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CDCI Early Repurchase Letter to Participants

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 1, 2016

Community Development Capital Initiative Early Repurchase Option

Dear CDCI Participant:

As a participant in the Community Development Capital Initiative (CDCI), we are writing to inform your institution of an early repurchase option offered by the U.S. Department of the Treasury (Treasury) as part of its ongoing effort to wind down the Troubled Asset Relief Program (TARP). Since the authority to invest money through TARP ended in October 2010, Treasury has focused on winding down TARP programs in a manner that balances speed of exit with maximizing returns to the taxpayer. In doing so, Treasury has adhered to a set of core principles for managing its ownership interest in private firms, including seeking to dispose of its ownership interests as quickly as practicable. Consistent with these goals, Treasury will consider proposals from CDCI participants to repurchase their outstanding securities owned by Treasury pursuant to the CDCI program at fair value.

This opportunity for early repurchase is being offered to participating CDCI institutions for a limited period of time on a voluntary basis, subject to the requirements detailed below. Under the terms of the Securities Purchase Agreement (SPA) executed in connection with the issuance of the CDCI securities, Treasury cannot require institutions to repurchase their CDCI securities and no such change is contemplated.

Early Repurchase Eligibility and Process

Eligibility

Only institutions currently in the CDCI program are eligible to submit an early repurchase proposal at fair value, and only the institution itself can repurchase its CDCI securities (they may not be purchased by a third party).

Participating institutions must submit an early repurchase proposal that meets all of the following criteria:

1. The institution has CDCI securities outstanding and seeks to repurchase at least half of all outstanding CDCI securities;
2. The institution is current on dividend/interest payments on its CDCI securities;
3. The institution agrees to maintain its Community Development Financial Institution(CDFI) certification through at least September 30, 2018;
4. The institution is in compliance with all provisions of the CDCI Securities Purchase Agreement (SPA) and related documents, including the dividend restrictions found in Section 4.2(b) of the SPA and, in the case of bank thrifts, section 3(c) of the CDCI certificate of designations (COD), and the executive compensation rules found in Section 4.1(e) of the CDCI SPA (section 4.1(f) for S-Corps).

Procedure and Timing

CDCI institutions that wish to participate in this early repurchase option must submit to Treasury the enclosed proposal form and required supporting documentation prior to the Submission Deadline of **Friday, November 18, 2016 at 5:00PM ET**. Treasury will evaluate proposals on a rolling basis, beginning on Monday, August 8, 2016, and will seek to accept or decline such proposals within 15 business days of receipt

In order for Treasury to fully evaluate an early repurchase proposal, the following additional information/supporting documentation is required along with your proposal submission:

1. Latest audited annual financial statements (balance sheet, income statement, regulatory capital, etc.) for both the bank and bank holding company (if applicable), or credit union.
2. Most recent quarterly financial statements (balance sheet, income statement, regulatory capital, etc.) for both the bank and bank holding company (if applicable), or credit union.
3. A report on the current capital structure of the institution and a detailed explanation of the source(s) of capital to be used for an early repurchase.
4. Pro forma financial position after the proposed early repurchase (balance sheet, regulatory capital, etc.) for both the bank and bank holding company (if applicable), or credit union.
5. Detailed history of dividends paid on any securities junior or pari passu to the CDCI securities since entering the CDCI program.

Institutions should send their proposal form and the supporting documentation to cdci@treasury.gov.

Evaluation Process

Treasury will evaluate early repurchase proposals against Treasury's determination of fair value of the security. Fair value will be determined by Treasury in its sole discretion based exclusively on financial assessments of Treasury continuing to hold the CDCI security (i.e., no liquidity discounts or adjustments based on factors other than the intrinsic fair value of the security). Treasury will only accept early repurchase proposals from institutions that it deems eligible, and only if such proposal is at or above Treasury's determination of fair value. Treasury is under no obligation to accept any offer.

This letter, the enclosed proposal form, and further information regarding the early repurchase process will be posted on our website here: <https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/bank-investment-programs/cdci/Pages/CDCI-Early-Repurchase-Option.aspx>. To the extent a proposal is accepted, further instructions regarding the required closing documentation and process will be sent at that time. Please note that, as part of the standard closing process, Treasury will consult with your primary regulator prior to the closing of a transaction. Treasury anticipates that all repurchases of CDCI securities under this early repurchase option will be completed by **Friday, December 30, 2016**.

Treasury believes that the plan outlined in this letter supports the objectives of winding down the remaining emergency financial crisis programs, recovering taxpayer investments, and helping community banks seek private capital to replace temporary government support. If you have any questions please feel free to contact us at cdci@treasury.gov.

Best Regards,

A handwritten signature in black ink, appearing to be 'T. Montano', with a long horizontal flourish extending to the right.

Trevor Montano
Chief Investment Officer
U.S. Department of the Treasury

CC: Mark McArdle, Deputy Assistant Secretary, Office of Financial Stability
Justin Hall, Investment Manager, Office of Financial Stability