

# The Program Formerly Known as TARP: General Information

Sponsor: U.S. Treasury

## Announced Programs:

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

## Key Dates

Established: October 3, 2008

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

## TARP Tracker

## Notes

Authorized Amount	\$700.0 billion	
Capital Purchase Program	- \$250.0 billion	• Expenditure under the program expected to be less than \$250 billion
AIG Bailout II	- \$40.0 billion	
TALF	- \$200.0 billion	• Original allocation \$20 billion, raised to \$200 billion under Financial Stability Plan
Automotive Industry Financing Program	- \$24.9 billion	• Includes \$4 billion for Chrysler, \$1.5 billion for Chrysler consumer lending program, \$5 billion for GMAC, \$1 billion loan for GM to invest in GMAC, \$13.4 billion in commitments to GM (\$4 billion pending report due Feb 17, 2009)
		• Does not include any amounts reserved for Ford, if required
Citigroup	- \$25.0 billion	• Does not include the guarantee against losses on a pool of assets. Treasury and FDIC to guarantee losses
Bank of America	- \$20.0 billion	• Does not include the guarantee against losses on a pool of assets. Treasury and FDIC to guarantee losses
Foreclosure Program	- \$50.0 billion	• \$50 billion for Financial Stability Plan is expected to come from TARP funds
<b>Amount Remaining:</b>	<b>\$90.1 billion</b>	

## Who Can Participate?

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

## What are Troubled Assets?

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

## Equity Investments – Key Terms

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

## Treasury Considerations:

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

## Executive Compensation and Corporate Governance

- Applies to senior executive officers (CEO, CFO, top three compensated officers)
- Direct purchases
  - certification by compensation committee of no incentive structure for excessive risk taking
  - compensation committee meetings with senior risk officers annually
  - no golden parachute payments for involuntary termination, receivership or bankruptcy
  - claw-back for bonus/incentive payments made based on statements made during investment period later found to be materially inaccurate
  - deductibility of compensation capped at \$500,000
  - principal executive officer certification 120 days after investment and annually
- Indirect purchases (auctions): if exceed \$300 million, no new employment contract that provides a golden parachute for involuntary termination, receivership or bankruptcy
- Additional Rules: Treasury has announced stricter rules for companies receiving "exceptional assistance" after Feb 4, 2009
- Stimulus package will impose new rules retroactively:
  - More executives will be covered by rules
  - Bonuses for top executives limited to 50% of salary (unclear if this includes restricted stock)