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Chairman Moore, Ranking Member Biggert and Members of the Subcommittee, thank you for the opportunity to testify before you today, regarding warrants received in connection with the Capital Purchase Program ("CPP") and the Targeted Investment Program ("TIP") established as part of the Troubled Asset Relief Program ("TARP") created under the Emergency Economic Stabilization Act of 2008 ("EESA").[1] The Office of Financial Stability ("OFS") pursuant to CPP and TIP has invested approximately $245 billion in over 700 financial institutions and has already seen significant progress towards the repayment of these taxpayer investments. EESA mandates that Treasury, with certain exceptions, receive warrants in connection with the purchase of such troubled assets.[2] Such warrants provide taxpayers with an additional potential return on the federal government's investments. I will focus my testimony today on TARP's warrant disposition process.

Overview

Treasury has received warrants in over 700 financial institutions for common stock, preferred stock, or senior debt instruments in connection with purchases of troubled assets across TARP programs. A warrant is a derivative instrument which provides its holder with the right to purchase a certain number of underlying securities (traditionally equity) from the issuer at a specified price within a definitive timeframe.[3] Taxpayers receive an additional return on TARP investments through the disposition of warrants. Treasury has devised and executed upon a comprehensive and transparent warrant disposition process.[4] As of May 5, 2010, Treasury had received approximately $6 billion in gross proceeds on the disposition of warrants in 44 financial institutions, consisting of (i) approximately $3 billion from repurchases by the issuers at agreed upon fair market values and (ii) approximately $3 billion from auctions.[5] For those 44 institutions, Treasury received an absolute return of 4% on its investment from

[1] While the testimony today will relate to the warrants received in connection with CPP and TIP, Treasury also holds warrants in conjunction with other TARP investments (i.e., American International Group ("AIG"), Legacy Securities Public-Private Investment Program ("S-PPIP"), Term Asset-Backed Loan Facility ("TALF"), Asset Guarantee Program ("AGP"), Automotive Industry Financing Program ("AIFP")).

[2] Section 113 (d)(1) of EESA provides that Treasury receive warrants or senior debt instruments in conjunction with a purchase of a troubled asset. However, the Secretary of the Treasury may establish a "de minimis" exception to the requirement to issue warrants in the case of an institution that receives less than $100 million in TARP funds. Treasury has exercised that authority by not requiring warrants in the case of investments in Community Development Financial Institutions ("CDFIs"), which are financial institutions that work in markets that are underserved by traditional financial institutions, in order to encourage their participation in CPP.

[3] When a holder exercises a warrant, the related company issues new shares which can have a dilutive effect to existing shareholders' value.

[4] Treasury released warrant valuation and disposition guidance and FAQs which Treasury posted to the OFS website on June 26, 2009 at the following link: http://www.financialstability.gov/roadtostability/capitalpurchaseprogram.html.

[5] The Comerica Incorporation warrant auction was held on 5/6/10 with an expected 5/12/10 closing and generated expected proceeds of $181 million which are excluded from this approximation.

dividends and an added 5% return from the sale of the warrants for a total absolute return of 9%.[6] These returns are not indicative of the entire TARP portfolio.

Background

Treasury invested in 707 Qualified Financial Institutions ("QFIs")[7] through CPP and 2 financial institutions through TIP, amounting to $245 billion in preferred stock and debt instruments.[8] Treasury created CPP in October 2008 to stabilize the financial system by providing capital to viable banks of all sizes nationwide and TIP in November 2008 to stabilize the financial system by making investments in institutions that are critical to the functioning of the financial system. QFIs have been repaying their CPP investments, and the only two participant institutions in TIP repaid their TIP investments at the end of 2009. Total TIP and CPP repayments are approximately $177.3 billion.[9] Treasury has been disposing of the related warrants accordingly. Therefore, I will speak primarily about the CPP and TIP warrant disposition processes.

EESA requires that Treasury receive warrants for common stock in connection with investments in publicly traded financial institutions.[10] Treasury has invested in 284 public institutions through CPP and TIP. Treasury has received warrants to purchase, at a fixed price, shares of common stock equal to fifteen percent of the aggregate liquidation preference in the case of CPP preferred stock in 282 public institutions and ten percent of the aggregate liquidation preference of the TIP preferred stock in 2 publicly traded financial institutions.[11] The per share exercise price was set at the 20-trading day trailing average of the financial institution's common stock price as of the time the respective financial institution was granted preliminary approval for the investment. These warrants are exercisable at any time over a ten year period from the date of issuance and include certain customary anti-dilution provisions for Treasury's protection.

EESA requires that Treasury receive warrants for common stock or preferred stock or debt in connection with investments in financial institutions that are not publicly traded. Treasury has invested in 425 privately-held companies, including banks, thrifts, Subchapter S Corporations, and mutual institutions through CPP. For 403 of these investments, Treasury received warrants to purchase, at a nominal cost, additional preferred stock or subordinated debentures equivalent to five percent of the aggregate liquidation preference of the primary CPP investment. These additional preferred stock and subordinated debt securities that were received from the exercise of the warrants pay a higher dividend or interest rate

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[6] Eight private financial institutions have repurchased the warrant preferred shares that Treasury exercised at the time of purchase.

[7] Treasury invested in 22 Community Development Financial Institutions ("CDFIs") which Treasury exempted from EESA's warrant requirement based upon the "de minimis" exception previously noted.

[8] Under TIP, Treasury purchased $20 billion in preferred stock from Citigroup Inc. and $20 billion in preferred stock from Bank of America Corporation. In July 2009, Treasury exchanged all of its TIP preferred stock in Citigroup Inc. for trust preferred securities. In December 2009, Bank of America Corporation and Citigroup repaid their TIP investments in full. Treasury continues to hold warrants acquired from Citigroup Inc. under the TIP. No further investments will be made under this program.

[9] Total TARP repayments are approximately $186.9 billion. OFS Office of Chief Financial Officer provided 5/6/10 repayment data which does not account for the ongoing Citigroup common stock disposition as of 5/6/10.

[10] Section 113 (d)(1) of EESA provides warrant requirements for Treasury investments in publicly traded and private financial institutions.

[11] Treasury auctioned the TIP Bank of America Corporation warrants on 3/3/10 and holds the Citigroup Inc. TIP warrants. Treasury's Office of Economic Policy and Office of Financial Stability provided analysis related to the Bank of America Corporation CPP and TIP warrant auctions in its March 18, 2010 report entitled *Treasury Analysis of Warrant Auction Results.*

than the primary CPP investment. Treasury immediately exercised all such warrants at the closings of the respective investments, resulting in Treasury's receiving an incremental amount of preferred stock and subordinated debenture holdings of approximately $217 million.

Redemptions

Institutions may redeem Treasury's investments under conditions established in the CPP securities purchase agreement and TIP securities purchase agreement as amended by the American Recovery and Reinvestment Act of 2009 ("ARRA").[12] The repayment price is equal to the investment amount plus any unpaid dividends or interest. Initially, the CPP securities purchase agreement provided that a financial institution could not redeem the investment within the first three years except with the proceeds of one or more "qualified equity offerings" ("QEOs"), which are offerings of securities that qualify as Tier 1 capital. The purpose of this provision was to help ensure that the participating financial institutions were adequately capitalized following the redemption of CPP preferred stock.

ARRA amended the repayment terms, permitting a financial institution to repay Treasury from any source of funds and without any waiting period subject to consultation with the institution's respective federal banking regulator. The terms of the CPP securities purchase agreement encourage QFIs to seek additional private capital. The CPP securities purchase agreement provides that a QFI which completes one or more QEOs with aggregate gross proceeds equivalent to the value of Treasury's CPP investment by December 31, 2009 may halve the number of shares subject to their warrants. Thirty-eight CPP participants completed QEOs by the deadline, sufficiently reducing the number of shares underlying their CPP warrants.

Disposition

The CPP securities purchase agreement further provides that once the preferred investment is redeemed or sold by Treasury, the financial institution has a right to purchase warrants then held by Treasury at the "fair market" value. If an issuer chooses not to repurchase its warrants according to its existing contractual rights, Treasury has the discretion to dispose of the warrants as it sees fit over time. Accordingly, Treasury has disposed of warrants through public auctions since December of 2009.

Robust and Transparent Process

Treasury has overseen a robust and transparent warrant disposition process which is applied uniformly regardless of the size of the financial institution. During the spring of 2009, Treasury developed and has adhered to extensive policies and procedures for warrant valuation and disposition through issuer repurchase and public auction. On June 26, 2009, OFS issued related guidance and FAQs on its website.[13] In these documents, Treasury outlined its comprehensive methodology for valuing warrants for issuer repurchases based upon market prices, financial modeling, and outside consultants/financial agents. Further, Treasury explained its rationale for choosing auctions to dispose of assets in the event an issuer did not repurchase the warrants, based upon a range of options, including holding warrants for a longer term or until expiration. Treasury concluded that there was no certainty that the other options

[12] Generally, the TIP securities purchase agreement contains similar redemption provisions as the CPP securities purchase agreement. However, the terms of the TIP preferred stock require that financial institutions participating in TIP redeem their CPP preferred securities prior to redeeming their TIP preferred shares.

[13] CPP memoranda are available on OFS' website at the following link: http://www.financialstability.gov/roadtostability/capitalpurchaseprogram.html.

would realize higher values. Further, Treasury explained that it would be inappropriate for the government to be exercising discretionary judgment on timing market sales. Accordingly, an auction would provide the optimal method for Treasury to realize the market value of the warrants in the near term for the benefit of the taxpayer.

Treasury has maintained a high degree of transparency throughout the warrant disposition process which has yielded positive results for the taxpayers. Treasury has published information on all CPP transactions, including investments, repayments, warrant repurchases and auctions in the TARP Transactions Reports, which Treasury publishes on the OFS website within two business days of a transaction's closing.[14] To bolster transparency with the warrant dispositions, Treasury announced on June 26, 2009 that it would publish additional information on each repurchased warrant, including the respective financial institution's initial and subsequent determination(s) of fair market value, if applicable. However, in order to avoid compromising its negotiating position, Treasury waited to publish this detail until it had accomplished two things. One was the successful completion of several repurchase transactions including many of the larger positions. The second was the establishment of a successful auction procedure in the event it could not reach agreement on the price for a repurchase. Therefore, on January 20, 2010, Treasury posted on OFS' website the *Warrant Disposition Report*, which provides a detailed explanation of each issuer repurchase and auction warrant disposition result as of the publication date.[15] To provide enhanced transparency and analysis regarding the auctions, Treasury's Office of Economic Policy and Office of Financial Stability released *Treasury Analysis of Warrant Auction Results* on March 18, 2010. This report confirms the validity of the warrant auction valuations based upon a comprehensive review of the data from four significant and recent auctions.

We note that the SIGTARP audit released this week entitled *Assessing Treasury's Process to Sell Warrants Received from TARP Repayments* concluded that Treasury has successfully negotiated prices from institutions that wished to repurchase their warrants that were at or above Treasury's estimated range of fair market value for such warrants. The report also described the valuation methodology to estimate fair market value and offered no suggestions for modifying that methodology. SIGTARP did offer some suggestions regarding documentation of the negotiation process, and regarding insuring consistency in the information provided to issuers seeking to repurchase their warrants. Treasury is reviewing these suggestions carefully and will make appropriate changes to its procedures. Throughout the warrant disposition process, Treasury intends to continue to provide the public with comprehensive detail and informative analysis.

Repurchases

I would like to now discuss the procedures for repurchases including our valuation methodology. Upon redemption of the preferred stock issued to Treasury, the financial institution has 15 days from repayment of the preferred stock to submit a bid, and Treasury then has 10 days to respond. If a company wishes to repurchase its warrants, then the issuer and Treasury must agree on the warrants' fair market value. This

[14] TARP Transaction Reports are published on OFS' website at the following link: http://www.financialstability.gov/latest/reportsanddocs.html.

[15] Treasury had auctioned warrants from JP Morgan Chase & Co., Capital One Financial Corp., and TCF Financial Corporation, generating gross proceeds of $1.1 billion as of the publication date. Since the report's 1/20/10 publication and as of 5/5/10, Treasury has sold warrants in 5 financial institutions through auctions and five financial institutions through repurchases.

process has resulted in the repurchase of warrants from CPP and TIP investments by 37 financial institutions, amounting to aggregate proceeds of $3 billion as of May 5, 2010.

Valuation

Little comparable market data has existed for long-dated warrants, particularly prior to the introduction of the warrant auctions discussed below. In order to protect taxpayers, Treasury devised a comprehensive process to determine fair market value when evaluating repurchase bids from the financial institutions based upon three primary inputs: market quotations, independent third party valuations, and model valuations.

To that end, Treasury seeks indications of value from several market participants active in the options and warrants markets. However, Treasury has warrants that are not listed on a securities exchange nor otherwise traded. These warrants do vary from typical listed warrants, mostly due to their long term (10 years). Therefore, the only observable market prices are for securities that have similar characteristics. The prices of these comparable securities can be used to assess the fair market value of the warrants held by Treasury. Comparable securities for the warrants held by Treasury include: traded warrants, traded options, and common equity issued by the institution as well as similar securities of peer institutions. In addition, Treasury uses the trading information of the recently auctioned CPP warrants as an indication of the market's expectations for long-term volatility. Treasury also obtains quotations from many relevant market participants that may include investment banks regularly trading options or other securities with embedded options (e.g., convertible bonds) or asset management firms focusing on the financial sector. The range of estimated valuations is included in Treasury's analysis along with the average of the market indications collected.

In addition, Treasury has retained external asset managers to provide independent, third party valuations for the warrants. The third party providers each furnish Treasury with an estimated valuation along with a range of potential valuations based upon a reasonable variance in assumptions underlying their models.

Finally, Treasury utilizes a number of financial models to estimate warrant valuations, with the primary model being the binomial option model adjusted for American style options, which is a well-accepted method for valuing options by both academics and market participants. Valuation estimates generated from the binomial model are incorporated into Treasury's analysis along with a range of potential values given a reasonable variance in key model valuation drivers. Such data include known inputs (i.e., expiration date, interest rates, and current stock price) and assumptions (i.e., future volatility, dividends, and liquidity discount.)[16] Treasury and its external asset managers use the 20-trading day trailing average stock price of a company in their valuations to minimize the effects of day-to-day market fluctuations. Market participants who provide Treasury with market indications utilize the stock price at the time that they provide the valuation. In addition, Treasury considers the implied valuations of those warrants sold in the auctions that now trade in the market as another market data point which assists in determining fair market value.

Treasury aggregates the data from the aforementioned internal and external valuation sources to determine an estimated fair market valuation for the financial institution's warrants. If the discussions

[16] Treasury does not apply a liquidity discount to large financial institutions.

with an institution continue over an extended period of time, Treasury and its external asset managers will update their estimates as necessary. Treasury may also collect new market quotations or adjust the market quotations based upon changes in market conditions from when the quotes were initially collected.

Warrant Committee

OFS has adhered to a consistent evaluation process to treat each financial institution fairly and similarly. Notably, each warrant issuer has unique characteristics, and each fair market valuation determination has different dynamics. Based upon the range of the estimated warrant valuations provided by the aforementioned sources, the Warrant Committee, which is comprised of Treasury officials within OFS, makes a recommendation to the Assistant Secretary for Financial Stability ("Assistant Secretary") as to whether to accept the financial institution's determination of fair market value. Each member of the Warrant Committee and the Assistant Secretary consider the three valuation metrics as well as a number of additional factors, including expertise and experience of the outside valuation consultants, quality and number of market indications received, significant movements in the stock price of the issuer since market indications were collected, size of the warrant position and potential investor interest in the warrants, and fixed transaction costs associated with selling the warrants to a third party. The Assistant Secretary has the ultimate authority to approve each warrant repurchase.

Results

Treasury has effectively disposed of warrants through repurchases by achieving fair market values which enhance the TARP investments and, in turn, protect the taxpayers. Treasury contracted Dr. Robert A. Jarrow, finance professor at Cornell University's Johnson School of Management and noted options expert, to review Treasury's warrant valuation process. Dr. Jarrow concluded in a September 22, 2009 report that "Treasury's financial model is only one component of a robust valuation procedure…The valuation process results in a warrant valuation that is fair to both the participating banks and the U.S. taxpayers."[17] On January 20, 2010, Treasury published its *Warrant Disposition Report*, a comprehensive review of Treasury's warrant valuation process which is available on the OFS website.[18]

Public Auctions and Third Party Sales

If a bank notifies Treasury following repayment of its preferred stock that it does not intend to repurchase its warrants or cannot agree with Treasury on the fair market price, Treasury disposes of the warrants, when possible, through public modified Dutch auctions which have been registered under the Securities Exchange Act of 1933, the first of which was held in December of 2009.[19] A Dutch auction establishes a market price by allowing investors to submit bids at specified increments above a minimum, specified price. Eligible bidders including the repaying financial institution may submit multiple independent bids at different price-quantity combinations at or above the minimum bid price to an auction agent, and the

[17] Treasury published Professor Robert A. Jarrow's report entitled *TARP Warrants Valuation Methods* dated 9/22/09 on the OFS' website at the following link: http://www.financialstability.gov/roadtostability/capitalpurchaseprogram.html.

[18] Treasury published its *Warrant Disposition Report* on OFS' website at the following link: http://www.financialstability.gov/latest/reportsanddocs.html.

[19] If the issuer and Treasury fail to reach a price, an appraisal procedure may be invoked by either party within 30 days following Treasury's response to the issuer's first bid. Under the appraisal scenario, the financial institution and Treasury each retain independent appraisers. If these appraisers cannot agree upon a fair market value, a third appraiser is retained to determine a value which is binding if accepted by the financial institution. To date, the appraisal procedure has not been invoked by any party.

warrants are sold at a uniform price that clears the auction.[20] Treasury may reject the auction results but has not done so to date. To date, Treasury has not sold warrants to a third party outside of the auction process. Treasury has auctioned warrants in 8 financial institutions, generating aggregate proceeds of approximately $3 billion since the first auction on December 3, 2009.[21] Such warrant disposition activity has yielded to the taxpayer an absolute return of 4% on Treasury's investment.

The warrant auctions have successfully attracted sufficient bidders, resulting in clearing prices in excess of the reserve price. Since the auctions for the warrants have been registered under the Securities Exchange Act of 1933, the warrant sales have been accompanied by a prospectus which provides significant disclosure about the issuer, processes, and other material information. Oversubscribed multiple times, such auctions have created a legitimate market with abundant information and significant participation to determine fair market values for these long-dated securities. Treasury's Office of Financial Stability and the Office of Economic Policy's joint report entitled *Treasury Analysis of Warrant Auction Results* examined three CPP warrant auctions and one TIP warrant auction each of which generated proceeds in excess of $100 million. This report determined that the warrant auctions were sufficiently robust in achieving a fair market price and confirmed the inability of any single bidder to influence the auction's final clearing price.[22] Further, Treasury's report concluded that including additional bidders would not have had a material impact on the clearing price.

Results from Repurchases and Auctions

Treasury has effectively executed warrant dispositions from both repurchases and auctions. One metric Treasury employs to measure the value it receives for warrant dispositions is implied volatility. While implied volatility incorporates several assumptions, generally, the higher the implied volatility of a transaction, the greater the value Treasury receives. To date, Treasury has only conducted warrant auctions in which the value of the warrant exceeds $5 million, which is generally associated with the minimum value necessary to list the warrants on a public exchange. In the bilateral warrant negotiations in which warrant proceeds exceeded $5 million, Treasury received an average implied volatility of 35%.[23] In Treasury's warrant auctions in which the market set the price, Treasury received an average implied volatility of 33%.[24] Comparing implied volatilities suggests that Treasury received better pricing in its negotiated transactions than it received in the warrant auctions.

In addition, the size of the warrant disposition has impacted the implied volatility. Treasury received an average implied volatility of 26% for negotiated warrant dispositions below $5 million in proceeds. Alternatively, Treasury received an average implied volatility of 34% for negotiated and auction dispositions at or above $5 million in proceeds. Therefore, the smaller warrant positions received a lower implied volatility. This 8% volatility differential may be from a number of factors, including a larger liquidity discount and relatively higher transaction costs that would be incurred for smaller position

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[20] For each auction, Treasury establishes a minimum bid price for the bidders and determines a reserve price for internal purposes only. The auction clearing price is the highest offered price among the bidding group which results in a sale of all of the warrants to be sold.
[21] This figure does not include the Comerica Incorporation auctioned held on 5/6/10 with an expected 5/12/10 closing.
[22] U.S. Treasury Department *Treasury Analysis of Warrant Auction Results* dated March 18, 2010 analyzed the warrant auctions for Capital One Financial, J.P. Morgan, and Bank of America Corporation (CPP and TIP).
[23] OFS calculated the implied volatility data as of 5/5/10.
[24] The predominant number of warrant negotiations has been for proceeds exceeding $5 million. For comparison purposes, average implied volatilities are limited to negotiations and auctions with proceeds exceeding $5 million.

auctions. Finally, the warrant auctions have successfully determined warrant market prices which have remained stable in the aftermarket and therefore indicated that Treasury received fair value.

Conclusion

Treasury currently holds warrants in 18 financial institutions that have fully redeemed their CPP and TIP investments, and Treasury intends to sell those positions in the near term. Treasury also holds warrants in 237 public companies that have not repaid their CPP investments. Treasury intends to continue to execute a comprehensive and transparent process which achieves fair market values and protects the taxpayer interests. This program has been extremely successful to date, and Treasury will continue to strive for the optimum results on behalf of taxpayers. I look forward to answering the Subcommittee's questions. Thank you.

Appendix: Warrant Dispositions

Issuer Repurchases of Warrants

Institution Name	Ticker	Preferred Redemption Date	Preferred Amount Redeemed ($thousands)	Warrant Repurchase Date	Gross Warrant Proceeds ($thousands)	QEO? (i.e. warrants cut by 50%)
Goldman Sachs Group, Inc.	GS	6/17/2009	$10,000,000	7/22/2009	$1,100,000	-
Morgan Stanley	MS	6/17/2009	10,000,000	8/12/2009	950,000	-
American Express Company	AXP	6/17/2009	3,388,890	7/29/2009	340,000	-
U.S. Bancorp	USB	6/17/2009	6,599,000	7/15/2009	139,000	-
Bank of New York Mellon	BK	6/17/2009	3,000,000	8/5/2009	136,000	-
Northern Trust Corporation	NTRS	6/17/2009	1,576,000	8/26/2009	87,000	-
BB&T Corporation	BBT	6/17/2009	3,133,640	7/22/2009	67,010	-
State Street Corporation	STT	6/17/2009	2,000,000	7/8/2009	60,000	Yes
City National Corporation	CYN	3/3/2010	400,000	4/7/2010	18,500	-
Trustmark Corporation	TRMK	12/3/2009	215,000	12/30/2009	10,000	-
FirstMerit Corp	FMER	4/22/2009	125,000	5/27/2009	5,025	-
Umpqua Holdings Corp.	UMPQ	2/17/2010	214,181	3/31/2010	4,500	Yes
First Niagara Financial Group	FNFG	5/27/2009	184,011	6/24/2009	2,700	Yes
Bank of the Ozarks, Inc.	OZRK	11/4/2009	75,000	11/24/2009	2,650	-
Independent Bank Corp	INDB	4/22/2009	78,158	5/27/2009	2,200	-
Sun Bancorp	SNBC	4/8/2009	89,310	5/27/2009	2,100	-
First Litchfield Financial Corporation	FLFL	4/7/2010	10,000	4/7/2010	1,488	-
SCBT Financial Corporation	SCBT	5/20/2009	64,779	6/24/2009	1,400	-
Bancorp Rhode Island, Inc.	BARI	8/5/2009	30,000	9/30/2009	1,400	-
CVB Financial Corp.	CVBF	9/2/2009	130,000	10/28/2009	1,307	Yes
Old National Bancorp	ONB	3/31/2009	100,000	5/8/2009	1,200	-
IBERIABANK Corporation	IBKC	3/31/2009	90,000	5/20/2009	1,200	Yes
Berkshire Hills Bancorp	BHLB	5/27/2009	40,000	6/24/2009	1,040	-
Wesbanco, Inc.	WSBC	9/2/2009	75,000	12/23/2009	950	-
Alliance Financial Corporation	ALNC	5/13/2009	26,918	6/17/2009	900	-
Flushing Financial Corporation	FFIC	10/28/2009	70,000	12/30/2009	900	Yes
HF Financial Corp.	HFFC	6/3/2009	25,000	6/30/2009	650	-
Wainwright Bank and Trust	WAIN	11/24/2009	22,000	12/16/2009	569	-
LSB Corporation	LSBX	11/18/2009	15,000	12/16/2009	560	-
Union Bankshares Corporation	UBSH	11/18/2009	59,000	12/23/2009	450	Yes
OceanFirst Financial Corp	OCFC	12/30/2009	38,263	2/3/2010	431	Yes
Somerset Hills Bancorp	SOMH	5/20/2009	7,414	6/24/2009	275	-
Monarch Financial Holdings	MNRK	12/23/2009	14,700	2/10/2010	260	Yes
Old Line Bancshares	OLBK	7/15/2009	7,000	9/2/2009	225	-
CenterState Banks, Inc.	CSFL	9/30/2009	27,875	10/28/2009	212	Yes
Manhattan Bancorp	MNHN	9/16/2009	1,700	10/14/2009	63	-
TOTAL	36		$41,932,839		$2,942,165	11

Auctions of Warrants

Institution Name	Ticker	Preferred Repurchase Date	Preferred Investment ($thousands)	Auction Date	Gross Warrant Proceeds ($thousands)	QEO? (i.e. warrants cut by 50%)
Bank of America	BAC	12/9/2009	20,000,000	3/3/2010	$1,255,639	-
JPMorgan Chase & Co.	JPM	6/17/2009	$25,000,000	12/10/2009	950,318	-
PNC Financial Services	PNC	2/10/2010	$7,579,200	4/29/2010	324,196	-
Bank of America	BAC	12/9/2009	25,000,000	3/3/2010	310,572	-
Capital One Financial Corp.	COF	6/17/2009	3,555,199	12/3/2009	148,731	-
Washington Federal, Inc	WFSL	5/27/2009	200,000	3/9/2010	15,623	-
Signature Bank	SBNY	3/31/2009	120,000	3/10/2010	11,321	-
TCF Financial Corporation	TCF	4/22/2009	361,172	12/15/2009	9,600	-
Texas Capital Bancshares, Inc.	TCBI	5/13/2009	75,000	3/11/2010	6,709	-
TOTAL	9		$81,890,571		$3,032,709	0