Congress dated 12/5/2008

Under the initial terms and conditions announced for the TALF, the Federal Reserve will lend on a non-recourse basis to holders of certain AAA-rated ABS fully secured by newly and recently originated consumer and small business loans. TALF loans will have a one-year term and will be secured by eligible collateral. Haircuts (a percentage reduction used for collateral valuation) will be determined based on the price volatility of the class of eligible collateral and will provide additional protection to the taxpayers by protecting the government from loss. Treasury will purchase up to $20 billion of subordinated debt backed by the collateral received, which will be priced at the loan value plus accrued interest. The TARP CPP guidelines on executive compensation will be applied to the originators of the credit exposures underlying the ABS.

B — Listing of Troubled Assets Purchased, by Category and Financial Institution

Table C.1 provides detailed information on troubled assets purchased, as of January 23, 2009.

TABLE C.1

TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		Citigroup Inc	$25,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		JP Morgan Chase & Co	$25,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Wells Fargo & Company	$25,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Bank of America Corp	$15,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Morgan Stanley	$10,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		The Goldman Sachs Group Inc	$10,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		NY Corp Bank of Mellon	$3,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		State Street Corporation	$2,000	10/28/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		U.S. Bancorp	$6,599	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Capital One Financial Corporation	$3,555	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Regions Financial Corp.	$3,500	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		SunTrust Banks, Inc	$3,500	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		BB&T Corp.	$3,134	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		KeyCorp	$2,500	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Comerica Inc.	$2,250	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Marshall & Ilsley Corporation	$1,715	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Northern Trust Corporation	$1,576	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Zions Bancorporation	$1,400	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Huntington Bancshares	$1,398	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Horizon National Corporation	$867	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par

Continued on the next page.

TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		TCF Financial Corporation	$361	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Valley National Bancorp	$300	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		UCBH Holdings, Inc	$299	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Umpqua Holdings Corp.	$214	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Washington Federal Inc.	$200	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Provident Bancshares Corp.	$152	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Bank of Commerce Holdings	$17	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		1st FS Corporation	$16	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Broadway Financial Corporation	$9	11/14/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Associated Banc-Corp	$525	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		City National Corporation	$400	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Webster Financial Corporation	$400	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Trustmark Corporation	$215	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Niagara Financial Group	$184	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Pacific Capital Bancorp	$181	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Boston Private Financial Holdings, Inc.	$154	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Western Alliance Bancorporation	$140	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Banner Corporation	$124	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Taylor Capital Group	$105	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Columbia Banking System, Inc	$77	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Nara Bancorp, Inc.	$67	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Ameris Bancorp	$52	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Community Bankshares Inc.	$42	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009							
Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		Heritage Commerce Corp.	$40	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Cascade Financial Corporation	$39	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Porter Bancorp Inc.	$35	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Centerstate Banks of Florida Inc.	$28	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		HF Financial Corp.	$25	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Heritage Financial Corporation	$24	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Severn Bancorp, Inc.	$23	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First PacTrust Bancorp, Inc.	$19	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Community Corporation	$11	11/21/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Popular, Inc.	$935	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		South Financial Group, Inc.	$347	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		East West Bancorp	$307	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Sterling Financial Corporation	$303	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Cathay General Bacorp	$258	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		MB Financial Inc.	$196	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Midwest Bancorp, Inc.	$193	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		United Community Banks, Inc.	$180	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		CVB Financial Corp.	$130	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Iberiabank Corporation	$90	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Midwest Banc Holdings, Inc.	$85	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Sandy Spring Bancorp, Inc.	$83	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Wesbanco Bank Inc.	$75	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Southwest Bancorp, Inc.	$70	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		Superior Bancorp Inc	$69	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Financial Holdings Inc.	$65	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Great Southern Bancorp	$58	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Southern Community Financial Corp.	$43	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Eagle Bancorp, Inc.	$38	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Defiance Financial Corp.	$37	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		TIB Financial Corp	$37	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		State Bancorp, Inc.	$37	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Encore Bancshares Inc.	$34	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Bank of North Carolina	$31	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Bank of Marin Bancorp	$28	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Blue Valley Ban Corp	$22	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Unity Bancorp, Inc.	$21	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Oak Valley Bancorp	$14	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Central Bancorp, Inc.	$10	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Coastal Banking Company, Inc.	$10	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Southern Missouri Bancorp, Inc.	$10	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Central Federal Corporation	$7	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Old Line Bancshares, Inc.	$7	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		FPB Bancorp, Inc.	$6	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Manhattan Bancorp	$2	12/5/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Wilmington Trust Corporation	$330	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Citizens Republic Bancorp, Inc.	$300	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009							
Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		Susquehanna Bancshares, Inc	$300	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		SVB Financial Group	$235	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		National Penn Bancshares, Inc.	$150	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Sterling Bancshares, Inc.	$125	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Signature Bank	$120	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Old National Bancorp	$100	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Pinnacle Financial Partners, Inc.	$95	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		TowneBank	$76	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Bank of the Ozarks, Inc.	$75	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Independent Bank Corporation	$72	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Virginia Commerce Bancorp	$71	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Wilshire Bancorp, Inc.	$62	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Center Financial Corporation	$55	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		NewBridge Bancorp	$52	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		The Bancorp, Inc.	$45	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Capital Bank Corporation	$41	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		LNB Bancorp Inc.	$25	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Indiana Community Bancorp	$22	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Citizens South Banking Corporation	$21	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		HopFed Bancorp	$18	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Valley Financial Corporation	$16	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		LSB Corporation	$15	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Litchfield Financial Corporation	$10	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		Fidelity Bancorp, Inc.	$7	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Pacific International Bancorp	$7	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Northeast Bancorp	$4	12/12/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Synovus Financial Corp.	$968	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Whitney Holding Corporation	$300	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Wintrust Financial Corporation	$250	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Heartland Financial USA, Inc.	$82	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Flushing Financial Corporation	$70	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		CoBiz Financial Inc.	$64	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Union Bankshares Corporation	$59	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		BancTrust Financial Group, Inc.	$50	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Seacoast Banking Corporation of Florida	$50	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Fidelity Southern Corporation	$48	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Berkshire Hills Bancorp, Inc.	$40	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Enterprise Financial Services Corp.	$35	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Hawthorn Bancshares, Inc.	$30	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Bancorp Rhode Island, Inc.	$30	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		StellarOne Corporation	$30	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Tennessee Commerce Bancorp, Inc.	$30	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Intermountain Community Bancorp	$27	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Alliance Financial Corporation	$27	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First California Financial Group, Inc.	$25	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Horizon Bancorp	$25	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		VIST Financial Corp.	$25	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Wainwright Bank & Trust Company	$22	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		AmeriServ Financial, Inc	$21	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Security Federal Corporation	$18	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Community Bankers Trust Corporation	$18	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Community West Bancshares	$16	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Monarch Financial Holdings, Inc.	$15	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Tidelands Bancshares, Inc	$14	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Community Financial Corporation	$13	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public	2	OneUnited Bank	$12	12/19/2008	Purchase	Preferred Stock	Par
CPP - Public		Mid Penn Bancorp, Inc.	$10	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		The Elmira Savings Bank, FSB	$9	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Citizens First Corporation	$9	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Summit State Bank	$9	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		The Connecticut Bank and Trust Company	$5	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Santa Lucia Bancorp	$4	12/19/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		M&T Bank Corporation	$600	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Fulton Financial Corporation	$377	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		International Bancshares Corporation	$216	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Park National Corporation	$100	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Financial Bancorp	$80	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Green Bankshares, Inc.	$72	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Sterling Bancorp	$42	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		Financial Institutions, Inc.	$38	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		MutualFirst Financial, Inc.	$32	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Parkvale Financial Corporation	$32	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		HMN Financial, Inc.	$26	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Peoples Bancorp of North Carolina, Inc.	$25	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Intervest Bancshares Corporation	$25	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Bridge Capital Holdings	$24	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Timberland Bancorp, Inc.	$17	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		1st Constitution Bancorp	$12	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Cecil Bancorp, Inc.	$12	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Central Jersey Bancorp	$11	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		BCSB Bancorp, Inc.	$11	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Community Bank Corporation of America	$11	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		United Bancorporation of Alabama, Inc.	$10	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Emclaire Financial Corp.	$8	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Sound Bank	$7	12/23/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public	2	Mission Valley Bancorp	$6	12/23/2008	Purchase	Preferred Stock	Par
CPP - Public		The PNC Financial Services Group, Inc.	$7,579	12/31/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Fifth Third Bancorp	$3,408	12/31/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		CIT Group Inc.	$2,330	12/31/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		SunTrust Banks, Inc	$1,350	12/31/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Hampton Roads Bankshares, Inc.	$80	12/31/2008	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		West Bancorporation, Inc	$36	12/31/2008	Purchase	Preferred Stock w/ Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		Bank of America Corp	$10,000	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		American Express Company	$3,389	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Central Pacific Financial Corp.	$135	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Merit Corporation	$125	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		FNB Corporation	$100	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Sun Bancorp, Inc.	$89	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Independent Bank Corporation	$78	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Bancorp	$65	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Cadence Financial Corporation	$44	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Security Group, Inc.	$33	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Centrue Financial Corporation	$33	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Farmers Capital Bank Corporation	$30	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Peapack-Gladstone Financial Corporation	$29	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Colony Bankcorp, Inc.	$28	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		The First Bancorp, Inc.	$25	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Crescent Financial Corporation	$25	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Eastern Virginia Bankshares, Inc.	$24	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		C&F Financial Corporation	$20	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Financial Service Corporation	$20	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		MidSouth Bancorp	$20	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Codorus Valley Bancorp, Inc.	$17	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Carolina Bank Holdings Inc	$16	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		LCNB Corp.	$13	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par

Continued on the next page.

TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		North Central Bancshares, Inc.	$10	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Center Bancorp, Inc.	$10	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Commerce National Bank	$5	1/9/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Private	2	Mission Community Bancorp	$5	1/9/2009	Purchase	Preferred Stock	Par
CPP - Public		First BanCorp	$400	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		S&T Bancorp	$109	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Texas Capital Bancshares, Inc.	$75	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Old Second Bancorp, Inc.	$73	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		SCBT Financial Corporation	$65	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		MainSource Financial Group, Inc.	$57	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Home Bancshares, Inc.	$50	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		MetroCorp Bancshares, Inc.	$45	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		OceanFirst Financial Corp.	$38	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Yadkin Valley Financial Corporation	$36	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Pulaski Financial Corp	$33	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Citizens & Northern Corporation	$26	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Washington Banking Company/ Whidbey Island Bank	$26	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		United Bancorp, Inc.	$21	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public	2	Carver Bancorp, Inc	$19	1/16/2009	Purchase	Preferred Stock	Par
CPP - Public		Bar Harbor Bankshares/Bar Harbor Bank & Trust	$19	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		ECB Bancorp, Inc./East Carolina Bank	$18	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public	2	Southern Bancorp, Inc.	$11	1/16/2009	Purchase	Preferred Stock	Par
CPP - Public		New Hampshire Thrift Bancshares, Inc.	$10	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Somerset Hills Bancorp	$7	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public	2	Community Bank of the Bay	$2	1/16/2009	Purchase	Preferred Stock	Par

Continued on the next page.

TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Public		1st Source Corporation	$111	1/23/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		WSFS Financial Corporation	$53	1/23/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		Princeton National Bancorp, Inc.	$25	1/23/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		First Citizens Banc Corp	$23	1/23/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Public		AB&T Financial Corporation	$4	1/23/2009	Purchase	Preferred Stock w/ Warrants	Par
CPP - Private	1	Plains Capital Corporation	$88	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Exchange Bank	$43	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Bridgeview Bancorp, Inc.	$38	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Fidelity Financial Corporation	$36	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Marquette National Corporation	$36	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Patriot Bancshares, Inc.	$26	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Pacific City Financial Corporation	$16	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Tri-County Financial Corporation	$16	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	NCAL Bancorp	$10	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	FCB Bancorp, Inc.	$9	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	FFW Corporation	$7	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Patapsco Bancorp, Inc.	$6	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Monadnock Bancorp, Inc.	$2	12/19/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Nicolet Bankshares, Inc.	$15	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Magna Bank	$14	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Pacific Coast Bankers' Bancshares	$12	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Citizens Bancorp	$10	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Uwharrie Capital Corp	$10	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par

Continued on the next page.

TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Private	1	The Little Bank, Incorporated	$8	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Western Community Bancshares, Inc.	$7	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Western Illinois Bancshares, Inc.	$7	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Leader Bancorp, Inc.	$6	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Cache Valley Banking Company	$5	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Capital Bancorp, Inc.	$5	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Pacific Commerce Bank	$4	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Capital Pacific Bancorp	$4	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Citizens Community Bank	$3	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Tennessee Valley Financial Holdings, Inc.	$3	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Community Investors Bancorp, Inc.	$3	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	TCNB Financial Corp.	$2	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Seacoast Commerce Bank	$2	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Saigon National Bank	$2	12/23/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	First Banks, Inc	$295	12/31/2008	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	New York Private Bank & Trust Corporation	$267	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Shore Bancshares, Inc.	$25	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Community Trust Financial Corporation	$24	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	The Queensborough Company	$12	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	GrandSouth Bancorporation	$9	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Security California Bancorp	$7	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	American State Bancshares, Inc	$6	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Rising Sun Bancorp	$6	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par

Continued on the next page.

TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Private	1	Security Business Bancorp	$6	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Valley Community Bank	$6	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Texas National Bancorporation	$4	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Congaree Bancshares, Inc.	$3	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Sound Banking Company	$3	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Redwood Financial, Inc	$3	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Surrey Bancorp	$2	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Independence Bank	$1	1/9/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Dickinson Financial Corporation II	$146	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	State Bankshares, Inc.	$50	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	The Baraboo Bancorporation	$21	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	BNCCORP, Inc.	$20	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Centra Financial Holdings, Inc./ Centra Bank, Inc.	$15	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Morrill Bancshares, Inc.	$13	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	First Manitowoc Bancorp, Inc.	$12	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	TCB Holding Company, Texas Community Bank	$12	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	First Bankers Trustshares, Inc.	$10	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Syringa Bancorp	$8	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Idaho Bancorp	$7	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	United Financial Banking Companies, Inc.	$6	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Puget Sound Bank	$5	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Pacific Coast National Bancorp	$4	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Redwood Capital Bancorp	$4	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par

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TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
CPP - Private	1	Treaty Oak Bancorp, Inc.	$3	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Bank of Commerce	$3	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Community 1st Bank	$3	1/16/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Liberty Bancshares, Inc.	$58	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	BankFirst Capital Corporation	$16	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Stonebridge Financial Corp.	$11	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Crosstown Holding Company	$11	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Midland States Bancorp, Inc.	$10	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Farmers Bank	$9	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Commonwealth Business Bank	$8	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Pierce County Bancorp	$7	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Alarion Financial Services, Inc.	$7	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Moscow Bancshares, Inc.	$6	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Seaside National Bank & Trust	$6	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Southern Illinois Bancorp, Inc.	$5	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	First ULB Corp.	$5	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	CalWest Bancorp	$5	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	California Oaks State Bank	$3	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	FPB Financial Corp.	$3	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Fresno First Bank	$2	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
CPP - Private	1	Calvert Financial Corporation	$1	1/23/2009	Purchase	Preferred Stock w/ Exercised Warrants	Par
SSFI		AIG	$40,000	11/25/2008	Purchase	Preferred Stock w/ Warrants	Par
TIP		Citigroup	$20,000	12/31/2008	Purchase	Preferred Stock w/ Warrants	Par

Continued on the next page.

TROUBLED ASSETS PURCHASED, AS OF 1/23/2009

Program	Note	Company	Expended (millions)	Date	Transaction Type	Description of Investment	Pricing Mechanism
TIP		Bank of America Corporation	$20,000	1/16/2009	Purchase	Preferred Stock w/ Warrants	Par
AIFP		General Motors Corporation	$884	12/29/2008	Purchase	Debt Obligation	N/A
AIFP		GMAC LLC	$5,000	12/29/2008	Purchase	Preferred Stock w/ Exercised Warrants	Liquidation Preference
AIFP		General Motors Corporation	$9,400	12/31/2008	Purchase	Debt Obligation w/ Warrants	N/A
AIFP		Chrysler Holding LLC	$4,000	1/2/2009	Purchase	Debt Obligation w/ Additional Notes	N/A
AIFP	3	Chrysler Financial Services Americas LLC	$1,500	1/16/2009	Purchase	Debt Obligation w/ Additional Notes	N/A
AGP	4	Citigroup Inc.	$5,000	1/16/2009	Guarantee	Second Loss Guarantee on Asset Pool	
TOTAL	**5**		**$299,961**				

Notes:
1 Privately held qualified financial institution; Treasury received a warrant to purchase additional shares of preferred stock, which it exercised immediately.
2 To promote community development financial institutions (CDFIs), Treasury did not require warrants as part of its investment.
3 The loan was funded through Chrysler LB Receiveables Trust, a special purpose vehicle created by Chrysler Financial. The amount of $1,500,000,000 is the maximum loan amount. The loan will be incrementally funded at $100 million per week. (As of 1/23/09, $300 million has been funded.)
4 Treasury committed $5 billion to Citigroup under the Asset Guarantee Program; however, this funding is conditional based on losses realized and may potentially never be expended. This amount is not an actual outlay of cash.
5 $299.961 billion represents total amount commited as of 1/23/09. Expended amounts is total comitments or purchases made of $299.961 billion less the $5 billion Citigroup guarantee that has not been expended (see note 4) and less the $1.2 billion of the Chrysler financial loan, which has not yet been disbursed (see note 3).

Key:
CPP Capital Purchase Program
SSFI Systemically Significant Failing Institution Program
TIP Targeted Investment Program
AIFP Automotive Industry Financing Program
AGP Asset Guarantee Program

C — Explanation of the Secretary

In response to SIGTARP's data call seeking the Secretary's explanation as to the necessity of the asset purchases under EESA, Treasury referred SIGTARP to the Treasury website, stating "Treasury has posted several documents on its website that are responsive to this question." Set forth are these following explanations.

C.1 Capital Purchase Program[7]

Verbatim from Treasury's website detailing the program description of the Capital Purchase Program

To encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy.

C.2 Systemically Significant Failing Institutions Program[8]

Verbatim from Treasury's website detailing the program description of the Systemically Significant Failing Institutions Program

The primary objective of this program is to provide stability and prevent disruption to financial markets in order to limit the impact on the economy and protect American jobs, savings, and retirement security from the failure of a systemically significant institution. In an environment of substantially reduced confidence, severe strains, and high volatility in financial markets, the disorderly failure of a systemically significant institution could impose significant losses on creditors and counterparties, call into question the financial strength of other similarly situated financial institutions, disrupt financial markets, raise borrowing costs for households and businesses, and reduce household wealth. The resulting financial strains could threaten the viability of otherwise financially sound businesses, institutions, and municipalities, resulting in adverse spillovers on employment, output, and income.

C.3 Targeted Investment Program[9]

Verbatim from Treasury's website detailing the program description of the Target Investment Program

The objective of this program is to foster financial market stability and thereby to strengthen the economy and protect American jobs, savings, and retirement security. In an environment of high volatility and severe financial market strains, the loss of confidence in a financial institution could result in significant market disruptions that threaten the financial strength of similarly situated financial institutions and thus impair broader financial markets and pose a threat to the overall economy. The resulting financial strains could threaten the viability of otherwise financially sound businesses, institutions, and municipalities, resulting in adverse spillovers on employment, output, and incomes.

C.4 Asset Guarantee Program[10]

Verbatim from Treasury's Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act, dated 12/31/2008

The objective of this program is to foster financial market stability and thereby to strengthen the economy and protect American jobs, savings, and retirement security. In an environment of high volatility and severe financial market strains, the loss of confidence in a financial institution could result in significant market disruptions that threaten the financial strength of similarly situated financial institutions and thus impair broader financial markets and pose a threat to the overall economy. The resulting financial strains could threaten the viability of otherwise financially sound businesses, institutions, and municipalities, resulting in adverse spillovers on employment, output, and incomes.

C.5 Automotive Industry Financing Program[11]

Verbatim from Treasury's website detailing the program description of the Automotive Industry Financing Program

The objective of this program is to prevent a significant disruption of the American automotive industry that poses a systemic risk to financial market stability and will have a negative effect on the real economy of the United States. The program will require steps be taken by participating firms to implement plans that achieve long-term viability.

C.6 Term Asset-Backed Securities Loan Facility[12]

Verbatim from Treasury's Initial Section 105(a) Troubled Asset Relief Program Report to Congress dated 12/5/2008

This facility will help market participants meet the credit needs of households and small businesses by supporting the issuance of asset-backed securities (ABS) collateralized by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration.

D — For a listing of each financial institution troubled assets were purchased from, see section B of this appendix.

E — Listing and Detailed Biographical Information

As required by EESA, biographical information on each person or entity hired to assist in managing troubled assets or other aspects of TARP has to be made available by Treasury. However, as of January 23, 2009, "the TARP has not hired any asset managers. The process for hiring these firms is well underway."[13]

Table C.2 provides the biographical information of all the vendors currently serving the Office of Financial Stability.[14]

TABLE C.2

VENDORS CURRENTLY SERVING THE OFFICE OF FINANCIAL STABILITY

Contractor	Profile
Simpson, Thacher & Bartlett, LLP	Simpson Thacher & Bartlett LLP is a global law firm with offices in New York; Los Angeles; Palo Alto; Washington, D.C.; Beijing; Hong Kong; London; and Tokyo. The firm provides coordinated legal advice on the largest and most complex corporate transactions and litigation matters in numerous industries, including financial services, insurance, power and natural resources, consumer products, services, technology, telecommunications, media, pharmaceuticals, and health care.
EnnisKnupp & Associates, Inc.	EnnisKnupp is a Chicago-based consulting firm that provides results-oriented advice to institutional investors. The firm was founded in 1981 by Richard Ennis and Jim Knupp, who established the first consulting practice at A.G. Becker (the forerunner of SEI), in 1975. Enni Knupp has created a diverse client base, which includes not-for-profit organizations, foundations, and other endowed institutions, as well as corporate, public and jointly trusted retirement funds. In total, they serve 159 retainer clients with aggregate assets of more than $820 billion.
Bank of New York Mellon	Established in 2007 from the merger of Mellon Financial Corporation and the Bank of New York Company, Inc., the Bank of New York Mellon is a leading asset management and securities services company, uniquely focused to help clients manage and move their financial assets and succeed in the rapidly changing global marketplace. Headquartered in New York, the Bank of New York Mellon has more than $23 trillion in assets under custody or administration and more than $1.1 trillion under management.
Pricewaterhouse Coopers, LLP	PricewaterhouseCoopers is a professional services organization. The company provides a full range of business advisory services to public institutions and global, national, and local companies. Services include audit, accounting, and tax advice, as well as management, information technology, and HR consulting. PricewaterhouseCoopers also provides financial advisory services.
Ernst & Young, LLP	Ernst & Young is a professional services firm that provides assurance and advisory business services, tax services, and consulting for clients worldwide.
GSA – Turner Consulting	Turner Consulting Group specializes in delivering high quality, individually tailored e-Government and e-Business solutions. Headquartered in Washington, D.C., TCG is a small business that has successfully conceived, created, integrated, and secured interactive environments since 1994.

Continued on the next page.

VENDORS CURRENTLY SERVING THE OFFICE OF FINANCIAL STABILITY

Contractor	Profile
Hughes Hubbard & Reed, LLP	A law firm with offices in New York; Washington, D.C.; Los Angeles; Miami; Jersey City; Paris; and Tokyo. Hughes Hubbard offers expertise in a wide range of practice areas, including mergers and acquisitions, public offerings, corporate reorganization, real estate and cross-border transactions, securities litigation, arbitration, product liability, antitrust, intellectual property, labor, employee benefits, and tax.
Squire, Sanders & Dempsey	Squire, Sanders & Dempsey L.L.P. (Squire Sanders) is a multi-jurisdictional law firm with more than 850 lawyers practicing in offices throughout the Americas, Europe, and Asia. Squire Sanders operates as a single global partnership, which ensures client accountability and the seamless delivery of uniformly high-quality legal services throughout the world. Squire Sanders is organized around four major practice areas: advocacy, business, capital markets, and regulated industries.
Lindholm & Associates	Lindholm & Associates, Inc., was founded in 2000 as a woman-owned small business providing innovative management solutions, strategies, tools, and services for improving workforce and organizational performance. Lindholm & Associates, Inc., assists public- and private-sector entities in meeting workforce demands, achieving higher levels of human and organizational performance, and mapping strategies for tomorrow. Lindholm & Associates, Inc., applies expertise in organizational development, information technology, strategic and human capital planning and design, human resources management, and workforce solutions.
Securities and Exchange Commission	This U.S. federal agency's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.
Trade and Tax Bureau – Treasury	The Trade and Tax Bureau—Treasury (TTB) is the newest bureau under Treasury. TTB's mission is to collect alcohol, tobacco, firearms, and ammunition excise taxes; to ensure that these products are labeled, advertised, and marketed in accordance with the law; and to administer the laws and regulations in a manner that protects the consumer and the revenue, and promotes voluntary compliance.
The Washington Post	The Washington Post is a diversified media company whose principal operations include newspaper and magazine publishing, television broadcasting, cable television systems, electronic information services, test preparation, and educational and career services. The company is headquartered in Washington, D.C.
Department of Housing and Urban Development	HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. To fulfill this mission, HUD will embrace high standards of ethics, management, and accountability and forge new partnerships particularly with faith-based and community organizations that leverage resources and improve HUD's ability to be effective on the community level.
Sonnenschein Nath & Rosenthal	Sonnenschein is a leader in providing legal services, serving clients through integrated, inter-office cooperation and teamwork among practice groups in 15 offices in the U.S. and Europe, and a global reach throughout the Americas, Asia, and the Middle East.
Regus	Regus is an international provider of workplace solutions, operating more than 950 business centers across 400 cities in 70 countries. Products and services include fully furnished, equipped, and staffed offices, business support services, meeting conference and training facilities, and a large network of public videoconference rooms.
Colonial Parking	Colonial Parking offers local and national real estate professionals a variety of services that are needed to plan for, operate, improve, maintain, and manage parking facilities associated with real estate products in the commercial office, hospitality, retail, mixed-use, residential, health care, and institutional areas.

Sources:
Treasury, "Program Descriptions, Capital Purchase Program," www.treas.gov, accessed 1/25/2009.
Treasury, "Program Descriptions, Guidelines for Systemically Significant Failing Institutions Program," www.treas.gov, accessed 1/25/2009.
Treasury, "Program Descriptions, Target Investment Program," www.treas.gov, accessed 1/25/2009.
Treasury, "Program Descriptions, Automotive Industry Financing Program," www.treas.gov, accessed 1/25/2009.
Treasury: Office of Financial Stability, "Report to Congress Pursuant to Section 102 of Energy Economic Stabilization Act," www.treas.gov, 12/31/2008.
Treasury: Office of Financial Stability, "Initial Section 105(a) Troubled Asset Relief Program Report to Congress for the period of October 6, 2008 to November 30, 2008," 12/5/2008.
Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transaction Report," 1/27/2009.
Treasury: Office of Financial Stability, response to SIGTARP data call, 1/17/2009.

F — Current Estimate of the Total Amount of Troubled Assets Purchased

Table C.3 provides the total amount of troubled assets purchased and on the books of Treasury, as of January 23, 2009.[15]

As of January 23, 2009, no troubled assets have been sold; therefore, no profits or losses have been incurred.[16] As of January 23, 2009, revenue to date has been in the form of dividend payments received under CPP. Table C.6 provides a breakdown of payments received.

G — Insurance Contracts

"On January 16, 2009, TARP closed on the guarantee transaction with Citigroup, as announced in a joint statement by the Treasury, Federal Reserve and FDIC on November 23, 2008. No other insurance contracts have been issued,"[17] as of January 23, 2009. Details of the terms and conditions of insurance contract are included in Section 3: "Institution-Specific Assistance."

TABLE C.3

TOTAL AMOUNT OF TROUBLED ASSETS PURCHASED AND ON TREASURY'S BOOKS, AS OF JANUARY 23, 2009 **($ millions)**

	Obligations[1]	Expended[2]	On Treasury's Books[3]
Capital Purchase Program (CPP)	194,177	194,177	194,177
Systemically Significant Failing Institutions (AIG)	40,000	40,000	40,000
Targeted Investment Program			
1) Citigroup	20,000	20,000	20,000
2) Bank of America	20,000	20,000	20,000
Subtotal — Target Investment Program	**40,000**	**40,000**	**40,000**
Automotive Industry Financing Program (AIFP)			
1) GMAC	5,000	5,000	5,000
2) General Motors Corporation	9,400	9,400	9,400
3) General Motors Corporation	884	884	884
4) Chrysler Holding LLC	4,000	4,000	4,000
5) Chrysler Financial Services Americas	1,500	300	300
Subtotal — Automotive Industry Financing Program	**20,784**	**19,584**	**19,584**
Asset Guarantee Program (Citigroup)	5,000	-	-
TOTAL	**299,961**	**293,761**	**293,761**

Notes:
[1] From a budgetary perspective, what Treasury has committed to spend (e.g., signed agreements with TARP fund recipients).
[2] Represents TARP cash that has left the Treasury.
[3] All assets are currently carried at par value.

H — For a detailed statement of all purchases, see section B of this appendix

For a detailed statement of all obligations, see section F of this appendix

Detailed Statement of all Expenditures and Revenues

Treasury stated that it has incurred $3.88 million in TARP-related administrative expenditures through December 31, 2008, and that these administrative expenditures are expected to total $6.5 million through January 31, 2009. Table C.4 summarizes actual administrative TARP expenditures as of December 31, 2008, and projected administrative expenses for the period ending January 31, 2009.

In addition to administrative expenses, Treasury has released the details of programmatic expenditures. These expenditures include costs to hire financial agents and legal firms associated with TARP operations. Table C.5 indicates the allocation of these programmatic costs as of December 31, 2008.

As of January 23, 2009, revenue to date has been in the form of dividend payments received under CPP. Table C.6 provides a breakdown of payments received.

Endnotes

1 Treasury, "Initial Section 105(a) Troubled Asset Relief Program Report to Congress," 12/5/2008, www.treas.gov, accessed 1/25/2009.
2 Treasury, "Initial Section 105(a) Troubled Asset Relief Program Report to Congress," 12/5/2008, www.treas.gov, accessed 1/25/2009.
3 Treasury, "Target Investment Program," www.treas.gov, accessed 1/25/2009.
4 Treasury, "Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act," 12/31/08, www.treas.gov, accessed 1/25/09.
5 Treasury, "Automotive Industry Financing Program," www.treas.gov, accessed 1/25/2009.
6 Treasury, "Initial Section 105(a) Troubled Asset Relief Program Report to Congress," 12/5/2008, www.treas.gov, accessed 1/25/2009.
7 Treasury, "Capital Purchase Program," www.treas.gov, accessed 1/25/2009.
8 Treasury, "Guidelines for Systemically Significant Failing Institutions Program, www.treas.gov, accessed 1/25/2009.
9 Treasury, "Targeted Investment Program," www.treas.gov, accessed 1/25/2009.
10 Treasury, "Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act," 12/31/08, www.treas.gov, accessed 1/25/09.
11 Treasury, "Automotive Industry Financing Program," www.treas.gov, accessed 1/25/2009.
12 Treasury, "Initial Section 105(a) Troubled Asset Relief Program Report to Congress," 12/5/2008, www.treas.gov, accessed 1/25/2009.
13 Treasury, Office of Financial Stability, response to SIGTARP data call, 1/7/2009.
14 Treasury, Office of Financial Stability, response to SIGTARP data call, 1/7/2009.
15 Treasury, Office of Financial Stability, response to SIGTARP data call, 1/7/2009.
16 Treasury, Office of Financial Stability, response to SIGTARP data call, 1/7/2009.
17 Treasury, Office of Financial Stability, response to SIGTARP data call, 1/7/2009.

TABLE C.4

ADMINISTRATIVE TARP EXPENDITURES				
	For Period Ending December 31, 2008		For Period Ending January 31, 2009	
Budget Object Class Title	Obligations	Expenditures	Projected Obligations	Projected Expenditures
PERSONNEL SERVICES				
Personnel Compensation & Services	$713,928	$713,928	$1,193,000	$1,193,000
Total Personnel Services	**$713,928**	**$713,928**	**$1,193,000**	**$1,193,000**
NON-PERSONNEL SERVICES				
Travel & Transportation of Persons	$12,993	$6,725	$17,000	$12,000
Transportation of Things				
Rents, Communications, Utilities & Misc. Charges	$87,642	$87,642	$738,000	$153,000
Printing & Reproduction	$7,227	$7,227	$8,000	$8,000
Other Services	$4,730,497	$3,040,209	$24,417,000	$4,980,000
Supplies & Materials	$4,964	$4,784	$130,000	$130,000
Equipment	$20,844	$20,844	$50,000	$50,000
Total Non-Personnel Services	**$4,864,167**	**$3,167,431**	**$25,360,000**	**$5,333,000**
GRAND TOTAL	**$5,578,095**	**$3,881,359**	**$26,553,000**	**$6,526,000**

Source: Treasury: Office of Financial Stability, response to SIGTARP data call, 1/17/09.

TABLE C.5

TARP PROGRAMMATIC EXPENDITURES FOR THE PERIOD ENDING DECEMBER 31, 2008	
Vendor Name	Expenditure
EnnisKnupp	$675,000
Simpson, Thacher & Bartlett	825,000
Squire Sanders & Dempsey	786,147
Hughes Hubbard & Reed	530,000
Thacher Proffitt & Wood	475,000
Bank of New York Mellon	4,116,515
Pension Benefit Guarantee Corp	350,000
GRAND TOTAL	**$7,757,662**

Source: Treasury: Office of Financial Stability, response to SIGTARP data call, 1/17/09.

TABLE C.6

CPP DIVIDEND PAYMENTS THROUGH JANUARY 23, 2009		
Date	Amount	Institution
12/1/2008	114,583,333	JPMorgan Chase
12/15/2008	13,055,556	State Street
	15,069,444	SunTrust
12/22/2008	21,666,667	BNYMellon
1/15/2009	106,944,444	Morgan Stanley
TOTAL	**$271,319,444**	

Source: Treasury: Office of Financial Stability, response to SIGTARP data call, 1/17/09.

WARRANTS

When a warrant's exercise price is lower than the current market price of the stock, the warrants are "in the money." When the strike price (exercise price) is above the stock's market price, it is "out of the money." It is important to note that even warrants that are "out of the money" have value; this value is based on the possibility that the share price will eventually rise above the strike price. It is not unusual that warrants are "out of the money" when they are issued. The following table contains the current status of the warrants that Treasury obtained under CPP, SSFI, TIP, AIFP, and AGP.

STATUS OF WARRANTS TREASURY OBTAINED UNDER CPP, SSFI, TIP, AIFP, AND AGP

Company	Ticker Symbol	Exchange	Program	Number of Warrants Received	Strike Price as Stated in the Agreements	Stock Price as of 1/23/2009	In or Out of Money?	Amount In the Money (Out of the Money) as of 1/23/2009
1st Constitution Bancorp	FCCY	NASDAQ	CPP - Public	200,222	$8.99	$7.66	OUT	($1.33)
1st FS Corporation	FFIS.OB	OTC BB	CPP - Public	276,815	$8.87	$7.99	OUT	($0.88)
1st Source Corporation	SRCE	NASDAQ	CPP - Public	837,947	$19.87	$17.43	OUT	($2.44)
AB&T Financial Corporation	ABTO.OB	OTC BB	CPP - Public	80,153	$6.55	$6.90	IN	$0.35
Alliance Financial Corporation	ALNC	NASDAQ	CPP - Public	173,069	$23.33	$18.35	OUT	($4.98)
American Express Company	AXP	NYSE	CPP - Public	24,264,129	$20.95	$16.00	OUT	($4.95)
Ameris Bancorp	ABCB	NASDAQ	CPP - Public	679,443	$11.48	$7.78	OUT	($3.70)
AmeriServ Financial, Inc	ASRV	NASDAQ	CPP - Public	1,312,500	$2.40	$1.70	OUT	($0.70)
Associated Banc-Corp	ASBC	NASDAQ	CPP - Public	3,983,308	$19.77	$15.49	OUT	($4.28)
Bancorp Rhode Island, Inc.	BARI	NASDAQ	CPP - Public	192,967	$23.32	$20.50	OUT	($2.82)
BancTrust Financial Group, Inc.	BTFG	NASDAQ	CPP - Public	730,994	$10.26	$10.12	OUT	($0.14)
Bank of America Corporation	BAC	NYSE	CPP - Public	48,717,116	$30.79	$6.24	OUT	($24.55)
Bank of America Corporation	BAC	NYSE	CPP - Public	73,075,674	$30.79	$6.24	OUT	($24.55)
Bank of Commerce Holdings	BOCH	NASDAQ	CPP - Public	405,405	$6.29	$3.92	OUT	($2.37)
Bank of Marin Bancorp	BMRC	NASDAQ	CPP - Public	154,242	$27.23	$19.80	OUT	($7.43)
Bank of New York Mellon Corporation	BK	NYSE	CPP - Public	14,516,129	$31.00	$23.88	OUT	($7.12)
Bank of North Carolina	BNCN	NASDAQ	CPP - Public	543,337	$8.63	$7.15	OUT	($1.48)
Bank of the Ozarks, Inc.	OZRK	NASDAQ	CPP - Public	379,811	$29.62	$21.46	OUT	($8.16)
Banner Corporation	BANR	NASDAQ	CPP - Public	1,707,989	$10.89	$4.97	OUT	($5.92)
Bar Harbor Bankshares/Bar Harbor Bank & Trust	BHB	AMEX	CPP - Public	104,910	$26.81	$22.00	OUT	($4.81)
BB&T Corp.	BBT	NYSE	CPP - Public	13,902,573	$33.81	$20.04	OUT	($13.77)
BCSB Bancorp, Inc.	BCSB	NASDAQ	CPP - Public	183,465	$8.83	$7.65	OUT	($1.18)
Berkshire Hills Bancorp, Inc.	BHLB	NASDAQ	CPP - Public	226,330	$26.51	$25.31	OUT	($1.20)
Blue Valley Ban Corp	BVBC.OB	OTC BB	CPP - Public	111,083	$29.37	$15.00	OUT	($14.37)
Boston Private Financial Holdings, Inc.	BPFH	NASDAQ	CPP - Public	2,887,500	$8.00	$4.34	OUT	($3.66)
Bridge Capital Holdings	BBNK	NASDAQ	CPP - Public	396,412	$9.03	$5.04	OUT	($3.99)
Broadway Financial Corporation	BYFC	NASDAQ	CPP - Public	183,175	$7.37	$4.25	OUT	($3.12)
C&F Financial Corporation	CFFI	NASDAQ	CPP - Public	167,504	$17.91	$14.06	OUT	($3.85)
Cadence Financial Corporation	CADE	NASDAQ	CPP - Public	1,145,833	$5.76	$4.24	OUT	($1.52)
Capital Bank Corporation	CBKN	NASDAQ	CPP - Public	749,619	$8.26	$5.50	OUT	($2.76)

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STATUS OF WARRANTS TREASURY OBTAINED UNDER CPP, SSFI, TIP, AIFP, AND AGP

Company	Ticker Symbol	Exchange	Program	Number of Warrants Received	Strike Price as Stated in the Agreements	Stock Price as of 1/23/2009	In or Out of Money?	Amount In the Money (Out of the Money) as of 1/23/2009
Capital One Financial Corporation	COF	NYSE	CPP - Public	12,657,960	$42.13	$19.32	OUT	($22.81)
Carolina Bank Holdings, Inc.	CLBH	NASDAQ	CPP - Public	357,675	$6.71	$5.79	OUT	($0.92)
Cascade Financial Corporation	CASB	NASDAQ	CPP - Public	863,442	$6.77	$3.50	OUT	($3.27)
Cathay General Bancorp	CATY	NASDAQ	CPP - Public	1,846,374	$20.96	$13.89	OUT	($7.07)
Cecil Bancorp, Inc.	CECB.OB	OTC BB	CPP - Public	261,538	$6.63	$6.75	IN	$0.12
Center Bancorp, Inc.	CNBC	NASDAQ	CPP - Public	173,410	$8.65	$7.00	OUT	($1.65)
Center Financial Corporation	CLFC	NASDAQ	CPP - Public	864,780	$9.54	$5.58	OUT	($3.96)
Centerstate Banks of Florida Inc.	CSFL	NASDAQ	CPP - Public	250,825	$16.67	$13.94	OUT	($2.73)
Central Bancorp, Inc.	CEBK	NASDAQ	CPP - Public	234,742	$6.39	$5.30	OUT	($1.09)
Central Federal Corporation	CFBK	NASDAQ	CPP - Public	336,568	$3.22	$2.99	OUT	($0.23)
Central Jersey Bancorp	CJBK	NASDAQ	CPP - Public	268,621	$6.31	$7.25	IN	$0.94
Central Pacific Financial Corp.	CPF	NYSE	CPP - Public	1,585,748	$12.77	$6.14	OUT	($6.63)
Centrue Financial Corporation	TRUE	NASDAQ	CPP - Public	508,320	$9.64	$4.85	OUT	($4.79)
CIT Group Inc.	CIT	NYSE	CPP - Public	88,705,584	$3.94	$2.55	OUT	($1.39)
Citigroup Inc.	C	NYSE	CPP - Public	210,084,034	$17.85	$3.47	OUT	($14.38)
Citizens & Northern Corporation	CZNC	NASDAQ	CPP - Public	194,794	$20.36	$16.59	OUT	($3.77)
Citizens First Corporation	CZFC	NASDAQ	CPP - Public	254,218	$5.18	$4.10	OUT	($1.08)
Citizens Republic Bancorp, Inc.	CRBC	NASDAQ	CPP - Public	17,578,125	$2.56	$1.55	OUT	($1.01)
Citizens South Banking Corporation	CSBC	NASDAQ	CPP - Public	428,870	$7.17	$4.98	OUT	($2.19)
City National Corporation	CYN	NYSE	CPP - Public	1,128,668	$53.16	$32.99	OUT	($20.17)
Coastal Banking Company, Inc.	CBCO.OB	OTC BB	CPP - Public	205,579	$7.26	$4.75	OUT	($2.51)
CoBiz Financial Inc.	COBZ	NASDAQ	CPP - Public	895,968	$10.79	$5.50	OUT	($5.29)
Codorus Valley Bancorp, Inc.	CVLY	NASDAQ	CPP - Public	263,859	$9.38	$7.88	OUT	($1.50)
Colony Bankcorp, Inc.	CBAN	NASDAQ	CPP - Public	500,000	$8.40	$8.29	OUT	($0.11)
Columbia Banking System, Inc.	COLB	NASDAQ	CPP - Public	796,046	$14.49	$8.27	OUT	($6.22)
Comerica Inc.	CMA	NYSE	CPP - Public	11,479,592	$29.40	$17.10	OUT	($12.30)
Commerce National Bank	CNBF.OB	OTC BB	CPP - Public	87,209	$8.60	$6.00	OUT	($2.60)
Community Bankers Trust Corporation	BTC	AMEX	CPP - Public	780,000	$3.40	$2.67	OUT	($0.73)
Community Financial Corporation	CFFC	NASDAQ	CPP - Public	351,194	$5.40	$3.80	OUT	($1.60)
Community West Bancshares	CWBC	NASDAQ	CPP - Public	521,158	$4.49	$3.50	OUT	($0.99)
Crescent Financial Corporation	CRFN	NASDAQ	CPP - Public	833,705	$4.48	$3.50	OUT	($0.98)
CVB Financial Corp	CVBF	NASDAQ	CPP - Public	1,669,521	$11.68	$8.77	OUT	($2.91)
Eagle Bancorp, Inc.	EGBN	NASDAQ	CPP - Public	770,867	$7.44	$5.85	OUT	($1.59)
East West Bancorp	EWBC	NASDAQ	CPP - Public	3,035,109	$15.15	$8.82	OUT	($6.33)

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STATUS OF WARRANTS TREASURY OBTAINED UNDER CPP, SSFI, TIP, AIFP, AND AGP

Company	Ticker Symbol	Exchange	Program	Number of Warrants Received	Strike Price as Stated in the Agreements	Stock Price as of 1/23/2009	In or Out of Money?	Amount In the Money (Out of the Money) as of 1/23/2009
Eastern Virginia Bankshares, Inc.	EVBS	NASDAQ	CPP - Public	373,832	$9.63	$9.87	IN	$0.24
ECB Bancorp, Inc./East Carolina Bank	ECBE	NASDAQ	CPP - Public	144,984	$18.57	$17.74	OUT	($0.83)
Emclaire Financial Corp.	EMCF.OB	OTC BB	CPP - Public	50,111	$22.45	$23.50	IN	$1.05
Encore Bancshares Inc.	EBTX	NASDAQ	CPP - Public	364,026	$14.01	$7.08	OUT	($6.93)
Enterprise Financial Services Corp.	EFSC	NASDAQ	CPP - Public	324,074	$16.20	$11.14	OUT	($5.06)
F.N.B. Corporation	FNB	NYSE	CPP - Public	1,302,083	$11.52	$7.90	OUT	($3.62)
Farmers Capital Bank Corporation	FFKT	NASDAQ	CPP - Public	223,992	$20.09	$20.05	OUT	($0.04)
Fidelity Bancorp, Inc.	FSBI	NASDAQ	CPP - Public	121,387	$8.65	$7.48	OUT	($1.17)
Fidelity Southern Corporation	LION	NASDAQ	CPP - Public	2,266,458	$3.19	$3.00	OUT	($0.19)
Fifth Third Bancorp	FITB	NASDAQ	CPP - Public	43,617,747	$11.72	$2.91	OUT	($8.81)
Financial Institutions, Inc.	FISI	NASDAQ	CPP - Public	378,175	$14.88	$10.50	OUT	($4.38)
First Bancorp	FBNC	NASDAQ	CPP - Public	616,308	$15.82	$14.59	OUT	($1.23)
First BanCorp	FBP	NYSE	CPP - Public	5,842,259	$10.27	$6.82	OUT	($3.45)
First California Financial Group, Inc	FCAL	NASDAQ	CPP - Public	599,042	$6.26	$5.80	OUT	($0.46)
First Citizens Banc Corp	FCZA	NASDAQ	CPP - Public	469,312	$7.41	$6.56	OUT	($0.85)
First Community Bank Corporation of America	FCFL	NASDAQ	CPP - Public	228,312	$7.02	$3.50	OUT	($3.52)
First Community Bankshares Inc.	FCBC	NASDAQ	CPP - Public	176,546	$35.26	$19.15	OUT	($16.11)
First Community Corporation	FCCO	NASDAQ	CPP - Public	195,915	$8.69	$6.50	OUT	($2.19)
First Defiance Financial Corp.	FDEF	NASDAQ	CPP - Public	550,595	$10.08	$7.45	OUT	($2.63)
First Financial Bancorp	FFBC	NASDAQ	CPP - Public	930,233	$12.90	$8.67	OUT	($4.23)
First Financial Holdings Inc.	FFCH	NASDAQ	CPP - Public	483,391	$20.17	$15.77	OUT	($4.40)
First Financial Service Corporation	FFKY	NASDAQ	CPP - Public	215,983	$13.89	$12.50	OUT	($1.39)
First Horizon National Corporation	FHN	NYSE	CPP - Public	12,743,235	$10.20	$9.25	OUT	($0.95)
First Litchfield Financial Corporation	FLFL.OB	OTC BB	CPP - Public	199,203	$7.53	$6.50	OUT	($1.03)
First Midwest Bancorp, Inc.	FMBI	NASDAQ	CPP - Public	1,305,230	$22.18	$9.90	OUT	($12.28)
First Niagara Financial Group	FNFG	NASDAQ	CPP - Public	1,906,191	$14.48	$13.30	OUT	($1.18)
First PacTrust Bancorp, Inc.	FPTB	NASDAQ	CPP - Public	280,795	$10.31	$8.82	OUT	($1.49)
First Security Group, Inc.	FSGI	NASDAQ	CPP - Public	823,627	$6.01	$4.80	OUT	($1.21)
First Sound Bank	FSWA.OB	OTC BB	CPP - Public	114,080	$9.73	$6.25	OUT	($3.48)
FirstMerit Corporation	FMER	NASDAQ	CPP - Public	952,260	$19.69	$16.39	OUT	($3.30)

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STATUS OF WARRANTS TREASURY OBTAINED UNDER CPP, SSFI, TIP, AIFP, AND AGP

Company	Ticker Symbol	Exchange	Program	Number of Warrants Received	Strike Price as Stated in the Agreements	Stock Price as of 1/23/2009	In or Out of Money?	Amount In the Money (Out of the Money) as of 1/23/2009
Flushing Financial Corporation	FFIC	NASDAQ	CPP - Public	751,611	$13.97	$7.83	OUT	($6.14)
FPB Bancorp, Inc.	FPBI	NASDAQ	CPP - Public	183,158	$4.75	$2.36	OUT	($2.39)
Fulton Financial Corporation	FULT	NASDAQ	CPP - Public	5,509,756	$10.25	$7.37	OUT	($2.88)
Great Southern Bancorp	GSBC	NASDAQ	CPP - Public	909,091	$9.57	$10.74	IN	$1.17
Green Bankshares, Inc.	GRNB	NASDAQ	CPP - Public	635,504	$17.06	$9.67	OUT	($7.39)
Hampton Roads Bankshares, Inc.	HMPR	NASDAQ	CPP - Public	1,325,858	$9.09	$8.50	OUT	($0.59)
Hawthorn Bancshares, Inc.	HWBK	NASDAQ	CPP - Public	245,443	$18.49	$15.79	OUT	($2.70)
Heartland Financial USA, Inc.	HTFL	NASDAQ	CPP - Public	609,687	$20.10	$13.55	OUT	($6.55)
Heritage Commerce Corp.	HTBK	NASDAQ	CPP - Public	462,963	$12.96	$7.50	OUT	($5.46)
Heritage Financial Corporation	HFWA	NASDAQ	CPP - Public	276,074	$13.04	$11.69	OUT	($1.35)
HF Financial Corp.	GHFFC	NASDAQ	CPP - Public	302,419	$12.40	$12.00	OUT	($0.40)
HMN Financial, Inc.	HMNF	NASDAQ	CPP - Public	833,333	$4.68	$3.81	OUT	($0.87)
Home Bancshares, Inc.	HOMB	NASDAQ	CPP - Public	288,129	$26.03	$20.90	OUT	($5.13)
HopFed Bancorp	HFBC	NASDAQ	CPP - Public	243,816	$11.32	$10.04	OUT	($1.28)
Horizon Bancorp	HBNC	NASDAQ	CPP - Public	212,104	$17.68	$12.46	OUT	($5.22)
Huntington Bancshares	HBAN	NASDAQ	CPP - Public	23,562,994	$8.90	$3.27	OUT	($5.63)
Iberiabank Corporation	IBKC	NASDAQ	CPP - Public	276,980	$48.74	$41.24	OUT	($7.50)
Independent Bank Corp.	INDB	NASDAQ	CPP - Public	481,664	$24.34	$21.96	OUT	($2.38)
Independent Bank Corporation	IBCP	NASDAQ	CPP - Public	3,461,538	$3.12	$2.15	OUT	($0.97)
Indiana Community Bancorp	INCB	NASDAQ	CPP - Public	188,707	$17.09	$12.74	OUT	($4.35)
Intermountain Community Bancorp	IMCB.OB	OTC BB	CPP - Public	653,226	$6.20	$5.00	OUT	($1.20)
International Bancshares Corporation	IBOC	NASDAQ	CPP - Public	653,226	$24.43	$17.52	OUT	($6.91)
Intervest Bancshares Corporation	IBCA	NASDAQ	CPP - Public	691,882	$5.42	$4.45	OUT	($0.97)
JPMorgan Chase & Co.	JPM	NYSE	CPP - Public	88,401,697	$42.42	$24.28	OUT	($18.14)
KeyCorp	KEY	NYSE	CPP - Public	35,244,361	$10.64	$7.62	OUT	($3.02)
LCNB Corp.	LCNB.OB	OTC BB	CPP - Public	217,063	$9.26	$9.00	OUT	($0.26)
LNB Bancorp Inc.	LNBB	NASDAQ	CPP - Public	561,343	$6.74	$6.47	OUT	($0.27)
LSB Corporation	LSBI	NASDAQ	CPP - Public	209,497	$10.74	$10.50	OUT	($0.24)
M&T Bank Corporation	MTB	NYSE	CPP - Public	1,218,522	$73.86	$37.38	OUT	($36.48)
MainSource Financial Group, Inc.	MSFG	NASDAQ	CPP - Public	571,906	$14.95	$10.82	OUT	($4.13)
Manhattan Bancorp	MNHN.OB	OTC BB	CPP - Public	29,480	$8.65	$6.50	OUT	($2.15)
Marshall & Ilsley Corporation	MI	NYSE	CPP - Public	13,815,789	$18.62	$6.08	OUT	($12.54)
MB Financial Inc.	MBFI	NASDAQ	CPP - Public	1,012,048	$29.05	$17.76	OUT	($11.29)

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STATUS OF WARRANTS TREASURY OBTAINED UNDER CPP, SSFI, TIP, AIFP, AND AGP

Company	Ticker Symbol	Exchange	Program	Number of Warrants Received	Strike Price as Stated in the Agreements	Stock Price as of 1/23/2009	In or Out of Money?	Amount In the Money (Out of the Money) as of 1/23/2009
MetroCorp Bancshares, Inc.	MCBI	NASDAQ	CPP - Public	771,429	$8.75	$5.87	OUT	($2.88)
Mid Penn Bancorp, Inc.	MPB	NASDAQ	CPP - Public	73,099	$20.52	$18.00	OUT	($2.52)
MidSouth Bancorp, Inc.	MSL	AMEX	CPP - Public	208,768	$14.37	$11.00	OUT	($3.37)
Midwest Banc Holdings, Inc.	MBHI	NASDAQ	CPP - Public	4,282,020	$2.97	$1.40	OUT	($1.57)
Monarch Financial Holdings, Inc.	MNRK	NASDAQ	CPP - Public	264,706	$8.33	$6.50	OUT	($1.83)
Morgan Stanley	MS	NYSE	CPP - Public	65,245,759	$22.99	$18.71	OUT	($4.28)
MutualFirst Financial, Inc.	MFSF	NASDAQ	CPP - Public	625,135	$7.77	$6.50	OUT	($1.27)
Nara Bancorp, Inc.	NARA	NASDAQ	CPP - Public	1,042,531	$9.64	$6.53	OUT	($3.11)
National Penn Bancshares, Inc.	NPBC	NASDAQ	CPP - Public	1,470,588	$15.30	$10.17	OUT	($5.13)
New Hampshire Thrift Bancshares, Inc.	NHTB	NASDAQ	CPP - Public	184,275	$8.14	$6.75	OUT	($1.39)
NewBridge Bancorp	NBBC	NASDAQ	CPP - Public	2,567,255	$3.06	$2.25	OUT	($0.81)
North Central Bancshares, Inc.	FFFD	NASDAQ	CPP - Public	99,157	$15.43	$10.25	OUT	($5.18)
Northeast Bancorp	NBN	NASDAQ	CPP - Public	67,958	$9.33	$7.55	OUT	($1.78)
Northern Trust Corporation	NTRS	NASDAQ	CPP - Public	3,824,624	$61.81	$56.55	OUT	($5.26)
Oak Valley Bancorp	OVLY	NASDAQ	CPP - Public	350,346	$5.78	$5.75	OUT	($0.03)
OceanFirst Financial Corp.	OCFC	NASDAQ	CPP - Public	380,853	$15.07	$12.75	OUT	($2.32)
Old Line Bancshares, Inc.	OLBK	NASDAQ	CPP - Public	141,892	$7.40	$6.30	OUT	($1.10)
Old National Bancorp	ONB	NYSE	CPP - Public	813,008	$18.45	$13.02	OUT	($5.43)
Old Second Bancorp, Inc.	OSBC	NASDAQ	CPP - Public	815,339	$13.43	$8.81	OUT	($4.62)
Pacific Capital Bancorp	PCBC	NASDAQ	CPP - Public	1,512,003	$17.92	$12.84	OUT	($5.08)
Pacific International Bancorp	PIBW.OB	OTC BB	CPP - Public	127,785	$7.63	$3.25	OUT	($4.38)
Park National Corporation	PRK	AMEX	CPP - Public	227,376	$65.97	$51.76	OUT	($14.21)
Parkvale Financial Corporation	PVSA	NASDAQ	CPP - Public	376,327	$12.66	$12.70	IN	$0.04
Peapack-Gladstone Financial Corporation	PGC	NASDAQ	CPP - Public	143,139	$30.06	$22.15	OUT	($7.91)
Peoples Bancorp of North Carolina, Inc.	PEBK	NASDAQ	CPP - Public	357,234	$10.52	$8.75	OUT	($1.77)
Pinnacle Financial Partners, Inc.	PNFP	NASDAQ	CPP - Public	534,910	$26.64	$22.91	OUT	($3.73)
Popular, Inc.	BPOP	NASDAQ	CPP - Public	20,932,836	$6.70	$3.13	OUT	($3.57)
Porter Bancorp Inc.	PBIB	NASDAQ	CPP - Public	299,829	$17.51	$14.25	OUT	($3.26)
Princeton National Bancorp, Inc.	PNBC	NASDAQ	CPP - Public	155,025	$24.27	$19.17	OUT	($5.10)
Provident Bancshares Corp.	PBKS	NASDAQ	CPP - Public	2,374,608	$9.57	$6.28	OUT	($3.29)
Pulaski Financial Corp	PULB	NASDAQ	CPP - Public	778,421	$6.27	$6.65	IN	$0.38
Regions Financial Corp.	RF	NYSE	CPP - Public	48,253,677	$10.88	$4.66	OUT	($6.22)

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STATUS OF WARRANTS TREASURY OBTAINED UNDER CPP, SSFI, TIP, AIFP, AND AGP

Company	Ticker Symbol	Exchange	Program	Number of Warrants Received	Strike Price as Stated in the Agreements	Stock Price as of 1/23/2009	In or Out of Money?	Amount In the Money (Out of the Money) as of 1/23/2009
S&T Bancorp	STBA	NASDAQ	CPP - Public	517,012	$31.53	$26.15	OUT	($5.38)
Sandy Spring Bancorp, Inc.	SASR	NASDAQ	CPP - Public	651,547	$19.13	$14.81	OUT	($4.32)
Santa Lucia Bancorp	SLBA.OB	OTC BB	CPP - Public	37,360	$16.06	$12.50	OUT	($3.56)
SCBT Financial Corporation	SCBT	NASDAQ	CPP - Public	303,083	$32.06	$27.90	OUT	($4.16)
Seacoast Banking Corporation of Florida	SBCF	NASDAQ	CPP - Public	1,179,245	$6.36	$4.53	OUT	($1.83)
Security Federal Corporation	SFDL.OB	OTC BB	CPP - Public	137,966	$19.57	$16.25	OUT	($3.32)
Severn Bancorp, Inc.	SVBI	NASDAQ	CPP - Public	556,976	$6.30	$4.12	OUT	($2.18)
Shore Bancshares, Inc.	SHBI	NASDAQ	CPP - Public	172,970	$21.68	$16.99	OUT	($4.69)
Signature Bank	SBNY	NASDAQ	CPP - Public	595,829	$30.21	$21.85	OUT	($8.36)
Somerset Hills Bancorp	SOMH	NASDAQ	CPP - Public	163,065	$6.82	$6.79	OUT	($0.03)
South Financial Group, Inc.	TSFG	NASDAQ	CPP - Public	10,106,796	$5.15	$2.75	OUT	($2.40)
Southern Community Financial Corp.	SCMF	NASDAQ	CPP - Public	1,623,418	$3.95	$3.87	OUT	($0.08)
Southern Missouri Bancorp, Inc.	SMBC	NASDAQ	CPP - Public	114,326	$12.53	$10.00	OUT	($2.53)
Southwest Bancorp, Inc.	OKSB	NASDAQ	CPP - Public	703,753	$14.92	$8.80	OUT	($6.12)
State Bancorp, Inc.	STBC	NASDAQ	CPP - Public	465,569	$11.87	$7.48	OUT	($4.39)
State Street Corporation	STT	NYSE	CPP - Public	5,576,208	$53.80	$19.40	OUT	($34.40)
StellarOne Corporation	STEL	NASDAQ	CPP - Public	302,623	$14.87	$12.94	OUT	($1.93)
Sterling Bancorp	STL	NYSE	CPP - Public	516,817	$12.19	$10.65	OUT	($1.54)
Sterling Bancshares, Inc.	SBIB	NASDAQ	CPP - Public	2,615,557	$7.18	$4.69	OUT	($2.49)
Sterling Financial Corporation	STSA	NASDAQ	CPP - Public	6,437,677	$7.06	$2.59	OUT	($4.47)
Summit State Bank	SSBI	NASDAQ	CPP - Public	239,212	$5.33	$4.75	OUT	($0.58)
Sun Bancorp, Inc.	SNBC	NASDAQ	CPP - Public	1,543,376	$8.68	$5.85	OUT	($2.83)
SunTrust Banks, Inc.	STI	NYSE	CPP - Public	11,891,280	$44.15	$14.97	OUT	($29.18)
SunTrust Banks, Inc.	STI	NYSE	CPP - Public	6,008,902	$33.70	$14.97	OUT	($18.73)
Superior Bancorp Inc.	SUPR	NASDAQ	CPP - Public	1,923,792	$5.38	$2.99	OUT	($2.39)
Susquehanna Bancshares, Inc	SUSQ	NASDAQ	CPP - Public	3,028,264	$14.86	$10.98	OUT	($3.88)
SVB Financial Group	SIVB	NASDAQ	CPP - Public	708,116	$49.78	$23.83	OUT	($25.95)
Synovus Financial Corp.	SNV	NYSE	CPP - Public	708,116	$49.78	$4.76	OUT	($45.02)
Taylor Capital Group	TAYC	NASDAQ	CPP - Public	1,462,647	$10.75	$6.30	OUT	($4.45)
TCF Financial Corporation	TCB	NYSE	CPP - Public	3,199,988	$16.93	$12.62	OUT	($4.31)
Tennessee Commerce Bancorp, Inc.	TNCC	NASDAQ	CPP - Public	461,538	$9.75	$7.03	OUT	($2.72)
Texas Capital Bancshares, Inc.	TCBI	NASDAQ	CPP - Public	758,086	$14.84	$10.57	OUT	($4.27)
The Bancorp, Inc.	TBBK	NASDAQ	CPP - Public	1,960,405	$3.46	$3.18	OUT	($0.28)
The Connecticut Bank and Trust Company	CTBC	NASDAQ	CPP - Public	175,742	$4.65	$3.58	OUT	($1.07)

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STATUS OF WARRANTS TREASURY OBTAINED UNDER CPP, SSFI, TIP, AIFP, AND AGP

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The Elmira Savings Bank, FSB	ESBK	NASDAQ	CPP - Public	116,538	$11.70	$11.79	IN	$0.09
The First Bancorp, Inc.	FNLC	NASDAQ	CPP - Public	225,904	$16.60	$15.70	OUT	($0.90)
The Goldman Sachs Group, Inc.	GS	NYSE	CPP - Public	12,205,045	$122.90	$74.91	OUT	($47.99)
The PNC Financial Services Group Inc.	PNC	NYSE	CPP - Public	16,885,192	$67.33	$30.27	OUT	($37.06)
TIB Financial Corp	TIBB	NASDAQ	CPP - Public	1,063,218	$5.22	$3.92	OUT	($1.30)
Tidelands Bancshares, Inc	TDBK	NASDAQ	CPP - Public	571,821	$3.79	$2.60	OUT	($1.19)
Timberland Bancorp, Inc.	TSBK	NASDAQ	CPP - Public	370,899	$6.73	$6.82	IN	$0.09
TowneBank	TOWN	NASDAQ	CPP - Public	538,184	$21.31	$20.75	OUT	($0.56)
Trustmark Corporation	TRMK	NASDAQ	CPP - Public	1,647,931	$19.57	$17.57	OUT	($2.00)
U.S. Bancorp	USB	NYSE	CPP - Public	32,679,102	$30.29	$14.64	OUT	($15.65)
UCBH Holdings, Inc.	UCBH	NASDAQ	CPP - Public	7,847,732	$5.71	$2.18	OUT	($3.53)
Umpqua Holdings Corp.	UMPQ	NASDAQ	CPP - Public	2,221,795	$14.46	$8.83	OUT	($5.63)
Union Bankshares Corporation	UBSH	NASDAQ	CPP - Public	422,636	$20.94	$16.75	OUT	($4.19)
United Bancorp, Inc.	UBCP	NASDAQ	CPP - Public	311,492	$9.92	$8.75	OUT	($1.17)
United Bancorporation of Alabama, Inc.	UBAB.OB	OTC BB	CPP - Public	104,040	$14.85	$15.50	IN	$0.65
United Community Banks, Inc.	UCBI	NASDAQ	CPP - Public	2,132,701	$12.66	$6.62	OUT	($6.04)
Unity Bancorp, Inc.	UNTY	NASDAQ	CPP - Public	764,778	$4.05	$3.65	OUT	($0.40)
Valley Financial Corporation	VYFC	NASDAQ	CPP - Public	344,742	$6.97	$5.25	OUT	($1.72)
Valley National Bancorp	VLY	NYSE	CPP - Public	2,297,090	$19.59	$13.47	OUT	($6.12)
Virginia Commerce Bancorp	VCBI	NASDAQ	CPP - Public	2,696,203	$3.95	$4.01	IN	$0.06
VIST Financial Corp.	VIST	NASDAQ	CPP - Public	364,078	$10.30	$8.85	OUT	($1.45)
Wainwright Bank & Trust Company	WAIN	NASDAQ	CPP - Public	390,071	$8.46	$6.82	OUT	($1.64)
Washington Banking Company/ Whidbey Island Bank	WBCO	NASDAQ	CPP - Public	492,164	$8.04	$7.99	OUT	($0.05)
Washington Federal Inc.	WFSL	NASDAQ	CPP - Public	1,707,456	$17.57	$12.43	OUT	($5.14)
Webster Financial Corporation	WBS	NYSE	CPP - Public	3,282,276	$18.28	$4.28	OUT	($14.00)
Wells Fargo & Company	WFC	NYSE	CPP - Public	110,261,688	$34.01	$15.87	OUT	($18.14)
Wesbanco Bank Inc.	WSBC	NASDAQ	CPP - Public	439,282	$25.61	$21.67	OUT	($3.94)
West Bancorporation, Inc.	WTBA	NASDAQ	CPP - Public	474,100	$11.39	$9.47	OUT	($1.92)
Western Alliance Bancorporation	WAL	NYSE	CPP - Public	1,574,213	$13.34	$7.54	OUT	($5.80)
Whitney Holding Corporation	WTNY	NASDAQ	CPP - Public	2,631,579	$17.10	$12.56	OUT	($4.54)
Wilmington Trust Corporation	WL	NYSE	CPP - Public	1,856,714	$26.66	$14.97	OUT	($11.69)
Wilshire Bancorp, Inc.	WIBC	NASDAQ	CPP - Public	949,460	$9.82	$6.94	OUT	($2.88)
Wintrust Financial Corporation	WTFC	NASDAQ	CPP - Public	1,643,295	$22.82	$12.59	OUT	($10.23)
WSFS Financial Corporation	WSFS	NASDAQ	CPP - Public	175,105	$45.08	$28.54	OUT	($16.54)

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Yadkin Valley Financial Corporation	YAVY	NASDAQ	CPP - Public	385,990	$13.99	$10.39	OUT	($3.60)
Zions Bancorporation	ZION	NASDAQ	CPP - Public	5,789,909	$36.27	$13.56	OUT	($22.71)
AIG	AIG	NYSE	SSFI	53,798,766	$2.50	$1.37	OUT	($1.13)
Bank of America Corporation	BAC	NYSE	TIP	150,375,940	$13.30	$6.24	OUT	($7.06)
Citigroup Inc.	C	NYSE	TIP	188,500,000	10.61	$3.47	OUT	($7.14)
Citigroup Inc.	C	NYSE	AGP	254,476,909	$10.61	$3.47	OUT	($7.14)
General Motors Corporation	GM	NYSE	AIFP	1,733,068	$5.02	$3.49	OUT	($1.53)
GMAC LLC	GJM	NYSE	AIFP	250,002	$0.01	$8.90	IN	$8.89

Note: Data as of 1/23/2009.

Sources: Treasury: Office of Financial Stability, "Troubled Asset Relief Program Transaction Report," 1/27/2009; Treasury: Office of Financial Stability, response to SIGTARP data call, 1/27/2009; New York Stock Exchange, www.nyse.com, accessed 1/25/2009; Nasdaq, www.nasdaq.com, accessed 1/25/2009; OTC Bulletin Board, www.otcbb.com, accessed 1/25/2009; NYSE Euronext, www.amex.com/amextrader, accessed 1/25/2009.

KEY OVERSIGHT REPORTS AND TESTIMONIES

ORGANIZATION	ROLES AND MISSION	OVERSIGHT REPORTS	RECORDED TESTIMONY
U.S. DEPARTMENT OF THE TREASURY (Treasury)	The mission of Treasury is to serve the American people and strengthen national security by managing the U.S. government's finances effectively; promoting economic growth and stability; and ensuring the safety, soundness, and security of the U.S. and international financial systems. Treasury advises the President on economic and financial issues, encourages sustainable economic growth, and fosters improved governance in financial institutions.	Treasury, "Initial Section 105(a) Troubled Asset Relief Program Report to Congress, for the period of October 6, 2008 to November 30, 2008."12/5/2008. http://www.treas.gov/initiatives/eesa/docs/TARPfirst-105report.pdf, accessed 1/22/2009. Treasury, "Section 105(a) Troubled Asset Relief Program Report to Congress, for the period December 1, 2008 to December 31, 2008." 1/6/2009. http://www.treas.gov/initiatives/eesa/docs/105Report_010609.pdf, accessed 1/22/2009. Treasury, "Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act" 12/31/2008. http://www.treas.gov/initiatives/eesa/congressionalreports102.shtml, accessed 1/22/2009. Treasury, "Transaction Reports." http://www.treas.gov/initiatives/eesa/transactions.shtml, accessed 1/22/2009. Treasury, "Tranche Reports," http://www.treas.gov/initiatives/eesa/tranche-reports.shtml, accessed 1/22/2009.	Treasury, "Joint Statement by Treasury, Federal Reserve and the FDIC on Citigroup," Press Release, 11/23/2008, http://www.treasury.gov/press/releases/hp1287.htm, accessed 1/22/2009. Treasury, "HP-1234 Neel Kashkari Testimony before the Senate Committee on Banking, Housing, and Urban Affairs," 10/23/2008. http://www.treas.gov/press/releases/hp1234.htm, accessed 1/20/2009. Treasury, "HP-1273 Testimony of Interim Assistant Secretary for Financial Stability Neel Kashkari before the House Committee on Oversight and Government Reform, Subcommittee for Domestic Policy," 11/14/2008, http://www.treas.gov/press/releases/hp1273.htm, accessed 1/20/2009. Treasury, "HP-1279 Testimony by Treasury Secretary Henry M. Paulson Jr. before the House Committee on Financial Services," 11/18/2008, http://www.treas.gov/press/releases/hp1279.htm, accessed 1/20/2009. Treasury, "HP-1312 Neel Kashkari Testimony before the Senate Appropriations Subcommittee on Financial Services and General Government," 12/4/2008. http://www.treas.gov/press/releases/hp1312.htm, accessed 1/20/2009. Treasury, "HP 1322 Neel Kashkari Testimony before the U.S. House of Representatives Financial Services Committee," 12/10/2008, http://www.treas.gov/press/releases/hp1322.htm, accessed 1/20/2009. Treasury, "HP-1349 Neel Kashkari Review of the Financial Market Crisis & TARP," 1/13/2009, http://www.treas.gov/press/releases/hp1349.htm, accessed 1/20/2009. Treasury, "HP-1301 Secretary Paulson Remarks on the US Economy and Financial System," 12/1/2008 http://www.treas.gov/press/releases/hp1301.htm, accessed 1/22/2009. Treasury, "HP-1314 Interim Assistant secretary for Financial Stability Neel Kashkari Remarks on Financial Markets and TARP update," 12/5/2008 http://www.treas.gov/press/releases/hp1314.htm, accessed 1/22/2009. Treasury, "HP-1321 Interim Assistant Secretary for Financial Stability Neel Kashkari Update on the TARP Program," 12/8/2008 http://www.treas.gov/press/releases/hp1321.htm, accessed 1/22/2009. Treasury, "HP-1332 Secretary Paulson Statement on Stabilizing the Automotive Industry," 12/19/2008 http://www.treas.gov/press/releases/hp1332.htm, accessed 1/22/2009. Treasury, "HP-1347 Interim Assistant Secretary for Financial stability Neel Kashkari Remarks at Brookings Institution," 1/8/2009 http://www.treas.gov/press/releases/hp1347.htm, accessed 1/22/2009. Treasury, "HP-1349 Interim Assistant Secretary for Financial Stability Neel Kashkari Review of the Financial Market Crisis and the Troubled Asset Relief Program," 1/13/2009, http://www.treas.gov/press/releases/hp1349.htm, accessed 1/22/2009.

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ORGANIZATION	ROLES AND MISSION	OVERSIGHT REPORTS	RECORDED TESTIMONY
FINANCIAL STABILITY OVERSIGHT BOARD (FSOB)	FSOB is responsible for reviewing the exercise of authority under programs developed in accordance with EESA, including: • policies implemented by the Secretary and the Office of Financial Stability, including the appointment of financial agents, the designation of asset classes to be purchased, and plans for the structure of vehicles used to purchase troubled assets • the effect of such actions in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers In addition, FSOB is responsible for making recommendations to the Secretary on the use of the authority under EESA, as well as for reporting any suspected fraud, misrepresentation, or malfeasance to SIGTARP or the U.S. Attorney General.	Minutes of the Financial Stability Oversight Board Meeting, October 7, 2008, http://www.treasury.gov/initiatives/eesa/docs/FINSOB-Minutes-October-7-2008.pdf. Minutes of the Financial Stability Oversight Board Meeting, October 13, 2008, http://www.treasury.gov/initiatives/eesa/docs/FINSOB-Minutes-October-13-2008.pdf. Minutes of the Financial Stability Oversight Board Meeting, October 22, 2008, http://www.treasury.gov/initiatives/eesa/docs/FINSOB-Minutes-October-22-2008.pdf. Minutes of the Financial Stability Oversight Board Meeting, November 9, 2008, http://www.treasury.gov/initiatives/eesa/docs/FINSOB-Minutes-November-9-2008.pdf. Minutes of the Financial Stability Oversight Board Meeting, December 10, 2008, http://www.treasury.gov/initiatives/eesa/docs/FINSOB-%20Minutes-December-10-2008.pdf. Minutes of Financial Stability Oversight Board Meeting, December 19, 2008, http://www.treas.gov/initiatives/eesa/docs/FINSOB-Minutes-December-19-2008.pdf. Minutes of Financial Stability Oversight Board Meeting, January 8, 2009, http://www.treas.gov/initiatives/eesa/docs/FINSOB-Minutes-January-8-2009.pdf. Minutes of Financial Stability Oversight Board Meeting, January 15, 2009, http://www.treas.gov/initiatives/eesa/docs/FINSOB-Minutes-011509.pdf. First Quarterly Report to Congress pursuant to section 104(g) of the Emergency Economic Stabilization Act of 2008, for quarter ending December 31, 2008, http://www.treas.gov/initiatives/eesa/docs/FINSOB-Qrtly-Rpt-123108.pdf. FSOB: Amended and Restated Bylaws, http://www.treasury.gov/initiatives/eesa/docs/Amended_Bylaws.pdf. Statement and Procedures Regarding Public Access to Records of the Financial Stability Oversight Board, http://www.treasury.gov/initiatives/eesa/docs/records-procedures.pdf.	

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ORGANIZATION	ROLES AND MISSION	OVERSIGHT REPORTS	RECORDED TESTIMONY
SECURITIES AND EXCHANGE COMMISSION (SEC)	SEC administers the federal securities laws, requires disclosure by public companies, and brings enforcement actions against violators of securities law. While other federal and state agencies are legally responsible for regulating mortgage lending and the credit markets, SEC has taken these decisive actions to address the extraordinary challenges caused by the current credit crisis: • aggressively combating fraud and market manipulation through enforcement actions • taking swift action to stabilize financial markets • enhancing transparency in financial disclosure	SEC, "Report and Recommendations Pursuant to Section 133 of the Emergency Economic Stabilization Act of 2008: Study on Mark-to-Market Accounting," Office of the Chief Accountant, Division of Corporation Finance, 12/30/2008, http://www.sec.gov/news/studies/2008/marktomarket123008.pdf, accessed 1/22/2009.	SEC, "Testimony Concerning Turmoil in U.S. Credit Markets: Recent Actions Regarding Government Sponsored Entities, Investment Banks and Other Financial Institutions," Chairman Christopher Cox, SEC, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, 9/23/2008, http://www.sec.gov/news/testimony/2008/ts092308cc.htm, accessed 1/22/2009. SEC, "Testimony Concerning the Role of Federal Regulators: Lessons from the Credit Crisis for the Future of Regulation," Chairman Christopher Cox, SEC, before the Committee on Oversight and Government Reform, U.S. House of Representatives, 10/23/2008, http://www.sec.gov/news/testimony/2008/ts102308cc.htm, accessed 1/22/2009.
GOVERNMENT ACCOUNTABILITY OFFICE (GAO)	GAO is tasked with performing ongoing oversight of TARP's performance, including: • evaluating the characteristics of asset purchases and the disposition of assets acquired • assessing TARP's efficiency in using the funds • evaluating compliance with applicable laws and regulations • assessing the efficacy of contracting procedures • auditing TARP's annual financial statements and internal controls • submitting reports to Congress at least every 60 days	GAO, "GAO-09-247T Auto Industry: A Framework for Considering Federal Financial Assistance," 12/5/2008, http://www.gao.gov/new.items/d09247t.pdf, accessed 1/22/2009. GAO, "GAO-09-216 Financial Regulation: A Framework for Craft and Assessing Proposals to Modernize the Outdated U.S. Financial Regulatory System," 1/8/2009, http://www.gao.gov/new.items/d09216.pdf, accessed 1/22/2009. GAO, "GAO-09-266T Troubled Asset Relief Program: Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency," 12/10/2008, http://www.gao.gov/new.items/d09266t.pdf, accessed 1/22/2009. GAO, "GAO-09-231T Troubled Asset Relief Program: Status of Efforts to Address Defaults and Foreclosures on Home Mortgages," 12/4/2008, http://www.gao.gov/new.items/d09231t.pdf, accessed on 1/22/2009. GAO, "GAO-09-271 High-Risk Series: An Update," January 2009. GAO, "GAO-09-296 Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues," January 2009, http://www.gao.gov/new.items/d09296.pdf.	

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ORGANIZATION	ROLES AND MISSION	OVERSIGHT REPORTS	RECORDED TESTIMONY
CONGRESSIONAL OVERSIGHT PANEL (COP)	COP is tasked with reviewing the current state of the financial markets and the regulatory system. As a by-product of these oversight activities, COP is required to produce the following reports to Congress: • regular reports every 30 days that cover a variety of issues, including administration of the program, the impact of purchases on the financial markets/financial institutions, market transparency, and the effectiveness of foreclosure mitigation, minimization of long-term costs, and maximization of benefits for taxpayers • a special report on regulatory reform, published no later than January 20, 2009, analyzing the current state of the regulatory system and its effectiveness at overseeing the participants in the financial system and protecting consumers. The report is to provide recommendations for improvement regarding whether any participants in the financial markets that are currently outside the regulatory system should become subject to the regulatory system, the rationale underlying such recommendation, and whether there are any gaps in existing consumer protections.	"Questions about the $700 billion Emergency Economic Stabilization Funds," The First Report of the Congressional Oversight Panel for Economic Stabilization,12/10/2008, http://cop.senate.gov/documents/cop-121008-report.pdf, accessed on 1/22/2009. "Accountability for the Troubled Asset Relief Program," The Second Report of the Congressional Oversight Panel, 1/9/2009, http://cop.senate.gov/documents/cop-010909-report.pdf, accessed on 1/22/2009. Regulatory Reform Hearing on January 14, 2009, http://cop.senate.gov/hearings/library/hearing-011409-regulatoryreform.cfm. Regulatory Reform Hearing on December 16, 2008, http://cop.senate.gov/hearings/library/hearing-121608-firsthearing.cfm. "Special Report on Regulatory Reform," 1/2009, http://cop.senate.gov/documents/cop-012909-report-regulatoryreform.pdf.	
OFFICE OF MANAGEMENT AND BUDGET (OMB)		OMB, "OMB Report under the Emergency Economic Stabilization Act, Section 202," 2/5/2008, www.whitehouse.gov/omb/legislative/eesa_120508.pdf, accessed 1/19/09.	
CONGRESSIONAL BUDGET OFFICE (CBO)		CBO, "The Troubled Asset Relief Program: Report on Transactions Through December 31, 2008," January 2009, http://www.cbo.gov/ftpdocs/99xx/doc9961/01-16-TARP.pdf, accessed 1/22/2009.	

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ORGANIZATION	ROLES AND MISSION	OVERSIGHT REPORTS	RECORDED TESTIMONY
FEDERAL RESERVE BOARD (Federal Reserve)	Federal Reserve's duties fall into four general areas: • conducting the nation's monetary policy by influencing the monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates • supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers • maintaining the stability of the financial system and containing systemic risk that may arise in financial markets • providing financial services to depository institutions, the U.S. government, and foreign official institutions, including playing a major role in operating the nation's payments system	No report issued to date	Federal Reserve, "The Crisis and the Policy Response," Chairman Ben S. Bernanke, Stamp Lecture, London School of Economics, 1/13/2009, http://www.federalreserve.gov/newsevents/speech/bernanke20090113a.htm, accessed 1/22/2009. Federal Reserve, "Economic Outlook and Financial Markets," Chairman Ben S. Bernanke, Testimony before the Committee on the Budget, U.S. House of Representatives, 10/20/2008, http://www.federalreserve.gov/newsevents/testimony/bernanke20081020a.htm, accessed 1/22/2009. Federal Reserve, "TARP and the Federal Reserve's Liquidity Facilities," Chairman Ben S. Bernanke, Testimony before the Committee on Financial Services, U.S. House of Representatives, 11/18/2008, http://www.federalreserve.gov/newsevents/testimony/bernanke20081118a.htm, accessed 1/22/2009. Federal Reserve, "Foreclosure Prevention Efforts and Market Stability," Governor Elizabeth A. Duke, Testimony before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, 10/23/2008, http://www.federalreserve.gov/newsevents/testimony/duke20081023a.htm, accessed 1/22/2009. Federal Reserve, "Effects of the Financial Crisis on Small Business," Governor Randall S. Kroszner, Testimony before the Committee on Small Business, U.S. House of Representatives, 11/20/2008, http://www.federalreserve.gov/newsevents/testimony/kroszner20081120a.htm, accessed 1/22/2009. Federal Reserve, "Troubled Asset Relief Program," Vice Chairman Donald L. Kohn, Testimony before the Committee on Financial Services, 1/13/2009, http://www.federalreserve.gov/newsevents/testimony/kohn20090113a.htm, accessed 1/22/009.
FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)	FDIC is an independent agency created by Congress that maintains the stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships.	No report issued to date	U.S. Senate, "Statement of Sheila C. Bair, Chairman, FDIC, on Turmoil in the U.S. Credit Markets: Examining Recent Regulatory Responses," Committee on Banking, Housing and Urban Affairs, 10/23/2008, http://banking.senate.gov/public/_files/BAIRCreditMarkettestimony102308.pdf, accessed 1/22/2009. U.S. House of Representatives, "Statement of Sheila C. Bair, Chairman, FDIC, on Oversight of Implementation of the Emergency Economic Stabilization Act of 2008 and of Government Lending and Insurance Facilities," Committee on Financial Services, 11/18/2008, http://www.house.gov/apps/list/hearing/financialsvcs_dem/bair111808.pdf, accessed 1/22/2009. U.S. House of Representatives, "Statement of John F. Bovenzi, Deputy to the Chairman and COO, FDIC, on Priorities for the Next Administration: Use of TARP Funds Under the EESA of 2008," Committee on Financial Services, 1/13/2009, http://www.fdic.gov/news/news/speeches/chairman/spjan1309.html, accessed 1/22/2009. U.S. Senate, "Statement of Michael H. Krimminger, Special Advisor for Policy, Office of the Chairman; FDIC on Oversight of Implementation of the Emergency Economic Stabilization Act of 2008 and Efforts to Mitigate Foreclosures," Subcommittee on Financial Services and General Government Committee on Appropriations, 12/4/2008, http://www.fdic.gov/news/news/speeches/archives/2008/chairman/spdec0408.html, accessed 1/22/2009.

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ORGANIZATION	ROLES AND MISSION	OVERSIGHT REPORTS	RECORDED TESTIMONY
SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM (SIGTARP)	SIGTARP is responsible for conducting, supervising, and coordinating audits and investigations of the purchase, management, and sale of assets by the Secretary of the Treasury under any program established by the Secretary under EESA. SIGTARP shall also establish, maintain, and oversee such systems, procedures, and controls as the Special Inspector General considers appropriate.	SIGTARP, Letter to Chairmen and Ranking Members of Congressional Committees Reported to by SIGTARP, 1/7/2009. (See Appendix G) SIGTARP, Letter to Chairmen and Ranking Members of Congressional Committees Reported to by SIGTARP, 1/22/2009. (See Appendix G)	

Sources:
Treasury, www.treas.gov, accessed 1/30/2009; Treasury Inspector General, www.treas.gov, accessed 1/30/2009; Financial Stability Oversight Board, www.treas.gov, accessed 1/30/2009; Securities and Exchange Commission, www.sec.gov, accessed 1/30/2009; Government Accountability Office, www.gao.gov, accessed 1/30/2009; Congressional Oversight Panel, www.cop.senate.gov, accessed 1/30/2009; Office of Management and Budget, www.whitehouse.gov, accessed 1/30/2009; Congressional Budget Office, www.cbo.gov, accessed 1/30/2009; Federal Reserve Board, www.federalreserve.gov, accessed 1/30/2009; Federal Deposit Insurance Corporation, www.fdic.gov, accessed 1/30/2009.

PUBLIC ANNOUNCEMENTS OF AUDITS

This appendix provides an announcement of public audits by the following agencies:

- U.S. Department of Treasury Inspector General
- Federal Reserve Board Office of Inspector General
- Government Accountability Office
- Federal Deposit Insurance Corporation

U.S. DEPARTMENT OF THE TREASURY INSPECTOR GENERAL[1]

- Treasury IG is currently performing one case study audit of the Treasury's selection of City National Bank, Beverly Hills, CA, to receive $400 million under the Capital Purchase Program.

FEDERAL RESERVE BOARD OFFICE OF THE INSPECTOR GENERAL[2]

- The Federal Reserve Board IG just announced an audit of the Board of Governors of the Federal Reserve System's (Board) processing of Capital Purchase Program applications from Board-supervised financial institutions.

GOVERNMENT ACCOUNTABILITY OFFICE[3]

- GAO is currently performing an audit of the financial crisis debt management that will seek to address these questions:
  - » What are the Treasury's borrowing plans?
  - » What are the scale and timing of borrowing decisions?
  - » What borrowing options exist to fund TARP?
  - » What debt management policies would reduce the possibility of stress in financial markets?
- GAO is currently planning and beginning a financial audit of TARP.
- GAO is currently planning an audit of the Auto Industry Restructuring under TARP that will seek to identify and/or describe:
  - » the extent the Treasury coordinated with other federal agencies in providing TARP funds
  - » how the Treasury is providing oversight of auto manufacturers use of TARP funds and its compliance with the terms and conditions
  - » the progress of General Motors and Chrysler in complying with terms and conditions
  - » expert views on the restructuring of auto manufacturers

FEDERAL DEPOSIT INSURANCE CORPORATION[4]

- FDIC is conducting "an ongoing evaluation entitled Controls Over the FDIC's Processing of Capital Purchase Program Applications from FDIC-Supervised Institutions. The objective of the evaluation is to assess the FDIC's process and controls associated with reviewing applications from FDIC-supervised institutions to participate in the TARP Capital Purchase Program and forwarding the approval recommendations to Treasury."

Endnotes

1 U.S. Department of the Treasury Inspector General, response to SIGTARP data call, 1/16/2009.
2 Federal Reserve Board Office of the Inspector General, response to SIGTARP data call, 1/22/2009.
3 Government Accountability Office, response to SIGTARP data call, 1/20/2009.
4 Federal Deposit Insurance Corporation, response to SIGTARP data call, 1/23/2009.

CORRESPONDENCE TO MEMBERS OF CONGRESS

This appendix provides a sample of the January 7, 2009 and January 22, 2009 letters the Special Inspector General sent to the appropriate committees of Congress:

House Committees
- Appropriations
- Oversight and Government Reform
- Financial Services
- Budget

Senate Committees
- Appropriations
- Banking, Housing, and Urban Affairs
- Budget
- Finance

In addition to the chairman and ranking republicans on the SIGTARP oversight committees in the House and Senate, the January 22, 2009 letter was also sent to Senator Ben Nelson and Senator Claire McCaskill.

OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

January 7, 2009

The Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

As you are aware, the Senate confirmed my nomination as the Special Inspector General for the Troubled Asset Relief Program on December 8, 2008. Although my first formal report to the applicable Congressional Committees is not due until February 6, 2009, I write to you now, at the thirty-day mark, both to update your Committee on my Office's activities to date and to initiate what I hope will be a regular and open channel of communication with you and your staff.

I was sworn in as Special Inspector General on December 15, 2008. As promised during my confirmation process, oversight activities began immediately. We began meeting with senior Treasury Department officials responsible for the Troubled Asset Relief Program ("TARP"), both in the form of specific detailed debriefings with TARP managers on various topics and weekly meetings with, among others, the head of the Office of Financial Stability and the acting chief of TARP compliance. Through this process, we have begun to identify areas that require additional oversight attention.

One area that was particularly appropriate for immediate attention -- both because of its timeliness and because it was an area in which my Office could have a positive impact even before having an extensive staff -- involved language to be included in TARP's contracts with General Motors, Chrysler and Citigroup. To that end, on December 18, 2008, we suggested that TARP include language in the automobile industry transaction term sheet acknowledging my Office's oversight role and expressly giving my Office access to relevant documents and personnel; language to that effect was included in the term sheet. In that same vein, on December 23, 2008, my Office again suggested, in writing, among other things, that TARP officials include language in upcoming transactions as follows:

- For each condition imposed on the recipient of TARP funds in a relevant agreement, the recipient should be required to (1) establish

The Honorable Christopher Dodd
January 7, 2008
Page 2

internal controls with respect to that condition; (2) report to TARP regarding the implementation of those controls and its compliance with the condition; and (3) provide a signed certification from an appropriate senior official to TARP that such report is accurate.

- The recipient should be required to use best efforts to account for their use of TARP funds, to set up internal controls to comply with such accounting, and to report to TARP on the results, with appropriate certification, in the manner discussed above.

As a result, TARP included language along these lines in its agreements over the past week with GMAC, General Motors, Chrysler, and Citigroup. The most comprehensive language in that regard is language in the Citigroup agreement, which requires Citigroup, among other things, to:

- provide access to my Office and to the Comptroller General to Citigroup personnel and records;
- establish appropriate internal controls to ensure that the conditions in the agreement are being met, including conditions concerning corporate expenses, executive compensation, dividend and stock repurchase conditions; report on a quarterly basis as to its compliance with each of the above listed conditions; and require a senior executive to certify on a regular basis and under criminal penalty that its reports are accurate; and
- use its best efforts to track the money invested by TARP as part of the agreement, to establish internal controls with respect to the monitoring of its use of the money, and to report on a quarterly basis, again with a signed certification under criminal penalty, as to how the TARP investment is being used.

TARP imposed similar requirements with respect to the executive compensation and expense policy restrictions contained in the agreements with GMAC, General Motors and Chrysler. We believe that, from an oversight perspective, those agreements represent a significant improvement over past TARP agreements and will better enable my Office and the other oversight bodies to fulfill their mission.

In the short time we have been in operation, we have also begun to fulfill our statutory obligation of coordinating with the other relevant oversight bodies. Within days of my swearing in, we met with the Acting Comptroller General of the United States and his team at the

Government Accountability Office to discuss ways that we can maximize efficiency in our joint oversight of TARP. We have also been in contact with the Congressional Oversight Panel and the Financial Stability Oversight Board. To further facilitate this coordination role, I am in the process of forming the TARP Inspector General Council ("TARP-IGC"), made up of the Comptroller General and those Inspectors General whose oversight functions are most likely to touch on TARP issues. We look forward to our inaugural TARP-IGC meeting this Friday. In addition, my Office has begun participating in the President's Corporate Fraud Task Force, and I gave a presentation to the Task Force about the Office's mission yesterday. I am confident that, through these coordination efforts, we will be able to leverage effectively our collective resources to best serve the American people as we carry out this vital and historic task.

We are making steady progress in building the Office's senior staff and have filled the positions of Chief of Staff, Deputy SIG of Audit and Deputy SIG of Investigations, among others. We are continuing to recruit, and while hiring a staff has been and will continue to be one of our greatest challenges, I am confident that we have already assembled a very strong core management team. We have also identified permanent office space, located in the same office building as the TARP, and we look forward to moving into that space in the coming weeks, subject to further discussions with the General Services Administration. Finally, following the advice that I received repeatedly during the confirmation process, we have followed the example of the Special Inspector General for Iraq Reconstruction by entering into a contract with a firm to serve as our Program Manager to help in the preparation of our initial and quarterly reports.

We will, of course, provide far more detail on these and many other topics in our initial report to Congress, due on February 6, 2009. In the meantime, I am at your disposal should you have any questions or comments.

Very truly yours,

NEIL M. BAROFSKY
Special Inspector General

OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

January 22, 2009

The Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") intends to undertake shortly a significant oversight initiative that we believe will improve general transparency of the Troubled Asset Relief Program ("TARP") and increase the ability of SIGTARP and Congress to assess the effectiveness of TARP programs over time. Specifically, we will be sending a request to all entities that have received TARP money to date asking them to account for their use of TARP funds and to describe their efforts to comply with applicable executive compensation restrictions.

One of SIGTARP's primary areas of focus has been in ensuring, to the fullest extent possible, transparency in the operation of TARP. Some progress on that front has already been made with respect to the activities of the Treasury Department itself. We asked, for example, that all existing TARP agreements be posted on the Treasury Department website and that, on an ongoing basis as new transactions close, Treasury do so as soon as possible. Treasury Department officials have agreed with respect to all agreements, with the exception of the Capital Purchase Program ("CPP") contracts, of which there are a large number of essentially identical agreements and for which a representative example, at least, has already been posted. Treasury has informed us that they have not yet determined whether they will adopt our suggestion that all CPP agreements be posted.

What remains almost entirely opaque, however, is what has been done with TARP money by the recipients of Treasury's investments and what the recipients' plans are for addressing executive compensation requirements. With the exception of the recent Citigroup and, as we understand it, Bank of America transactions, TARP agreements generally do not require recipients to report or even to track internally the use of TARP funds. From an oversight perspective, this poses two significant problems. First, it does not provide necessary basic transparency. If the American taxpayer is to be expected to fund this extraordinary effort to stabilize the financial system, it is not unreasonable that the public and its representatives in Congress have some understanding as to how those funds have been used by the recipients. The current lack of transparency directly implicates SIGTARP's oversight mission because it has the potential to erode the trust of the public in the effectiveness and integrity of TARP, potentially putting at risk the legitimacy of the entire program. It also hinders our ability to oversee certain recipients' compliance with some conditions of their agreements with Treasury. As part of my obligations to promote transparency and the economy and efficiency of the administration of the TARP program, I have a duty to address these risks.

Further, the current lack of transparency with respect to what recipients are doing with the money could hamper the ability of SIGTARP – as well as the other oversight bodies and of Congress – to assess the effectiveness of various TARP initiatives over time. Even a basic examination of whether various TARP programs are successfully furthering the goals of EESA is made difficult if we do not know what was done with the money in the first instance. While recent initiatives by Treasury and by the Federal Deposit Insurance Corporation to require certain reporting by regulated banks are steps in the right direction, I believe that it is incumbent on this Office to initiate an across-the-board review of the use of TARP funds. In the context of a program this large and this important to the Nation's economic recovery, addressing the basic question "Where did the money go?" is critical to credible and effective oversight of TARP.

For these reasons, and as part of the initial data collection for a formal SIGTARP audit, we are preparing requests to each entity that has received TARP funds as of the date of the request, asking them to provide, within 30 days of the request: (a) a narrative response outlining their use or expected use of TARP funds; (b) copies of pertinent supporting documentation (financial or otherwise) to support such response; (c) a description of their plans for complying with applicable executive compensation restrictions; and (d) a certification by a duly authorized senior executive officer of each company as to the accuracy of all statements, representations, and supporting information provided. We are in the process of crafting language for the requests and anticipate that the requests will be sent to TARP recipients shortly.

As always, if you have any questions or comments regarding this initiative, please feel free to contact me.

Very truly yours,

NEIL M. BAROFSKY
Special Inspector General

CORRESPONDENCE WITH TREASURY GENERAL COUNSEL

This appendix provides copies of the following letters:

- Letter from the Special Inspector General for the Troubled Asset Relief Program to the United States Department of Treasury General Counsel (Robert Hoyt, Esq.), dated January 12, 2009
- Response letter from the United States Department of Treasury General Counsel (Robert Hoyt, Esq.) to the Special Inspector General for the Troubled Asset Relief Program, dated January 16, 2009

OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

January 12, 2009

Robert Hoyt, Esq.
General Counsel
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

Dear Mr. Hoyt:

Further to our discussion last week concerning the design of the Term Asset-Backed Securities Loan Facility ("TALF"), and in anticipation of questions I am likely to receive on the subject, I would appreciate it if you could provide my office with a an explanation as to your understanding of how the design of the TALF program will meet the legal requirements of the Emergency Economic Stabilization Act of 2008 ("EESA"), including the imposition of conditions on institutions that sell troubled assets to the Treasury Department under the Troubled Asset Relief Program. In particular, please indicate what the Treasury Department's plans are with respect to the application, in the context of the TALF program, of executive compensation and corporate governance standards, as set forth in Section 111 of EESA. Please provide a response to this inquiry on or before January 20, 2009. Thank you in advance for your prompt response.

Very truly yours,

NEIL M. BAROFSKY
Special Inspector General

cc: Stephen Albrecht, Esq.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

RECEIVED 1/21/09

January 16, 2009

Mr. Neil M. Barofsky
Special Inspector General
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Barofsky:

I write in response to your January 12, 2009 letter asking for an explanation of how the design of the Term Asset-Backed Securities Loan Facility ("TALF") program will meet the legal requirements of the Emergency Economic Stabilization Act of 2008 ("EESA"), including the imposition of conditions on institutions that sell troubled assets to Treasury under the Trouble Asset Relief Program ("TARP"). In particular, you asked about Treasury's plans with respect to the application, in the context of the TALF program, of executive compensation and corporate governance standards, as set forth in Section 111 of EESA.

Because the structure and terms of TALF are still being developed, the detailed procedures for implementing executive compensation and corporate governance requirements have not yet been established. Accordingly, I will describe the agreement in principle between Treasury and the Federal Reserve Bank of New York ("FRBNY") with particular emphasis on executive compensation and corporate governance issues.

Description of TALF

TALF consists of two related, but distinct, programs: (1) a lending facility, and (2) an asset disposition facility. Both programs will be established and operated by FRBNY. TARP is participating only in the asset disposition facility.

The lending facility is purely a FRBNY program; it is not being established under EESA. Under the lending program, FRBNY will make non-recourse loans secured by consumer asset-backed securities ("ABS") posted as collateral. Loans will be made through FRBNY's dealers at an advance rate that provides for a discount from the principal amount of the ABS; the resulting overcollateralization will provide additional security for the loans. The borrower will be required to pay monthly interest on the loan, and to repay the outstanding principal balance at the end of the term. If the borrower makes all payments of interest and repays the outstanding principal balance of the loan, FRBNY will release its lien on the pledged ABS, which will be returned to the borrower. If the borrower defaults, FRBNY will foreclose on the pledged ABS. TARP will have no role in any of the transactions under the loan facility.

The asset disposition facility is a joint program of FRBNY and TARP. The purpose of the facility is to purchase, hold and ultimately liquidate ABS that was posted as collateral under the loan facility but later was foreclosed upon by FRBNY. Because loans made under the loan facility will be non-recourse, borrowers may choose to forfeit the ABS they posted as collateral if they conclude at any point that the cost of making the remaining interest payments and repaying the loan at maturity is greater than the value of the collateral. Following such an abandonment, FRBNY will have the right to sell the foreclosed ABS to the asset disposition facility, a special purpose vehicle ("SPV") created, owned and managed by FRBNY. TARP will participate in the asset disposition facility by making a subordinated loan to the SPV in the amount of up to $20 billion, but will not have any ownership interest in the SPV. The balance of the funding for the SPV will come in the form of a senior loan from FRBNY.

Application of EESA Requirements

Because the lending facility will be established and operated by FRBNY without any participation by Treasury, it is not subject to the requirements of EESA. Nevertheless, FRBNY has agreed to impose executive compensation requirements comparable to those applicable to financial institutions that receive investments under TARP's Capital Purchase Program ("CPP"). The requirements will be imposed upon sponsors of ABS as a condition of allowing their securities to be pledged as collateral for loans made by FRBNY under the TALF lending facility. Specifically, sponsors will be required to qualify by certifying to FRBNY that they have adopted the restrictions and taken the other actions required by TARP's CPP executive compensation rules, and to maintain that qualification by filing periodic recertifications with FRBNY. FRBNY will maintain a list of ABS sponsors that are so qualified, and will not accept ABS of non-qualified sponsors to be used as collateral for TALF loans.

With respect to the asset disposition facility, which will be financed with TARP funds and therefore is subject to EESA, Treasury will implement the statutory requirements through agreements with FRBNY. Specifically, Treasury will require, as a condition of making its subordinated loan to the SPV, that FRBNY agree to abide by the executive compensation and expense policy requirements for CPP transactions, as reflected in standard contract clauses for CPP transactions and applicable regulations. In addition, Treasury will require that the business records and management of the SPV be available to Treasury and its agents, to the Comptroller of the Currency, and to the Special Inspector General, all under contractual provisions that have been previously approved by you.

Please feel free to contact me if you have any questions.

Sincerely yours

Robert F. Hoyt
General Counsel

CORRESPONDENCE WITH TREASURY

This appendix provides a copy of the following letters:

- Letter from the Special Inspector General for the Troubled Asset Relief Program to the Secretary of the Treasury (The Honorable Henry M. Paulson, Jr.), dated January 9, 2009
- Response letter from the Interim Assistant Secretary for Financial Stability (Neel Kashkari) to the Special Inspector General for the Troubled Asset Relief Program, dated January 16, 2009

OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

January 9, 2009

The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Secretary:

I have been receiving inquiries regarding executive compensation practices of firms participating in the Capital Purchase Program and other programs under the Troubled Asset Relief Program ("TARP") authorized under the Emergency Economic Stabilization Act of 2008 ("EESA"). A particular concern in these inquiries is how the Department will ensure compliance with the compensation restrictions put in place for TARP programs. With increasing attention to this issue from members of Congress, and with one pending Congressional request already made to my Office, I believe it is important to begin a review of these issues in anticipation of my Office's first legislatively mandated report to Congress, which is due on February 6, 2009.

Accordingly, and in anticipation of a more formal audit, I am requesting that you provide my Office with the following information, indicating: (1) how the Department determined compensation restrictions on firms receiving assistance under the various TARP programs; (2) how the Department plans to monitor and enforce those restrictions to ensure compliance; and (3) the resources the Department currently has in place to ensure such compliance and those that you anticipate devoting to this effort in the future. Given the short time frame applicable to my Office's first report to Congress, I would greatly appreciate receiving the requested information by January 16, 2009, if possible.

Very truly yours,

NEIL M. BAROFSKY
Special Inspector General

cc: Neel Kashkari
(Interim Assistant Secretary of the Treasury, Office of Financial Stability)

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

January 16, 2009

Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
Department of the Treasury
1500 Pennsylvania Ave., NW, Suite 1064
Washington, DC 20220

Dear Mr. Barofsky:

I am responding to your letter dated January 9, 2009, requesting information about how the Department of the Treasury (Treasury) will ensure compliance with the compensation restrictions for programs developed under the Troubled Asset Relief Program (TARP) and authorized under the Emergency Economic Stabilization Act of 2008 (EESA). Specifically, you asked Treasury to address the following three areas:

1. How Treasury determined compensation restrictions for institutions receiving assistance under the various TARP programs;
2. How Treasury plans to monitor and enforce those restrictions to ensure compliance; and
3. The resources Treasury currently has in place to ensure such compliance and those that Treasury anticipates devoting to this effort in the future.

Treasury firmly supports restrictions on executive compensation for institutions that receive TARP funds. In every case, Treasury has used the following principles in designing executive compensation requirements for programs under the EESA:

1. Requirements must be more stringent than those Congress specified in the EESA.
2. Requirements must not reward senior executives responsible for the failure of an institution.
3. Requirements must strike a balance to ensure firms can hire new qualified people so firms can pay back taxpayers.
4. Requirements must enable monitoring and enforcement by Treasury.

In the discussion below, we summarize the restrictions required under EESA, demonstrate how Treasury imposes more stringent requirements, and discuss our plans to enforce these restrictions.

Executive Compensation Restrictions under EESA

The executive compensation restrictions in section 111(b) of EESA apply to institutions that sell troubled assets to Treasury directly and through auctions under certain circumstances. By statute, the direct purchase provisions only apply when there is no bidding process or market price for the troubled asset, and when Treasury will receive a "meaningful equity or debt position in the financial institution as a result of the transaction." When these criteria are met, EESA imposes these restrictions on executive compensation and corporate governance:

1. Financial institutions may not offer incentives to senior executive officers (SEOs) that encourage them to take unnecessary and excessive risks that threaten the value of the financial institution. This restriction applies during the period that Treasury holds an equity or debt position in the financial institution.
2. Financial institutions must recover any bonus or incentive compensation paid to a SEO if the bonus or incentive compensation was based on statements of earnings, gains, or other criteria that were materially inaccurate.
3. Financial institutions may not provide a golden parachute payment to a SEO while Treasury holds an equity or debt position in the financial institution.

EESA's auction provisions do not currently apply because Treasury has not purchased troubled assets by auction.

Executive Compensation Restrictions under the TARP

Treasury has purchased troubled assets under four programs: the Capital Purchase Program, the Systemically Significant Failing Institution Program, the Targeted Investment Program, and the Automotive Industry Financing Program. In each of these programs, Treasury has imposed more stringent requirements for executive compensation and corporate governance than Congress required in EESA.

Capital Purchase Program

The Capital Purchase Program (CPP) was the first program established under EESA, and it is a key component of the TARP. Treasury established this voluntary program to stabilize financial markets by providing capital to healthy institutions in order to increase the flow of credit to businesses and consumers. Treasury imposes EESA's restrictions on executive compensation and corporate governance on every institution participating in the CPP, without regard to whether Treasury is acquiring "a meaningful equity or debt position in the financial institution." Treasury has also included an additional provision to protect the taxpayer that prohibits CPP participants from claiming deductions for annual SEO compensation greater than $500,000 per SEO on their federal tax returns.

Treasury has also clarified ambiguities in the statutory provisions on executive compensation. On October 20, 2008, Treasury published an interim final rule in 31 CFR Part 30 (October Interim Final Rule), providing guidance on the executive compensation limitations applicable to participants in the CPP. In developing the October Interim Final Rule, Treasury leveraged well-established federal laws and regulations (such as the Internal Revenue Code for the definition of "golden parachute" and "control group" and the federal securities laws and regulations for the definition of "senior executive officer") to clarify the executive compensation restrictions applicable to institutions participating in the CPP. Treasury is finalizing a second interim final rule that will provide further guidance and include additional reporting, certification, and recordkeeping requirements for participating institutions.

Systemically Significant Failing Institutions Program

The program for Systemically Significant Failing Institutions (SSFI) is another key component of the TARP. Through this program, Treasury will provide capital on a case-by-case basis to systemically significant institutions that are at a substantial risk of failure. When designing the executive compensation restrictions for the SSFI program, Treasury followed the requirements for the CPP and enhanced these requirements by expanding the definition of golden parachute to also prohibit the payment of all severance payments to a participating institution's top five SEOs. This additional restriction ensures that these executives are not rewarded for the institution's poor performance. When developing the executive compensation restrictions applicable to participants in the SSFI program, Treasury also considered the need for these institutions to attract and retain highly-qualified individuals who would help lead these organizations towards financial viability. Without financial viability, the institutions will not be able to repay the taxpayers' investment. The executive compensation restrictions applicable to institutions participating in the SSFI program are published in Treasury Notice 2008-PSSFI.

Treasury purchased $40 billion of senior preferred stock in the American International Group (AIG) under the terms of the SSFI program in November. In establishing executive compensation restrictions for AIG under the TARP, Treasury collaborated with the Federal Reserve and the Federal Reserve's outside counsel (Davis Polk & Wardwell), as well as outside executive compensation advisors (Ernst & Young), to analyze AIG's compensation systems and compare them to market standards. Based on this analysis, Treasury decided not only to apply the executive compensation restrictions for the SSFI program to AIG, but also to add several additional limitations to further protect taxpayers. These enhancements include the expansion of the CPP golden parachute payment limitations and a freeze on the size of the annual bonus pool for the top category of AIG executives (approximately 60 people). Additionally, AIG must continue to maintain and enforce newly adopted restrictions on corporate expenses and lobbying as well as corporate governance requirements, including formation of a risk management committee under the board of directors.

Targeted Investment Program

The Targeted Investment Program (TIP) is designed to prevent a loss of confidence in financial institutions that could result in significant market disruptions, threatening the financial strength of similarly situated financial institutions, impairing broader financial markets, and undermining the overall economy. Institutions will be considered for this program on a case-by-case basis, based on a number of factors described in the program guidelines published on Treasury's web site. Treasury completed the first transaction under the TIP on December 31, 2008, when it invested $20 billion in Citigroup, Inc. (Citigroup) perpetual preferred stock and warrants. Treasury consulted its outside counsel (Simpson Thatcher & Bartlett LLP) and the Federal Reserve's compensation advisor (PricewaterhouseCoopers) to analyze Citigroup's compensation systems and compare them to market standards. Based on this analysis, Treasury applied the executive compensation restrictions of the CPP, including several limitations in addition to those of the CPP requirements to further protect taxpayers. These enhancements include a prohibition on all severance payments for the top five SEOs, the expansion of the CPP golden parachute payment limitations, and a 40% reduction in the 2007 bonus pool for the top category of Citigroup executives (approximately 50 people). The decision to limit the bonus pool of top executives, rather than prohibit the payment of all bonuses to these executives (as is the requirement for auto manufacturers participating in the Automotive Industry Financing Program discussed below), was based on the differences in the compensation systems of these two industries. In the financial industry, a significantly higher portion of an executive's overall compensation is paid in the form of a bonus, as opposed to the portion paid to executives in the automobile industry. Additionally, Citigroup must establish and maintain restrictions on corporate expenses and lobbying.

Automotive Industry Financing Program

The objective of the Automotive Industry Financing Program (AIFP) is to prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market stability and have a negative impact on the U.S. economy. When developing the executive compensation restrictions applicable to participants in the AIFP, Treasury took into consideration the importance for these institutions to attract and retain highly-qualified individuals who would help lead these organizations towards financial viability, which is critical to the protection of taxpayer interests in these institutions as their financial health is important to their ability to repay the government's investment. With these considerations in mind, Treasury adopted executive compensation limitations substantially similar to those included in proposed legislation to aid the automotive companies that was considered by Congress in December 2008 and that became the model for the restructuring provisions in Treasury's loans to General Motors and Chrysler. Specifically, those loans apply the limitations of the SSFI program to a participating auto maker's top five SEOs and prohibit the payment of bonuses to the auto maker's top 25 highest compensated senior executives (unless such payment is necessary for the success of the company and is approved by a designee of the President). For those automotive finance companies participating in the AIFP, the bonus restrictions were structured similar to the TIP restrictions, due to the similarity in compensation arrangements between these institutions. Additionally, institutions participating in the AIFP must establish and maintain strict corporate expense policies. Guidelines for the AIFP are published on Treasury's web site.

Assuring Compliance with Executive Compensation and Corporate Governance Restrictions

Treasury has been developing several tools to assure compliance with requirements for executive compensation and corporate governance. In addition to staffing the Office of the Chief Compliance Officer, Treasury has drafted stringent new regulatory requirements for the CPP, as well as provisions for its purchase agreements that go well beyond what Congress required in EESA.

For the CPP, Treasury is finalizing an interim rule that will require the principal executive officer of each participating institution to certify to the TARP's Chief Compliance Officer on a regular basis that the institution has:

1. Reviewed the incentive compensation arrangements of SEOs with the institution's senior risk officer(s) to ensure that they do not encourage SEOs to take unnecessary and excessive risks;
2. Required that SEO bonus and incentive compensation be subject to recovery or "clawback" if it was based on financial statements or performance metrics later determined to be materially inaccurate;
3. Prohibited the payment of any golden parachutes to SEOs; and
4. Instituted controls and procedures to limit the federal income tax deduction for annual SEO remuneration to $500,000, and limited such deduction accordingly.

These requirements will apply as long as Treasury holds an interest in the institution. The interim final rule will also require participating institutions to maintain documentation that substantiates each certification made to Treasury and to make this documentation available to Treasury upon request.

Under other TARP programs, Treasury has included contractual mechanisms for monitoring compliance. Under its agreement with Treasury, AIG must report on its compliance with section 111(b) of EESA and promptly provide other information and notices that Treasury may require. Treasury also has rights to inspect books and records in its agreements with the automakers and auto finance companies and Citigroup. The automakers, auto finance companies, and Citigroup must also certify to various compliance obligations in their agreements. In addition, Treasury negotiated special access rights for the Government Accountability Office (GAO) and the TARP Special Inspector General, which allow them access to books, records, and personnel. The provisions that Treasury negotiated for GAO and the TARP Special Inspector General enhance those that Congress provided under EESA.

Treasury is in the early stages of developing a program to oversee and enforce compliance with the executive compensation restrictions set forth in EESA, Treasury guidance, and contract. We are hiring staff for the compliance office with private and government experience, and with expertise in compliance monitoring, internal controls, litigation, and other areas. The TARP does not have civil penalty or subpoena authority, but we will rely on a variety of mechanisms for assuring compliance that include:

1. Receiving, tracking, monitoring, and reviewing certifications provided to Treasury by institutions participating in TARP programs.
2. Conducting in depth reviews of the compensation practices of individual institutions in appropriate cases.

3. Referring violators to the U.S. Department of Justice for litigation to enforce our agreements.
4. Making referrals to the TARP Special Inspector General.
5. Publicizing the identity of institutions that violate executive compensation restrictions.

Treasury is committed to rigorous oversight of the restrictions pertaining to executive compensation applicable to institutions participating in TARP programs and is continuing to develop a comprehensive compliance program to ensure that institutions adhere to their statutory, regulatory, and contractual obligations. Treasury's Office of Financial Stability looks forward to continuing our work with the Special Inspector General on these and other issues related to the TARP.

Sincerely,

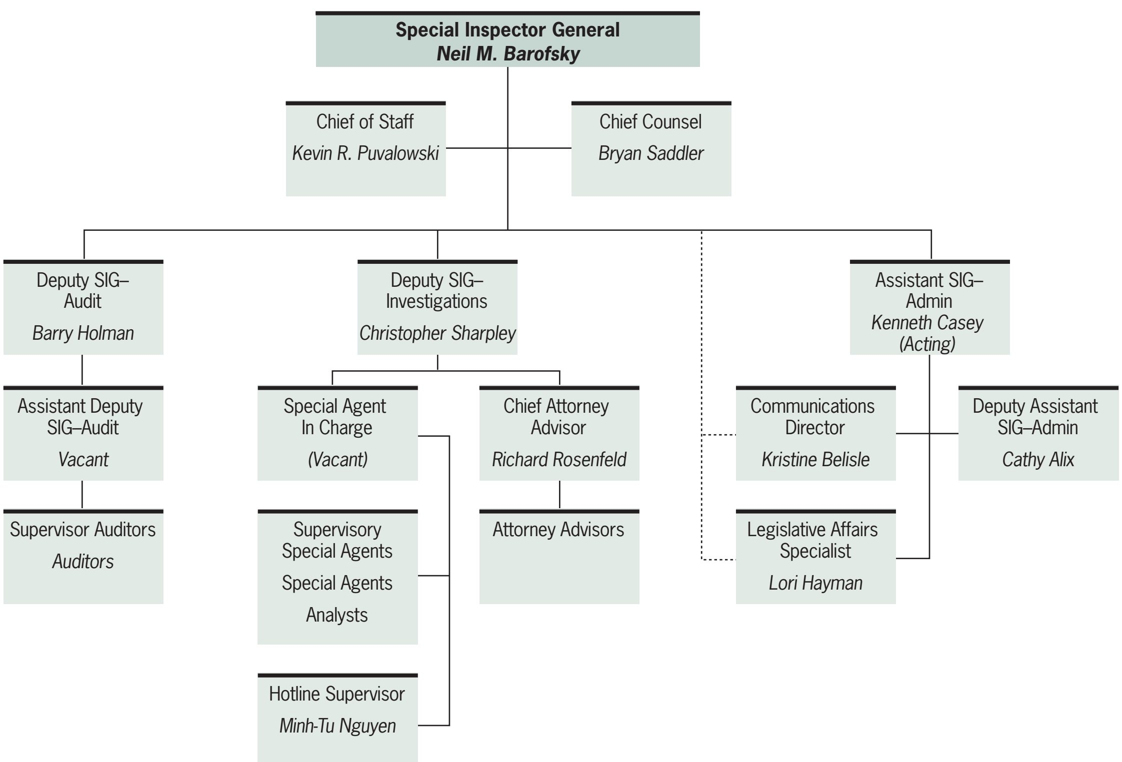
Neel Kashkari
Interim Assistant Secretary for
Financial Stability

ORGANIZATIONAL CHART

Figure J.1 provides the organizational chart for the Special Inspector General for the Troubled Asset Relief Program, as of January 23, 2009, including individuals who have accepted positions but who have not yet started.

FIGURE J.1

OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM



CORRESPONDENCE FROM THE OFFICE OF FINANCIAL STABILITY

This appendix provides a copy of a letter sent from the Interim Assistant Secretary for Financial Stability to the Special Inspector General for the Troubled Asset Relief Program discussing the shared interest between the two parties in providing transparency in TARP, keeping the public's trust, and protecting the taxpayers' money.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

February 3, 2009

Neil Barofsky
TARP Special Inspector General
Department of the Treasury
1500 Pennsylvania Avenue
Washington D.C. 20220

Dear Mr. Barofsky:

Thank you for the opportunity to comment on your first report and to contribute to its discussion of Treasury's Troubled Assets Relief Program (TARP).

Treasury shares your view that transparency in the TARP is critical for keeping the public's trust and for protecting the taxpayer's money. Treasury has worked hard to describe our policies and efforts to promote financial stability by publishing all program information on the Treasury website, through our detailed reports to Congress, public statements by Treasury officials and our close work with our oversight bodies. Your report provides a new and significant contribution to transparency. The detailed descriptions will further educate the public about a complex subject, and show Treasury's professionalism in designing and executing the programs under the TARP, which is still a very young program- only 123 days old. We were pleased to work with your team as they prepared this report, and we welcome further review of our programs in the months ahead.

In our frequent meetings, you have brought a valuable perspective to our development of TARP programs and agreements. Our dialogue has made TARP programs stronger. We have already implemented several recommendations from your office, and we are looking carefully at the recommendations in this report as well.

Thank you again for the report's thorough explanation of TARP programs and thoughtful recommendations.

Sincerely,

Neel Kashkari
Interim Assistant Secretary for
Financial Stability