



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 19, 2012

Re: Capital Purchase Program – Auctions of Pools of CPP Investments

On May 3, 2012, Treasury announced additional details on its strategy for winding down the remaining bank investments made through the Troubled Asset Relief Program's (TARP) Capital Purchase Program (CPP).¹ The announcement stated that our overall strategy would continue to involve repayments and, for those institutions that were not expected to be able to repay in the next 12 to 18 months, Treasury would continue to consider opportunities for restructurings and conduct sales to third parties. As described in the announcement, sales to third parties would include auctions of individual investments, as well as potentially combining individual investments together into auction pools.

To date, Treasury has conducted two rounds of auctions of individual investments. These individual auctions have generated strong participation from investors and helped community banks replace temporary government support with new private capital. Additionally, they have produced more than \$607 million in proceeds for taxpayers, bringing the overall amount that Treasury has recovered from TARP's bank investments through repayments and other income to \$264 billion – representing a \$19 billion positive return compared to the amount (\$245 billion) originally invested.

Treasury will continue to proceed with auctions of individual investments. In many cases, however, because the relatively smaller size of Treasury's remaining investment makes it more difficult to conduct an individual auction, we believe that a pooled auction may represent the best approach to attract new private capital for community banks and recover taxpayer dollars.

The purpose of this letter is to inform you that Treasury is considering including your institution as part of a series of pooled auctions – the first of which will be conducted in the fall of 2012. While we will provide further information on the specific procedures for pooled auctions in the weeks ahead, we wanted to outline our overall approach today so that you can begin to determine the best path forward for your individual bank.

Unlike Treasury's recent auctions of individual CPP preferred stock investments, in which multiple bidders are allocated portions of the preferred stock at a single clearing price, it is anticipated that the pooled auctions will result in a single, highest bidder purchasing all of the securities included in the pool. (Please note, however, that, in certain cases, because of regulatory requirements, Treasury's investment in a given institution may be divided and included in more than one pool.)

Additionally, Treasury will also offer banks whose securities are being considered for inclusion in a pooled auction the opportunity to opt-out of the pooled auction if they decide – with regulatory approval – to make a bid to repurchase all their remaining outstanding CPP securities. The bank may also designate a single outside investor (or single group of investors) to make a bid to purchase all their outstanding CPP securities. Any such bid will need to be submitted to Treasury by August 6, 2012, and must meet a minimum price level set by Treasury to ensure good value for taxpayers.

¹ See <http://www.treasury.gov/connect/blog/Pages/Winding-Down-TARPs-Bank-Programs.aspx>.

As you know, under the terms of the Securities Purchase Agreement, we cannot require banks to repurchase their CPP investments. As such, we believe that permitting banks or their designees to submit bids as part of this process helps strengthen demand for these securities and taxpayer recoveries. Securities of banks which have opted-out of the pooled auctions will be individually auctioned or sold in a negotiated sale, the timing and execution of which will depend on size of investment and number of securities to be considered.

In the event that a bid does not meet Treasury's minimum price level during the opt-out process, the security will be included in an upcoming pool auction. Additional details regarding the opt-out process will be communicated to you and posted on the Treasury website (<http://www.treasury.gov/initiatives/financial-stability>) in the coming weeks.

Treasury believes that the approach we have outlined today will help support the objectives of winding down TARP, recovering taxpayer dollars, and helping community banks attract private capital to replace temporary government support. If you have any questions please feel free to contact us at cpp@treasury.gov.

Best regards,
Michael Harris
Director of the Capital Purchase Program