

A L E R T

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On October 13, the Board of Directors of the FDIC approved a Temporary Liquidity Guarantee Program (“Program”) intended to unlock inter-bank credit markets and restore rationality to credit spreads. The Program, which is voluntary, is intended to free up funding for banks to make loans to creditworthy businesses and consumers. Adoption of the Program followed a determination by the Secretary of the Treasury, in consultation with the President and upon the recommendation of the Boards of the FDIC and the Federal Reserve, to invoke the systemic risk exception in the FDIC Improvement Act of 1991. Under the Program, the FDIC will provide a 100% guarantee for (1) newly-issued senior unsecured debt of certain financial institutions, and (2) non-interest bearing transaction deposit accounts at FDIC-insured institutions.

Eligible Financial Institutions: Institutions eligible to participate in the Program include:

- (1) FDIC-insured depository institutions;
- (2) U.S. bank holding companies;
- (3) U.S. financial holding companies; and
- (4) U.S. savings and loan holding companies that engage only in activities that are permissible for financial holding companies to conduct under section 4(k) of the Bank Holding Company Act (“Eligible Entities”).

Covered Liabilities: The FDIC’s guarantee will apply to:

- (1) All newly-issued senior unsecured debt issued by Eligible Entities on or before June 30, 2009, including promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt. The amount of debt covered by the guarantee may not exceed 125% of debt that was outstanding as of September 30, 2008 and that was scheduled to mature before June 30, 2009. For eligible debt issued on or before June 30, 2009, coverage would only be provided for three years beyond that date, even if the liability has not matured; and
- (2) Funds in non-interest-bearing transaction deposit accounts held by FDIC-insured banks until December 31, 2009.

Fees: Fees for participation in the Program, which will be waived for the first 30 days of coverage, will be:

- (1) For all newly-issued senior unsecured debt, an annualized fee equal to 75 basis points multiplied by the amount of debt issued under this program; and

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(2) For non-interest-bearing transaction deposit accounts, a 10 basis point surcharge applied to non-interest-bearing transaction deposit accounts not otherwise covered by the existing deposit insurance limit of \$250,000. This surcharge will be added to the participating institution's existing risk-based deposit insurance premium paid on those deposits.

Term: The ability of Eligible Entities to issue guaranteed debt under the Program will expire on June 30, 2009. All Eligible Entities will be covered under this program for an initial period of 30 days. Prior to the end of this period, Eligible Entities must inform the FDIC whether they will opt-out of the guarantee program. If an Eligible Entity opts out of the Program, the guarantee on newly-issued senior unsecured debt and non-interest-bearing transaction deposit accounts will expire at the end of the 30-day period, regardless of the term of the instrument. Eligible Entities electing to participate in the Program will be subject to enhanced supervisory oversight in order to prevent rapid growth or excessive risk-taking. The FDIC will maintain control over eligibility in consultation with each institution's primary Federal regulator.

Bar Admissions:

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