June 16, 2009

About This Series…

A periodic update of current finance-related issues covering audit and accounting, tax, and regulatory matters affecting organizations that operate within the financial services sector.

FINANCE ALERT

Treasury Initiates Public-Private Investment Program

In March, the U.S. Secretary of the Treasury released details of the Public-Private Investment Program ("PPIP"), the Treasury's very ambitious plan to remedy the illiquidity component of the current financial crisis caused by two asset categories, Legacy Loans and Legacy Securities.

PPIP has been designed to maximize the impact of each taxpayer dollar by leveraging $75- to $100-billion of Troubled Asset Relief Program ("TARP") funds to create purchasing power in excess of $375-billion, with a potential to expand over time to $1-trillion. Its goals are:

- to share the risks and rewards between the taxpayer and the private sector, and

- utilizing the private sector, through competition, to establish fair pricing for assets, which, in return, will protect the taxpayer from paying too much.

PPIP is very ambitious and has the potential to be extremely lucrative to an investor. However, it is also facing much uncertainty, particularly to the private investor.

According to the Treasury, *"the financial system is still working against economic recovery. One major reason is the problem of 'legacy assets' – both real estate loans held directly on the books of banks ("Legacy Loans") and securities backed by loan portfolios ("Legacy Securities"). These assets create uncertainty around the balance sheets of these financial institutions, compromising their ability to raise capital and their willingness to increase lending."*

As a result, the Treasury and the Federal Deposit Insurance Corporation ("FDIC") are launching the Legacy Loans Program and the Legacy Securities Program.

There are some very real concerns and challenges with the Treasury's plan. Private investors must examine the intricacies of the PPIP; however the lack of information from the Treasury and the vagueness around much of the plan makes that examination that much more difficult. On the surface, key questions regarding the program are centered on:

- asset pricing,
- political and regulatory risk,
- executive compensation restrictions,
- lock-up period,
- public and private financing commitments,
- public capital commitments,
- governance & oversight,
- fees, and
- eligible assets.

Navigating these uncertain waters requires a complete advisory team. The Financial Services Group at Holtz Rubenstein Reminick ("HRR") is available to assist you. We understand that our approach must be reasonable and relate well to your needs. Our partners have extensive experience within the alternative investment industry. We also understand the importance of partner involvement, and, as such, we ensure that our partners manage all aspects of client engagements. Our clients know that we are always available and knowledgeable about their business. Since a high degree of partner involvement allows for increased efficiencies, we are able to remove unnecessary bureaucracy. Our clients speak directly with the decision-maker to work through the issues. HRR has a commitment to technology, best practices and continuing education, so you can be confident that our accounting and business advisory services are of the highest caliber.

For more information, contact one of the following Financial Services Partners: John Basile, (212) 697-6900, JBasile@hrrllp.com, or Paul Finegan, (212) 697-6900, PFinegan@hrrllp.com.

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Holtz Rubenstein Reminick LLP • www.hrrllp.com

125 Baylis Road
Melville, NY 11747
(631) 752-7400

1430 Broadway
New York, NY 10018
(212) 697-6900

To change contact information, or opt out at any time, contact info@hrrllp.com