

Thursday, May 8, 2014

Trust Preferred Securities Offer of Compromise Program

The purpose of the Program is to provide bank holding companies (BHC) with options to settle their deferred interests obligation. BHCs that have been deferring interest on their Trust Preferred Securities (TruPS) may not have sufficient cash to make the lump sum payment that will come due at the end of the five year deferral period. We offer strategies for the resolution of this issue and contacts within the Collateralized Debt Obligations (CDO) or at other investment groups that hold large amounts of TruPS.

Institutions that can benefit from Offers of Compromise

- Community Bank Holding Companies
 - Owning Banks with less than \$750 million in assets
 - More than \$2.0 million in Trust Indenture Obligation(s)
 - Relying on an interest deferral period
 - Typically with less than 2 years remaining on deferral eligibility
 - Now under or recently under some Consent Order or Memorandum of Understanding
 - With limited availability of cash in the BHC
 - Trends of decreasing
 - NPAs
 - OREO
- Trends of increasing
 - Operational profits

The Plan to Offer a Compromise

- Initially we trace all contacts in the chain of guarantor / issuer / trustee / management / ownership
 - The task of finding the contacts for each party along the chain leading to the decision makers is not complicated, but is tedious
 - Our associates are experienced and our contact database gives us the best chance to reach decision makers
 - Our experience shows that approximately 80% of TruPS are owned in Collateralized Deposit Obligation (CDO) pools
 - A CDO pool is difficult but not impossible to deal with since Management of such a pool has limited authority to do anything except collect interest and principal
 - reaching the individual CDO holders is the key to success here
 - The balance of issued and outstanding TruPS are owned by: individual investors, corporate investors, Banks or other financial institutions

- Discussions with these managers/owners can still be tricky, but in most cases there is a path to avoid default
- Once we know who the TruPS holders are we have a detailed discussion with Senior Management at the BHC to design an offer that can reasonably be accepted by the TruPS holders
- We then present the offer to the TruPS holders
 - This is difficult and may require involvement of legal council on each side

We work with the following parties (additional fees may be charged by each)

BankHoldingCompany(you)

StatutoryTrust

Alston Bird, LLP or other chosen legal council

Trustee(s)

Trustee's legal council

Owner of TruPS, could be anyone of the following

Individual investor

Corporate investor

Bank or Financial institution

Or they could be part of a Collateralized Debt Obligation (CDO)

We believe that the program is unique and meets the needs of banks investors and regulators.