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MEMORANDUM

September 2, 2009

To Our Clients and Friends

Re: FDIC Extends Transaction Account Guarantee Program

The Federal Deposit Insurance Corporation (“FDIC”) is extending the Transaction Account Guarantee Program (“TAGP”) six months until June 30, 2010. The program is currently scheduled to expire on December 31, 2009. Fees for the program will increase during the extension period; however participating depository institutions will have an opportunity to opt out from the program.

DISCUSSION

The FDIC established the TAGP as part of the Temporary Liquidity Guarantee Program in October 2008. The TAGP provides an FDIC guarantee for non-interest-bearing transaction accounts at participating depository institutions. (The Debt Guarantee Program, which guarantees certain senior unsecured debt issued by participating institutions, is scheduled to expire October 31, 2009, although the guarantees will continue to apply to debt issued prior to that date until December 31, 2012.)

More than 7,100 depository institutions participate in the TAGP, and the FDIC guarantees over \$700 billion of noninterest-bearing transaction accounts under the program. Currently, participants pay an annual assessment of 10 basis points on the amount of deposits in excess of the \$250,000 insurance limit. The FDIC estimates that the cost of providing the TAGP guarantee at failed depository institutions has exceeded the projected revenue through 2009, with additional losses anticipated before year end. Accordingly, the FDIC is increasing the TAGP assessment to apply a risk-based assessment scheme of 15, 20 or 25 basis points on an annualized basis. A participant’s assessment will be determined by its risk category under the general risk-based premium assessment system the FDIC currently has in place.

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Current participants in the TAGP will be permitted to opt out of the extension by November 2, 2009. The decision is irrevocable. The FDIC also determined to continue to include coverage of NOW Accounts so long as the interest rate paid by the depository institution does not exceed an annual rate 0.50 per cent.

A copy of the FDIC's final rule can be found on our website at http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox or Heidi Wicker at (202) 776-0700.