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U.S. Treasury Implements New Voluntary Capital Purchase Program; FDIC Guarantees Senior Bond Debt and Commercial Accounts; Federal Reserve Announces Initial Funding of Commercial Paper Funding Facility

On October 14, 2008, the United States Treasury Department, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation jointly announced a number of programs to stabilize the United States financial system. The programs address (i) the recapitalization of U.S. financial institutions through direct equity purchases, (ii) the provision of FDIC guarantees of senior debt issued by insured depository institutions and their U.S. holding companies and the extension of FDIC insurance coverage to non-interest bearing deposits at such institutions, and (iii) the implementation of the previously announced Commercial Paper Funding Facility.

Voluntary Capital Purchase Program

The United States Treasury Department ("Treasury") announced a program which will allow it to purchase up to US\$250 billion of senior preferred shares of certain financial institutions. The Capital Purchase Program ("CPP") is available only to "U.S. controlled" banks, savings associations and certain bank and savings and loan companies engaged only in financial activities. Financial institutions controlled by a foreign bank or company are expressly precluded from participating in the CPP. Eligible institutions must elect to participate by November 14, 2008. The Treasury will purchase senior preferred shares under the program by year-end 2008.

The CPP requires a minimum investment by the Treasury equal to 1% of the institution's risk-weighted assets. The maximum investment in any institution will be the lesser of US\$25 billion or 3% of the institution's risk-weighted assets. The Treasury will determine eligibility and specific allocations to interested parties after consultation with the appropriate federal banking agency.

The senior preferred shares purchased will qualify as Tier 1 capital of the institution and will rank senior to common stock and *pari passu* with existing preferred shares. The senior preferred shares will be non-voting, other than class voting rights on matters that could adversely affect the shares. The senior preferred shares will pay a cumulative dividend of 5% per annum for the first five years and will reset to 9% per annum thereafter.

The senior preferred shares will be callable at par after three years, may be redeemed by the institution with the proceeds from a qualifying equity offering prior to such time, and are freely transferable by the Treasury at all times. During this three year period and while the senior preferred shares are outstanding, the Treasury must consent to any increase in common dividends or repurchases of shares junior to the senior preferred shares.

In conjunction with any investment by the Treasury, all participating institutions will be required to issue to the Treasury warrants to purchase common stock with an aggregate market price equal to 15% of such investment. The exercise price on the warrants will be the market price of the participating institution's common stock at the time of issuance, calculated on a 20-trading day trailing average. The warrants will be exercisable at any time within ten years of their issuance, and Treasury will agree that it will not exercise voting rights on any common stock issued upon exercise of the warrants. Participating institutions must also agree to certain executive compensation restrictions as required by the Emergency Economic Stabilization Act of 2008.

The detailed, standard terms and conditions of the senior preferred shares and warrants to be issued and purchased by the Treasury under the CPP will be found at: <http://www.ustreas.gov/press/releases/reports/document5hp1207.pdf>.

It was also announced that nine U.S. financial institutions will be the initial participants in the CPP: Citigroup, JPMorgan Chase, Bank of America (including Merrill Lynch) and Wells Fargo (including Wachovia) will each issue US\$25 billion in senior preferred shares to the Treasury, Goldman Sachs and Morgan Stanley will each issue US\$10 billion, and Bank of New York Mellon and State Street will issue between US\$2 and US\$3 billion.

FDIC Guarantees

The Federal Deposit Insurance Corporation (“**FDIC**”) announced a program to assist eligible institutions in rolling over debt scheduled to mature in the next eight months. The FDIC will offer guarantees on senior unsecured debt issued on or before June 30, 2009 against the failure of the issuer of such debt or the bankruptcy of its holding company. “Eligible institutions” for this program include all FDIC-insured depository institutions, U.S. bank holding companies and financial holding companies and certain U.S. savings and loan holding companies. Accordingly, while FDIC-insured banks controlled by foreign banks would be eligible to participate in the program, the foreign bank would not.

The specific debt instruments to be guaranteed may be in the form of promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt. The guaranteed debt must be issued between October 14, 2008 and June 30, 2009, and the guarantee will last for three years from the date of issuance, regardless of whether the debt has matured by such time. Each eligible institution may obtain guarantees for new debt issuances in an aggregate principal amount not to exceed 125% of such institution's debt which (i) was issued on or prior to September 30, 2008 and (ii) is scheduled to mature no later than June 30, 2009.

All eligible institutions will automatically be included in the guarantee program for a period of thirty days from October 14, 2008. Institutions may only opt out of the program by notice to the FDIC within this initial thirty day period. Any guarantees on debt issued by institutions opting out of the program will expire at the end of the thirty day period.

The FDIC will charge each participating institution an annualized fee equal to 75 basis points of the amount of debt guaranteed. Fees will be waived for the first thirty days of the plan.

FDIC Insurance for Non-Interest-Bearing Accounts

The FDIC also announced optional deposit insurance coverage for non-interest bearing deposit transaction accounts held by FDIC-insured institutions. These accounts, frequently used by businesses for payroll and similar expenses, will be fully guaranteed for an initial thirty day period beginning October 14, 2008. Any institution that wishes to opt out of this program must do so within this initial period; otherwise, the institution will participate until the program's expiration on December 31, 2009. Participating institutions will have a 10 basis point surcharge applied to their current FDIC insurance assessment for each non-interest-bearing transaction deposit account not fully covered by the existing deposit insurance limit of US\$250,000.

The FDIC expects that these guarantee and insurance programs will be fully financed by the fees collected. In the event such revenues are insufficient, the FDIC will levy a special assessment on all FDIC-insured institutions based on their outstanding liabilities.

Commercial Paper Funding Facility

The Board of Governors of the Federal Reserve System provided additional details on the operation of the Commercial Paper Funding Facility ("CPFF") first announced on October 7, 2008. A special purpose vehicle ("SPV") created and funded by the New York Federal Reserve Bank ("New York Fed") will purchase eligible issuers' three-month U.S. dollar-denominated commercial paper through the New York Fed's primary dealers. "Eligible issuers" for the CPFF are issuers of commercial paper organized under the laws of the United States or any State of the United States, including any such issuers with a foreign parent company.

The New York Fed will fund the SPV on a recourse basis, secured by all of the assets of the SPV. The SPV will hold the commercial paper until maturity and will use the proceeds from maturing commercial paper and other assets to repay its loan from the New York Fed. The commercial paper must be rated at least A-1/P-1/F1 by a major rating agency and, if rated by multiple major rating agencies, must be rated at least A-1/P-1/F1 by two or more such rating agencies.

The SPV may purchase commercial paper from an eligible issuer in an amount not to exceed the greatest amount of U.S. dollar-denominated commercial paper such issuer had outstanding on any day between January 1, 2008 and August 31, 2008, based on a certification by the issuer to the New York Fed. The SPV will not purchase additional commercial paper from any issuer whose total commercial paper outstanding to all investors (including the SPV) equals or exceeds this limit. Purchases of commercial paper by the SPV will be made only from issuers and not from investors, though purchases can be made of commercial paper used by the issuer to repurchase from investors its outstanding commercial paper.

The pricing of purchases by the SPV will be at a discount rate equal to the three-month overnight index swap (OIS) rate on the date of purchase plus a spread of (i) 100 basis points, in the case of unsecured commercial paper, and (ii) 300 basis points, in the case of asset-backed commercial paper. A surcharge equal to 100 basis points will also be charged to sellers of unsecured commercial paper on each trade execution date; as an alternative to the surcharge, the issuer may provide collateral or a guarantee in a form acceptable to the New York Fed. Each eligible issuer that registers to use the CPFF will also be charged a facility fee equal 10 basis points of the maximum amount of commercial paper it may sell.

Treasury has appointed PIMCO as asset manager and State Street Bank and Trust Company as custodian and administrator for CPP. The CPFF will become operational on Monday, October 27, 2008 and the registration period for issuers begins on October 20, 2008. In order to access the facility on October 27th, issuers must register no later than October 23rd. The 10 basis point facility fee must be paid upon registration. The SPV will cease purchasing commercial paper on April 30, 2009, unless the Board extends the facility. The New York Fed will continue to fund the SPV after such date until the SPV's underlying assets mature.