FDIC
Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, DC 20429-9990
Legal Division

February 9, 2017

John Greenewald
[redacted]

RE: FDIC FOIA Request Log Number 17-0123

Dear Mr. Greenewald:

This letter is our final response to your January 20, 2017 Freedom of Information Act (FOIA) request for a copy of the "FDIC Proforma Training Manual."

In Jerry Sussman's January 26, 2017 email, he abated the processing of your request, pending resolution of fee issues, including your requester category, which you stated was news media. By your January 30, 2017 reply, you stated that you accepted the category of "non-commercial," and agreed to pay up to $10.00 for the processing of your request.

Mr. Sussman sent you a January 31, 2017 follow-up response, explaining that under our FOIA Fee Schedule, costs under $10.00 are not assessed. Therefore, your $10.00 agreement to pay would only afford you so much as may be provided to you at no cost. He further stated that he was in the process of determining if the manual he had located (Proforma Manual) was the same as the one you were requesting (the Proforma Training Manual). He also needed to determine if the manual was earlier disclosed in whole or part, which would have bearing on fees.

By e-mail dated February 1, 2017, Mr. Sussman confirmed that he had located the manual you had requested, which is 498 pages and had previously been disclosed in part in response to a previous request. He also provided you with a fee estimate for the full manual. On February 3, 2017, you sent an e-mail to Mr. Sussman agreeing to accept the first 100 pages for free.

Based on your February 3rd email, I am interpreting this request to be for the first 100 pages of the Proforma Manual. As an "all other" requester under the FOIA, you will receive these pages in full for free.

This completes the processing of your request #17-0123. You may contact me at lsnider@fdic.gov or 703-562-2761 or our FOIA Public Liaison, Acting FDIC Ombudsman

Gordon Talbot at GTalbot@fdic.gov or 703-562-6046, for any further assistance and to discuss any aspect of your request.

Sincerely,

Lisa M. Snider

Lisa M. Snider
Government Information Specialist
FOIA/Privacy Act Group, Legal Division

Enclosure (Proforma Manual – First 100 pages)

Chapter One

Resolution Process Overview

Table of Contents

PROFORMA MANUAL INTRODUCTION

The Proforma Manual is designed to provide general information and guidance to FDIC personnel regarding the Proforma Process. The Proforma Process, as directed by the Financial Manager, encompasses the activities needed to substantiate the individual assets and liabilities for a failed financial institution (Former Institution), balance the Former Institution's accounts after closing and provide information to the Receiver and Assuming Institution (AI) of their share of the substantiated assets and liabilities. In cases where an Assuming Institution will be taking all or a portion of the Post-closing operations of the Former Institution, the Proforma Process involves the allocation of those assets and liabilities between the FDIC as Receiver and the Assuming Institution, based on the Purchase and Assumption (P&A) Agreement between the parties.

This Manual includes an overview of the Resolution Process, a brief discussion of the various types of transactions that the FDIC utilizes in the Resolution Process and addresses situations where an Assuming Institution is involved and where there is no Assuming Institution. The type of closing transaction can vary significantly based on the combination of options within the agreement. The most complicated transactions involve asset pools, insured deposit transfers, multiple acquirers, Shared-Loss Agreements, and a payout where there is no Assuming Institution.

To accomplish the Proforma tasks the FDIC utilizes a Proforma Team comprised of a Financial Manager, a Proforma Team Leader, and various Proforma specialists and support staff. Although a great deal of planning occurs before the closing and often there are many follow-up issues to be addressed after the Proforma Process is complete, the main focus of the Proforma Team is to produce a Statement of Condition (also referred to as Balance Sheet) for the Former Institution as soon as practical following the closing. The Statement of Condition represents the substantiated balances of all assets and liabilities of the Former Institution, as of the closing date.

Once this is done, each substantiated asset and each substantiated liability is divided based on the Purchase and Assumption (P&A) Agreement and separate Statements of Condition prepared for the FDIC as Receiver and the Assuming Institution. These Statements become the initial positions for each party involved. Upon completion of the Proforma Process, any adjustments to the confirmed amounts and any options exercised by the parties under the provisions of the Purchase and Assumption Agreement are handled through the Settlement Process.

RESOLUTION PROCESS

The FDIC initiates the Resolution Process when notified by the primary bank's regulator that an insured bank or thrift is about to fail. An institution is typically closed by its chartering authority when it becomes insolvent, is critically undercapitalized, its examiners discover fraud, is unable to meet deposit outflows (liquidity), or has unsafe and unsound banking practices. Once the FDIC receives notification that an institution is about to fail, the DRR Franchise and Asset Marketing Branch (FAMB) takes the lead. FAMB oversees the following major functions:

- Planning and preparing for the resolution project.
- Valuing the assets and preparing the Virtual Data Room (VDR) which is a secure website hosted by a third party vendor where the FDIC posts information for bidders, regulators and other FDIC stakeholders.
- Marketing the failing institution.
- Selecting the winning bid(s).

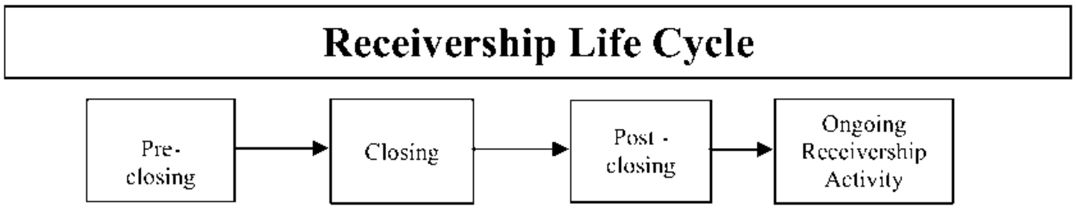
The final step in the Resolution Process occurs when the insured depository institution's charter is revoked, the failing institution is closed, and the chartering authority appoints the FDIC as Receiver. The FDIC as Receiver assumes responsibility for efficiently maximizing recovery from the disposition of the Receivership's assets and satisfying the Receivership's creditors in accordance with the priorities set by law. The first step in the Resolution Process is to take control of the Former Institution. Proforma will take control of the accounting records and provide direction to the Former Institution staff in order to complete a full accounting which includes: (1) balancing its accounts through date of closing; (2) facilitating the sale of assets and assumption of liabilities as specified in the Purchase and Assumption Agreement; and (3) moving the cash associated with the resolution transaction.

Usually by the next business day, the Assuming Institution will re-open the branches. The deposit customers of the Former Institution with insured funds automatically become customers of the AI and can gain access to their money. As Receiver, the FDIC is responsible for operating the Receivership, including collecting any of the Former Institution's assets retained by the Receiver and satisfying the claims against the Receivership. In cases where the FDIC provides continuing assistance, such as in a Shared-Loss Transaction, the FDIC will monitor the assistance payments for the duration of the Agreement, typically over several years.

The Receivership Life Cycle is comprised of four separate and distinct components. They are:

- Pre-closing
- Closing
- Post-closing
- Ongoing Receivership Activity (Proforma is not involved in this phase)

As displayed in the timeline below:



The FDIC appoints a Receiver in Charge (RIC) and Closing Manager (CM) to develop an inter-divisional Strategic Resolution Plan (SRP). The SRP addresses significant issues and events germane to the potential resolution. The SRP acts as the coordinating mechanism for early identification of unique issues and conduit to ensure that each issue is being addressed within the specific planning activities of the appropriate functional reporting area(s). The RIC and CM oversee the process as well as plan, manage, and coordinate all activities related to the closing.

To prepare for the closing of a failing institution, FDIC employees review the financial and operational information gathered by Franchise Marketing and Business Information Systems (BIS) on the institution to determine how many personnel are needed for the closing. The primary factors used in determining the number of persons needed for the Closing Team are

- the asset and deposit size of the institution;
- the number of its branches or locations; and
- the resolution transaction.

Before the actual closing date, the FDIC Closing Team Members learn as much as they can about the failing institution. The amount of time available to prepare for the actual closing varies. When the failing institution is attempting to recapitalize, the chartering authority may give it ample opportunity to identify and obtain additional sources of capital. In other cases, widespread fraud or money laundering may be discovered, and the chartering authority will close the institution with little advance notice. To avoid a run on the institution's deposit base, confidentiality of the closing activity is essential. The Closing Team is composed of various sub-teams which ensure that the resolution is conducted in an orderly and expedient manner. Proforma is one of the sub-teams within the Closing Team. Confidentiality is paramount during the Pre-closing phase as the Failing Institution is still an open bank and FDIC has NOT been appointed Receiver.

During the Proforma Process the Proforma Team members gather Former Institution's accounting records, interview staff, and reconcile the General Ledger / Sub-Ledger for each Balance Sheet account. Proforma's workpapers are organized and assembled in "Proforma Jackets". The Proforma Jackets should adequately explain what the Former Institution used each General Ledger account for, who the Receiver will collect from (assets) or satisfy (creditors) and who will own the account as a result of the resolution transaction. The conclusion of the Proforma Process will produce Proforma Financial Statements (Statements) using the Proforma for Windows Program. These Statements reflect a reasonably accurate financial position of the Former Institution through the date of closing. Proforma defines ownership of the assets and liabilities based on the terms of the Purchase and Assumption (P&A) Agreement. The splitting of assets and liabilities between the Receivership and the Assuming Institution(s) generates separate Proforma Financial Statements for the Assuming Institution as well as the Receivership. Further adjustments are made to the Receivership's Proforma Financial Statements to effect a change in accounting principles to the FDIC's Receivership modified cash basis accounting. The Proforma Financial Statements serve as a basis for the opening entries of both the Assuming Institution and FDIC as Receiver.

The specific reports generated from Proforma for Windows Program comprising the Proforma Financial Statements (with additional explanatory notes where needed) include:

- Proforma Worksheet by Proforma Number
- Proforma Worksheet by Jacket Number
- Proforma Worksheet by Account Number
- Proforma Statement for Acquiring Institution
- Proforma Statement for FDIC
- Proforma Adjustments by Proforma Number
- Proforma Adjustments by Jacket Number
- Proforma Adjustments in JE Format
- Cash Basis Worksheet by Proforma Number
- Cash Basis Adjustments by Proforma Number
- Cash Basis Adjustments by Jacket Number
- Cash Basis Adjustments in JE Format
- Cash Basis Statement for FDIC
- Combination Worksheet – details which Former Institution's General Ledger accounts are combined, if any, into each Jacket
- Opening Entries to the Receivership
    - Inception Balances – represent the journal entries to record the initial balances of the Receivership by product code
    - Sale/Transfer to Assuming Institution – represents the journal entry to record by product code the assets sold and liabilities transferred to the Assuming Institution (AI)
    - Premium Paid – represents the journal entry to record the Premium paid, if any, by the AI

See Appendix H - Proforma Financial Statements and Additional Documents for examples of these reports.

PROFORMA'S RISKS AND CONTROLS

The Proforma Process as a whole has two key inherent risks. These risks and the internal controls in place to mitigate them are discussed below:

- **Risk** - The final Proforma Financial Statements for the receivership will be materially misstated.
    - **Control** - The Proforma Process outlined in the Proforma Manual contains specific tasks and responsibilities that require gathering of supporting documentation to substantiate the balances of every Balance Sheet account maintained by the Former Institution. This process includes review of work product by at least two higher level Proforma Team Members before it is approved. In addition, the final Proforma Financial Statements are shared and reviewed with a high ranking official from the Assuming Institution (AI). The emphasis on supporting documentation, review of each work product by two higher level individuals and review of the final Proforma Financial Statements with a high ranking AI official mitigates the risk of material misstatement.
- **Risk** - The split of Assets and Liabilities of the Former Institution will not be in accordance with the Purchase and Assumption Agreement.
    - **Control** - The final Purchase and Assumption Agreement splits are (1) reviewed by at least two Proforma individuals at the Team Leader or higher level and (2) are reviewed with an official from the Assuming Institution. In addition, the Financial Manager consults with the FDIC Legal Team on all questions related to Asset and Liability splits. This two step review process for the splits mitigates the risk that the splits will not be in accordance with the P&A Agreement.

The next section of this Chapter provides a high level overview of the standard types of Closing Transactions followed by a brief description of each area involved in the closing process.

CLOSING TRANSACTIONS

This section describes the various types of resolution (i.e. closing) transactions used by the FDIC when an institution fails. The type of transaction can vary significantly based on the combination of options within the Agreement. The most complicated transactions involve asset pools, Insured Deposit Transfers, multiple acquirers, Shared-Loss Agreements or transactions where there is no Assuming Institution.

Understanding Closing Transaction Types – Why Is It Important to Proforma?

The Franchise and Asset Marketing Branch (FAMB) is responsible for marketing the failing institution. Franchise transactions are tailored to the failing institution. As a result of the FAMB's efforts and ever changing market conditions, each transaction is unique with its own Purchase and Assumption Agreement (P&A). **For that reason, important details will differ from one Purchase and Assumption Agreement to the next. The Financial Manager (FM), Proforma Team Leader (PFTL) and everyone working on the Proforma Team need to read and understand all of the provisions in the P&A and be alert to these differences.** The P&A is an executed legal agreement between FDIC and the Assuming Institution which governs the closing. Proforma will split assets and liabilities based on what is in the P&A. The Proforma Team can not make changes or modifications to the P&A without an amendment. Having a stable P&A is essential to the Proforma Team accomplishing its goal of producing a Proforma Balance Sheet that reflects a reasonably accurate Balance Sheet of the Former Institution through the closing date. The terms of the P&A are then applied to the Former Institution's Balance Sheet to produce separate opening Balance Sheets for the Assuming Institution and for the Receivership.

Impact to Proforma Process of Closing Transaction Types

As discussed above, the Proforma Team needs to understand the P&A and Closing Transaction. There are many different Closing Transaction types but they generally fall into two main categories: (1) transactions with an Assuming Institution and (2) transactions without an Assuming Institution. The Closing Transaction is important to understand but does not materially change the Proforma Process or staffing. The next section briefly describes more common transactions.

TRANSACTIONS WITH AN ASSUMING INSTITUTION

All transactions with an Assuming Institution (AI) will transfer to the AI at least the insured deposits, cash, loans secured by deposits and overdrafts. Transactions with AI usually require an insurance determination (See <u>Section I - Chapter A - Introduction to the Claims Manual</u>). However, sometimes a prospective AI bids to acquire all the deposits of a failing financial institution. If the bid is successful, this bid will be an All

Deposits Transaction (both insured and uninsured deposits are transferred to the AI), which does not require an insurance determination.

Purchase and Assumption (P&A) Transactions

A P&A is a resolution transaction in which a healthy institution purchases some or all of the assets of a Former Institution and assumes some or all of the liabilities, including all insured deposits. The Assuming Institution's bid may be sufficient to allow assumption of all the deposit liabilities of the failing institution, including the uninsured deposits. There are many variations of the P&A transaction as listed below. The following are the major types of resolution transactions in order of offering:

- P&A Agreement:
  - Whole Bank P&A (Insured Deposits or All Deposits)
  - Modified Whole Bank P&A (Insured Deposits or All Deposits)
  - Whole Bank P&A with Optional Shared-Loss Agreements (Insured Deposits or All Deposits)
  - Modified Whole Bank P&A with Optional Shared-Loss Agreements (Insured Deposits or All Deposits)
  - P&A with Optional Loan Pools (Insured Deposits or All Deposits)
- Deposit Payout Transactions
  - Payout - Deposit Insurance National Bank (DINB)
  - Payout - Insured Deposit Transfer / Paying Agent
  - Payout - Straight Deposit Payout (checks issued)
- Continuing Operations Transactions
  - Bridge Bank
  - Conservatorship (discontinued)

Standard P&A

In a Standard P&A, assets that are purchased by the Assuming Institution(s) generally are limited to cash and cash equivalents. Also in a basic P&A, the bank premises (to include furniture, fixtures, and equipment (FF&E)) are often offered to Assuming Institutions on an *optional* basis, and the price is based on a post-closing appraisal prepared by an appraiser that is mutually acceptable to both the FDIC and the Assuming Institution. Finally, in a basic P&A the liabilities assumed by the Assuming Institution generally include only the portion of the deposit liabilities covered by FDIC insurance. Once the practice of allowing potential Assuming Institutions to perform due diligence was established, other variations of the P&A were used more frequently. Performing due diligence allows potential acquirers the opportunity to review loan files and other financial information so that they could compile a more informed bid.

Whole Bank P&A (with Optional Shared-Loss Agreements)

The Whole Bank P&A structure emerged as the result of an effort to induce Assuming Institutions to purchase the maximum amount of a Former Institution's assets with their option of with or without loss share coverage. In the Whole Bank P&A (when loss share is not opted for) bidders bid on all assets of the Former Institution on an "as is," discounted basis (with no guarantees). This type of sale is beneficial to the FDIC for three reasons. First, loan customers continue to be served locally by the Assuming Institution. Second, the Whole Bank P&A minimizes the one-time FDIC cash outlay. Third, the FDIC has no further financial obligation to the Assuming Institution. A Whole Bank transaction reduces the amount of assets held by the FDIC for liquidation. The Assuming Institution assumes all of the risk associated with ownership of the assets and liabilities of the Former Institution.

Shared-Loss P&A

A Shared-Loss P&A has two components: assets sold to the AI as part of the franchise sale and covered assets which are subject to Shared-Loss. A Shared-Loss P&A uses the basic P&A structure except for the provision regarding covered assets. Instead of selling some or all of the assets to the Assuming Institution at a discounted price, the FDIC agrees to share in future losses and expenses experienced by the Assuming Institution on a fixed pool of covered assets

Shared-Loss P&A limits the risk for Assuming Institutions associated with acquiring large loan portfolios. The FDIC often absorbs a significant portion of credit loss on commercial loans and commercial real estate loans. By having the Assuming Institution absorb a portion of the loss, the FDIC is also attempting to induce rational and responsible credit management behavior from the Assuming Institution. The FDIC also reimburses Assuming Institutions for a portion of expenses, except overhead and personnel expenses, incurred in relation to the disposition or collection of the shared-loss assets.

During the shared recovery period, which runs concurrently with the loss share period, the Assuming Institution pays the Receiver 80 percent of any recoveries (less any recovery expenses) on shared-loss assets previously experiencing a loss. The shared recovery period generally lasts one to three years beyond the expiration of the Shared-Loss period. Shared-Loss was also structured to include a "transition amount" so that if losses exceeded a projected amount, the FDIC would absorb a higher percentage of the losses beyond the projected amount.

There are some negative aspects of the Shared-Loss structure. It requires both the FDIC and the Assuming Institution to take on additional administrative duties and costs in managing and monitoring the shared-loss assets throughout the life of the Agreement. Some Assuming Institutions may find these added administrative duties and costs unacceptable, and the Assuming Institutions may lose interest in bidding or they may bid for Whole Bank (no loss share).

In cases where Shared-Loss is determined to be the least costly resolution, the P&A Agreement includes terms describing how charge-offs, recoveries, and expenses will be treated for the different types of assets.

Modified Whole Bank P&A with Optional Shared-Loss Agreement

In a Modified Whole Bank P&A with Optional Shared-Loss Agreement transaction, the winning bidder purchases the cash and cash equivalents, the installment loans, and all or a portion of the mortgage loan portfolio. Installment loans and mortgage loans usually provide the Assuming Institution with a base of loans tied to the deposit accounts.

P&A with Optional Asset Pools

In an effort to maximize the sale of assets during the Resolution Process and keep them in the local banking community, FDIC began offering a P&A transaction with asset pools, some at a discounted rate. For institutions with a diverse loan portfolio, the FDIC believes that it is preferable to break the loan portfolio into separate pools of homogeneous loans (those with similar collateral, terms, payment history, or location) and to market the pools on an optional basis separately from the deposits. The FDIC also groups non-performing loans, owned real estate, and other loans that do not conform to one of the established pool structures into a single pool, which might be offered for sale. Bidders are able to bid (as a percentage of book value of the loan rather than bidding a dollar amount) on those loan pools that interest them, thus improving their marketability.

Potential Assuming Institutions are allowed to submit proposals for the franchise (all deposits or only insured deposits) and for any or all of the pools. The bidders may link the options as a package or they may bid on various combinations of pools. The flexibility of this resolution method has allowed the FDIC to market a failing institution to a larger number of potential Assuming Institutions, to transfer a higher volume of assets at resolution, and to allow for multiple Assuming Institutions.

TRANSACTIONS WITHOUT AN ASSUMING INSTITUTION

The FDIC concentrates its efforts to secure an Assuming Institution for a failing institution. When FDIC does not have adequate time to market a failing institution or all efforts have been exhausted to secure an Assuming Institution, the failing institution will be resolved using a Bridge Bank or Payout transaction. A Bridge Bank transaction is a type of P&A which the FDIC itself acts temporarily as the Assuming Institution. This provides uninterrupted service to bank customers, while it allows the FDIC sufficient time to evaluate and market the institution. A Payout transaction is used when no Assuming Institution can be found. When a bank or thrift is closed by its chartering authority, the FDIC in its corporate capacity as deposit insurer makes sure that customers receive the full amount of their insured deposits.

DEPOSIT PAYOFF TRANSACTIONS

Although purchase and assumption transactions are the most common resolution method, Deposit Payoffs are used when no Assuming Institution can be found. When a bank or thrift is closed by its chartering authority, the FDIC in its corporate capacity as deposit insurer makes sure that customers receive the full amount of their insured deposits. Customers with uninsured deposits and other general creditors of the Former Institution are given receiver's certificates that represent their uninsured claims that will be held against the Former Institution's estate.

One of the major areas in a deposit payoff is the insurance determination, as FDIC's Deposit Insurance Fund will insure $250,000 per depositor, based on the ownership rights and capacities. A depositor may have more than one deposit account and DRR Claims reviews the aggregation of accounts in determining the rights and capacity of account holders. The DRR Claims Unit also reviews securities for any related "secured deposits". Secured deposits are deposits in which assets (usually securities) of the institution have been pledged to secure the value of the deposits. The Deposit Insurance Fund will fund the first $250,000 of the secured deposit, and the pledged asset may cover the remainder of the deposit balance. The amount secured is the lower of the asset value or the excess deposit. If the asset is under-pledged, a portion of the deposits will be uninsured.

Deposit Insurance National Bank (DINB)

A Deposit Insurance National Bank (DINB) is a bank of limited life and powers that is chartered without any capitalization. The FDIC may create a DINB to ensure that depositors have continued access to their insured funds where no other bank has agreed to assume the insured deposits. The goal of a DINB is to provide sufficient time for account holders to transfer their banking relationships to other financial institutions. By utilizing a DINB rather than a payout, account transfers occur in a less disruptive and more orderly manner to account holders and the local community. The difference between a Bridge Bank/Conservatorship and DINB is in a DINB there is no longer an active marketing effort to sell the institution's franchise. The DINB will assume only cash, transaction and savings accounts. All time deposits such as Certificates of Deposits (CDs) and Individual Retirement Accounts (IRAs) will be paid out as if the transaction was a straight payoff. When the DINB is terminated, all remaining depository accounts are paid out. By statute, a DINB may not exist longer than one year.

Insured Deposit Transfer / Paying Agent

In an Insured Deposit Transfer (IDT), the insured deposits and secured liabilities of a Former Institution are transferred to a healthy institution or agent. FDIC funds the insured deposits in its corporate capacity and the FDIC is substituted as the claimant or subrogee. Excess or uninsured deposits are paid as dividends when and if declared by the Receiver.

An Insured Deposit Transfer minimizes the disruption to customers and to the local community that may result from a Straight Deposit Payoff. An IDT also reduces the FDIC's costs to administer the failure because the Assuming Institution acts as the paying agent on behalf of the FDIC and disburses insured funds to depositors. The Assuming, or Agent, Institution generally pays a premium for this right, although there have been rare instances where FDIC paid an Agent Institution to perform this function. In an IDT, the FDIC as Receiver retains all the remaining assets and liabilities of the Former Institution that are not passed to the Agent Institution.

Straight Deposit Payoff (Payout)

In a Straight Deposit Payoff, DRR Claims determines the insured amount due each depositor and DRR Liability Accounting Reconciliation Unit (LARU) prepares a check for that amount. LARU also arranges for the disbursement of checks to the claimants. This form of payout is the most costly method of resolution because the Receiver must liquidate all of the Former Institution's assets, bear the cost of paying off all the customers insured deposits and monitor the estate for creditors.

The Straight Deposit Payoff is only executed if the FDIC does not receive an acceptable bid for a P&A transaction, thus no liabilities are assumed and no assets are purchased by another institution and the FDIC does not anticipate finding an acceptable AI. The FDIC in its corporate capacity pays the customers (depositors) with insured deposits up to the insurance limit. These customers actually exchange their claims against the Receivership's estate and the FDIC is substituted as the claimant. Excess or uninsured deposits are paid as dividends if funds become available through the liquidation of the Former Institution's assets.

CONTINUING OPERATIONS TRANSACTIONS

Bridge Banks

A Bridge Bank is a new, temporary, full service national bank chartered by the Office of the Comptroller of the Currency and controlled by the FDIC. It is designed to "bridge" the gap between the failure of an institution and the time when the FDIC can implement a satisfactory acquisition by a third party.

The failing institution is closed by its chartering authority and placed in Receivership. When appropriate, the FDIC establishes a Bridge Bank to provide the time needed to arrange a permanent transaction. It also provides prospective purchasers with the time necessary to assess the institution's condition in order to submit their offers. Absent systemic risk, the decision to "bridge" an institution must be based on whether a Bridge Bank structure will result in the least costly resolution for the failing institution.

The FDIC Board of Directors has broad powers to operate, manage, and resolve a Bridge

Bank. A Bridge Bank operates in a conservative manner while serving the banking needs of the community. It accepts deposits and makes low-risk loans to regular customers. Its management goal is to preserve the franchise value and lessen any disruption to the local community. Performing assets, which are assumed by the Bridge Bank at their book value, enhance the institution's franchise value. Institution management may attempt to restructure non-performing assets to increase their value.

The FDIC Board of Directors selects a chief executive officer (CEO) to conduct day-to-day operations and appoints a Bridge Bank board of directors, composed of senior FDIC personnel and the CEO. The Bridge Bank board of directors is responsible for reviewing and approving the bank's business plan for management and oversight duties. The FDIC Board of Directors retains the authority to oversee the institution's final resolution and approve the sale of the institution's assets.

UNDERSTANDING CLOSING TEAM ROLES

The resolution of a financial institution is a complex matter requiring the coordinated functions of a whole team, comprised of smaller teams represented by employees from the Division of Resolutions and Receiverships (DRR), Legal Division (Legal), Division of Administration (DOA), and the Office of Ombudsman (OO).

To work effectively with various Closing Team Members, it is important for each Proforma Team member to gain a basic understanding of the functional roles played by key members of the Closing Team from other DRR departments as well as other FDIC Divisions.

Proforma Team Interactions with Other Closing Team Functions

Some of the primary Closing Team functions and their interactions with the Proforma Team are discussed below. For a more thorough explanation of the duties and responsibilities of each of the areas, please refer to the *Failed Financial Institution Closing Manual.*

Division of Resolutions and Receiverships (DRR)

Receiver-in-Charge

The Receiver-in-Charge (RIC) is the coordinator for operational activities to prepare an institution for Receivership. The RIC is responsible for planning all activities with respect to an anticipated failing institution and has the delegation of authority to take action on behalf of the Receiver. The majority of the planning will be done in concert with the Closing Manager (see next section). The duties of the RIC begin before the closing of the institution and will continue until the Receivership is consolidated to an FDIC office. Once the institution has been closed, the RIC is the primary decision-maker and responsible party for all decisions in the field. For decisions to be made that are above the RIC's level of delegated authority, the RIC recommends solutions to the appropriate level and follows up on the action decided.

Proforma Team Interactions

As coordinator of the Closing Team, the RIC interacts with the Proforma Team by facilitating administrative issues that come up in conducting the Proforma Process. Chief among them is prioritizing the work of the Former Institution's Accounting staff during the Proforma Process. As primary decision-maker with delegated authority to act on behalf of the Corporation, the RIC is also the designee for accepting the Assuming Institution's bid on securities for which no market value could be determined by methods provided in the P&A. The RIC also attends the Proforma Exit Meeting.

Closing Manager

The Closing Manager (CM) is responsible for planning, managing and coordinating all activities related to the preparation and closing of an institution. Some of these activities include determining the staffing level, personnel selection and assignments for staffing. In addition, the CM provides critical input to the RIC's Strategic Resolution Plan (SRP). The CM can authorize the purchase of equipment, supplies and services needed for the closing. The CM is also responsible for all media inquiries and establishing appropriate lines of communication with all Closing Functional Teams.

Proforma Team Interactions

As designated planner of the closing of the failing institution, the Closing Manager's involvement with the Proforma Team is very similar to that of the Receiver-in-Charge.

Closing Administrative Assistant

The Closing Administrative Assistant is responsible for the preliminary preparations and the coordination of the closing function activities under the direction of the Receiver-in-Charge and Closing Manager. Some of the responsibilities include preparation of the Organizational Chart, distributing closing information to Closing Team Members, hotel reservations, clerical support, and completion of the Inventory Book of Assets and Liabilities (or "Closing Book").

Proforma Team Interactions

As administrator of the RIC's Closing Book, the Closing Administrative Assistant compiles information from the various Closing Teams. In this capacity, closing night status reports as well as Proforma Financial Statements are provided by the Financial Manager to the Closing Administrative Assistant. The Financial Manager also confirms the Proforma Team Members are all correctly represented on the Closing Organizational

Chart. The Financial Manager notifies the Closing Administrative Assistant when each Proforma member is released from the closing.

Asset Manager

The Asset Manager leads the Asset Team responsible for the inventory and control of all loan related assets of the Former Institution. The Asset Manager will supervise and control the inventory process of loans, Off-Balance Sheet assets, subsidiaries, and the institution's other assets as required by the Asset Manager's Closing Checklist. The Asset Manager must coordinate this function and maintain close communication with the Closing Manager, Asset Marketing, Proforma, Business Information Systems, Facilities, Branches, Legal, Post Closing Asset Management, and Records Management areas. The Asset Manager ensures the accurate reporting of assets.

The Asset Team inventories assets consisting of commercial, real estate, and installment loans. Team Members review the transaction agreement to determine which assets the Assuming Institution is buying. The Team also prepares inventory listings, and the Assuming Institution signs receipts acknowledging what it has purchased.

Proforma Team Interactions

The Asset Manager will work with the Financial Manager in obtaining the necessary information to facilitate the transfer and/or conversion of assets. The Asset Manager reconciles the loan assets as of the date of closing with the Loan Specialist to confirm the loan assets retained and those purchased by the Assuming Institution. The confirmed listing of the loan asset balances are reconciled to the Proforma Financial Statements and uploaded to 4C, the comprehensive inventory system for the assets of receiverships.

Owned Real Estate (ORE) Manager

The ORE Manager leads the ORE Team which is responsible for the inventory and control of all fixed assets of the Former Institution. The ORE Manager will supervise and control the inventory process of owned real estate; furniture, fixtures, and equipment; and other assets including bank-owned or repossessed vehicles.

The ORE Manager must coordinate this function and maintain close communication with the Closing Manager, Asset Marketing, Proforma, BIS, Facilities, Branches, Legal, Post Closing Asset Management, and Records Management areas. The ORE Manager should ensure the accurate reporting of fixed assets. In all types of transactions, the ORE Manager will work with the Financial Manager in obtaining the necessary information to facilitate the transfer and/or conversion of assets.

Proforma Team Interactions

The ORE Manager's function of maintaining inventory and control of fixed assets of the Former Institution extends to the reconciliation of those assets to the Proforma Financial Statements. In collaboration with the Loan Specialist, the asset listing balances are confirmed against the Proforma Financial Statements and the 4C upload template. Any discrepancies are resolved prior to final asset listing and the release of any team member.

Capital Markets Functional Manager

The Capital Markets Functional Manager (CMFM) is responsible for the analysis, management, marketing and sales activities related to capital market instruments (securities, derivatives, qualified financial contracts, etc.) and advises FDIC management on matters regarding coordinating the valuation and disposition of all types of securities. CMFM serves as a technical expert on securities, syndicated loans, syndicated limited partnerships, and qualified financial contracts (QFCs).

Proforma Team Interactions

Proforma obtains market valuations on securities by coordinating with the CMFM and the Capital Markets Pricing Specialist during closing weekend. The market valuations serve two purposes: (1) they are used to establish the price paid by the Assuming Institution for purchased securities and (2) as the new book-value for securities retained by the FDIC as Receiver.

Branch Coordinator

The Branch Coordinator is responsible for the management and organization of all activities related to the branches. The activities at the branch will in many respects correspond to a number of duties which involve the Facilities, Assets, Proforma, and Administration areas.

Proforma Team Interactions

Key activities at the branch on closing night affect the closing General Ledger balances of the Former Institution. The Proforma Team coordinates the timing of the branch closings and the processing of the daily work with the Branch Coordinator. As part of this function, the Branch Coordinator and/or Branch Manager(s) provide the Proforma Team with copies of the teller count sheets, ATM cash reports, and the signed official receipt.

Investigator-in-Charge

The Investigator-in-Charge leads the Investigations Team whose foremost objective is to develop information which can be utilized in civil suits for professional liability claims.

These claims result from negligence on the part of directors, officers, attorneys, accountants, brokers and others. The Investigator-in-Charge is also responsible for researching and obtaining materials necessary for pursuit of any insurance claims against the institution's bond policy and for possible criminal prosecution by the U.S. Justice Department.

Proforma Team Interactions

The Proforma Team alerts the Investigator-in-Charge of any unusual activity uncovered during the confirmation of account balances and provides documentation that was obtained during the closing.

Claims Agent-in-Charge

The Claims Agent-in-Charge (CAIC) leads the Claims Team which is responsible for payment of funds to insured depositors in accordance with the type of transaction approved. The CAIC is also responsible for notifying general creditors of the institution's closing. In the event of an Insured Deposit transaction, they are responsible for making the insurance determinations and identifying excess deposits.

Proforma Team Interactions

The CAIC provides the Deposit Specialist with a listing of outstanding official checks which are reconciled against the confirmed balance in the Proforma Financial Statements. In case of a Payout, deposit suspense and in-process items are applied and reconciled in determining the deposit account balances.

Receivership Employee Benefits Manager

The Receivership Employee Benefits Manager is responsible for identifying benefit plans established for the employees of the Former Institution and gathering and securing plan documents and records of those plans. They are also responsible for disseminating information on the FDIC Improvement Act of 1991 (FIA), health insurance continuation coverage, and furnishing pertinent information on eligible employees, retirees, and COBRA participants.

Proforma Team Interactions

The Proforma Team coordinates with the Receivership Benefits Manager to identify employee benefits deposit accounts.

Financial Manager

The Financial Manager (FM), together with the Proforma Team Leader (PFTL), leads the Proforma Team whose primary mission is to produce the final Balance Sheet of the

Former Institution being resolved. The FM has the responsibility for resolving any financial operational issues, to ensure a smooth transition for Receivership management and the Assuming Institution going forward. The Financial Manager is: (1) responsible for the oversight of the Proforma Team; (2) attends pre-closing, closing and post-closing meetings concerning the Assuming Institution; and (3) performs a secondary review of the Proforma Jackets. The Proforma Jackets contain the information necessary to support the Former Institution's final Statement of Condition (Balance Sheet). This Statement of Condition is used to calculate the initial wire payment between the FDIC as Receiver and the Assuming Institution. The FM also presents the Proforma Financial Statements to the Assuming Institution during the Proforma Exit Meeting.

Settlement Agent

The Settlement Agent is responsible for the proper and timely administration of the legal Agreement governing the transaction. The major responsibility of the Settlement Agent is the actual monitoring of the Agreement to ensure compliance by both the Assuming Institution and the FDIC as Receiver with all the terms and conditions as provided within the document. The Settlement Process allows for the timely transfer of funds between the Assuming Institution and the FDIC as Receiver for adjustments to assets purchased and liabilities assumed. The Settlement Agents work with the Assuming Institution to make adjustments over a period established in the Agreement for income and expense items not previously accounted for in the initial wire transfer payment as calculated by the Financial Manager ***(see above)***.

Proforma Team Interactions

The Settlement Agent attends the Proforma Exit Meeting and receives a copy of the Proforma Closing Memo. If the Assuming Institution requests a Proforma adjustment after the Proforma Exit Meeting, the Settlement and Financial Managers must collaborate to resolve the inquiry.

Personnel/Payroll Manager

The Personnel/Payroll Manager (PPM) is responsible for the oversight of various payroll/personnel-related issues. The PPM will serve as a liaison between the Assuming Institution, the DRR Closing Manager, Post-Closing Asset Manager (PCAM) and the Receiver-In-Charge (RIC) to: (1) facilitate communications with Former Institution employees; (2) assist with the organization and approval of timesheets for the Former Institution employees to ensure that the contractor's payroll is accurately processed; (3) coordinate the designation of all Former Institution personnel; (4) secure, inventory, evaluate, and transfer Former Institution Personnel/Payroll records; and (5) transition to post-closing parties ensuring contracts, protocols and processes are in place to manage and settle Personnel/Payroll concerns until such time that the Assuming Institution assumes the remaining personnel/associated liabilities or the Receivership is closed. Inquiries pertaining to employees post-Receivership are appropriately addressed by the

FDIC contracted temporary payroll provider or Customer Service.

Proforma Team Interactions

The Financial Manager reports to the Payroll Manager the Former Institution's employees that are engaged to work on Proforma. During the closing weekend, the Financial Manager may be called upon by the Payroll Manager to confirm the timesheets of these former employees.

Business Information Systems

The mission of the Business Information Systems (BIS) Team is to be responsive to the Closing Manager and Receiver-in-Charge, and to provide information technology (IT) support in an efficient and timely manner. To accomplish this objective, BIS will complete specific tasks as set forth in the BIS Bank Closing Manual and the BIS portion of the Claims Administration System (CAS) Manual.

The BIS Team will be headed by an Information Technology Specialist, designated as IT Manager, experienced in resolutions and familiar with bank data processing services and systems. The BIS Team also includes Download Specialist(s) and Computer Specialist(s). Staffing is based on the complexity and size of an institution and the mix of hardware and software that may need to be secured and supported.

Proforma Team Interactions

There are critical interactions between the BIS Team and the Proforma Team during the entire closing. The fundamental dependence is on the accessibility to the network as well as procurement of laptops, printers and scanners to be used by the Proforma Team. The second level of coordination is in the delivery of sub-ledger downloads that are provided by BIS to Proforma. In the final stage, the Proforma Team collaborates with the BIS Team to upload of the 4C templates.

Legal Division

The mission of the Legal Division Closing Team is to be responsive to the RIC and the Closing Manager, and to provide legal services in an efficient and timely manner, and complete the Legal Team's specific tasks as set forth in the Legal Division's policies and procedures.

Lead Closing Attorney

The Legal Team will be headed by a designated attorney known as the "Lead Closing Attorney" and will consist of one or more attorneys, paralegals and legal secretaries, as appropriate. The role of the Lead Closing Attorney and the Legal Team at institution closing can be divided into five general areas of responsibility:

- Coordination of any and all legal issues with the RIC and the Closing Manager prior to the institution's closing.
- Coordination of any and all legal issues with the RIC and the Closing Manager at the time of closing.
- Preparation and/or Review of Communications Items such as Press Releases.
- Review of Contingent Liabilities and Preparation of the Closing Memoranda and the Legal Closing Book.
- Oversight of Inherited Litigation Intake.

Proforma Team Interactions

The Proforma Team relies on the Lead Closing Attorney to communicate litigation, contingent liability or any legal issues that may impact the Proforma Process. This could include items such as interpretations of the P&A Agreement or the legal aspects and possibilities surrounding the unwinding a Qualified Financial Contract.

Division of Administration (DOA)

Facilities Manager

The Facilities Manager leads the Facilities Team whose focus is on ensuring an orderly entry into the Former Institution's premises, arrange and maintain work stations for the Closing Team, provide adequate supplies, computers and copy machine equipment, and provide for the operational needs of the Closing Team. This includes security for the premises and personnel, and control of all property and premises of the institution. Additional responsibilities include inventories of vault areas, branch offices, and postage meters. After inventory, the Facilities Manager will determine the disposition of these items in conjunction with the Closing Manager and Assuming Institution. The results of such inventories are provided to the Closing Manager as part of the Exit Memorandum. The Facilities Manager will receipt certain items to the Assuming Institution using the official receipt form.

Proforma Team Interactions

The Proforma Team relies on the Facilities Manager to inform the Team of any facilities issues or concerns as described above. Likewise, the Proforma Team must keep the Facilities Manager apprised of its needs, especially relating to security of the premises.

Office of Ombudsman (OO)

Ombudsman

The Ombudsman's role is to promote public confidence in the banking system and the FDIC as Insurer, Receiver, and Regulator. The Ombudsman serves as an on-site information resource, responding to general inquiries and to facilitate the resolution of problems and complaints from the general public, the Closing Team and other affected parties. Central to this function is ensuring that lines of communication remain open among all parties involved in the closing, including the Closing Team, depositors, debtors, shareholders, creditors, institution employees, the Assuming Institution, and community leaders.

Proforma Team Interactions

Interaction with the Ombudsman is on an as-needed basis when Proforma questions arise, or when the Ombudsman needs specific financial related information about some aspect of the Former Institution.

Other Closing Team Functions

Outside Contractors

The FDIC sometimes utilizes contracted personnel to perform some of the duties at a resolution in accordance with a Statement of Work (SOW) or contract. Contractor performance that complies with the contract is the final objective and single purpose of the entire contracting process.

There are several classifications of contractors that can work at a resolution event. Some of these are:

- Receivership Assistance Contractor (RAC)
- Owned Real Estate (ORE)
- Payroll
- Business Information System (BIS)
- Business Process Outsource (BPO)

When any of these contactors are utilized at a resolution event, an approved Technical Monitor (see below) needs to be onsite and report performance to the contractor's Oversight Manager.

Oversight Manager

The Oversight Manager (OM) is a representative within a requesting office responsible for planning, monitoring, and managing a contractor's technical performance under a contract. The OM's responsibilities represent a critical function in ensuring the Corporation receives goods and/or services on schedule, cost-effectively, and of the requisite quality specified in the contract. The OM will determine compliance with the terms and conditions of the contract, but under no circumstances will the OM, or any other FDIC employee, directly supervise the contractor's employees.

OM are generally involved on contracts greater than $100,000 with long periods of performance, multiple deliverables, monthly/recurring invoices as work progresses, and detailed contract administration to ensure that the contractor is in compliance with the terms and conditions of the contract.

Technical Monitor

The Technical Monitor (TM) is a representative, not necessarily limited to the requesting office, that assists the OM in providing technical guidance and monitoring of a contractor's performance under a contract. The TM's duties are a subset of the OM's duties and can be limited to areas that require increased technical monitoring and/or additional expertise. The Financial Manager and Proforma Team Leader are the Technical Monitors for the Proforma Team.

Other Closing Team Functions - Proforma Team Interactions

Interaction is on an as-needed basis depending on the contractor function. Interaction with some contractors (such as the RAC) is significant and is discussed in other sections of this Manual. Interaction with Oversight Managers and/or Technical Monitors is also dependent on the level of support their contract is providing the Proforma Team and tends to follow along the lines of the FDIC function which the contractor is supporting.

Proforma Team

Financial Manager

The Financial Manager (FM) and Proforma Team Leader (PFTL) work closely throughout the Resolution Process with some tasks overlapping that may be performed by either party. In the case of some small, less complex resolutions, one person may perform both functions. The primary focus of the Financial Manager is to effectively and efficiently manage and direct all financial aspects of the Closing and Post-closing process. The FM has the responsibility for resolving any financial operational issues to ensure a smooth transition for the Receiver and the Assuming Institution.

The FM is responsible for the oversight of the Business Operations Support (BOS) staff including Proforma, Subsidiary Accounting and Tax functions during the Resolution Process. The FM performs a secondary review and approval of the Proforma Jackets.

The FM presents the Proforma Financial Statements to the Assuming Institution during the Proforma Exit Meeting.

The Financial Manager has the authority to modify any Proforma Guidelines (Appendix B - Proforma Guidelines) when deemed necessary and appropriate. Any decision to modify is based upon the FM's experience and judgment, applied to the particular circumstance. The purpose of the Proforma Guidelines is to serve as a guide to the Proforma Jacket preparer and is not considered to be all inclusive or mandatory.

Proforma Team Leader

The Financial Manager (FM) and Proforma Team Leader (PFTL) work closely throughout the Resolution Process with some tasks overlapping that may be performed by either party, as stated previously. The PFTL reports directly to the FM during the Resolution Process. The primary focus of the Proforma Team Leader is to direct the Proforma Process which encompasses those activities necessary to produce a well documented, accurate Statement of Condition as of the closing date of the Former Institution. This Statement of Condition represents the final Balance Sheet of the Former Institution.

Under the direction of the Proforma Team Leader, each Balance Sheet account is reviewed, reconciled, adjusted (if necessary) and confirmed through the date of closing. This confirmation process is controlled through the use of Proforma Jackets, which contain the information necessary to support the Former Institution's final Statement of Condition. Once each account balance has been confirmed, the balance is split either to the Receiver, the Assuming Institution or allocated between the two based upon the Purchase and Assumption Agreement. This Statement of Condition serves as the starting point for both the Receivership and Assuming Institution.

Subsidiary Proforma Team Leader

The Subsidiary Accounting Unit (SAU) analyzes data that Franchise Marketing makes available on SharePoint to determine whether they need to assign anyone to each particular closing. This decision process is described in detail in the Pre-closing and Closing Sections of this Manual.

If assigned to a resolution, the Subsidiary Proforma Team Leader works closely with the Financial Manager and Proforma Team Leader during the Resolution Process. The primary focus of the Subsidiary Proforma Team Leader is to direct the Subsidiary Proforma Process. This encompasses those activities necessary to produce a well documented, accurate Statement of Condition for each subsidiary of the Former Institution. These Statements of Condition represent the Balance Sheets of the subsidiaries as of resolution date. It also entails completing the Proforma Jackets on the Former Institution's Proforma Statement of Condition that are subsidiary related. This includes the Investment in Subsidiary accounts and any Intercompany Payable/Receivable Accounts.

Under the direction of the Subsidiary Proforma Team Leader, each Balance Sheet account is reviewed, reconciled, adjusted (if necessary) and confirmed through the parent's resolution date. This confirmation process is controlled through the use of Proforma Jackets, which contain the information necessary to support the subsidiary's Statement of Condition.

Loan Specialist

The Loan Specialist performs multiple functions throughout the Proforma Process. The duties of the Loan Specialist include:

- Completing of Loan and related Proforma Jackets;
- Coordinating of the collection and upload of 4C data (4C is FDIC's Asset Information System for receiverships); and
- Overseeing the interim loan servicing process or transfer of loans to an external servicer if any loans are retained by the Receiver.

The Loan Specialist works closely with Business Information Systems (BIS) and the Former Institution's servicer for the retrieval of loan data in an electronic format. The Loan Specialist also works with BIS to ensure that the electronic data is reconciled to the Former Institution's General Ledger and Sub-Ledger.

The Loan Specialist works closely with the Financial Manager and Proforma Team Leader to ensure that all loans are properly categorized in the established Product Codes. The currently established Loan Product Codes are:

- Consumer/Installment Loans (Product Code 10)
- Commercial/Industrial Loans (Product Code 15)
- Student Loans (Product Code 20)
- Commercial Real Estate Loans (Product Code 30)
- Construction/Land Development Real Estate Loans (Product Code 31)
- 1-4 Family Residential Real Estate Loans(Product Code 32)
- Multifamily Residential Real Estate Loans (Product Code 33)

The Loan Specialist coordinates the collection of the 4C data. The non-Loan 4C templates are prepared by the area(s) that are primarily responsible for the function and submitted to the Loan Specialist for balance confirmation.

The Loan Specialist is an integral part of the resolution of any loans that are retained by the receiver. The most common occurrence for retained loans is the establishment of an onsite Interim Loan Servicing function to dispose of the loans. Any loans that are retained but not placed into Interim Loan Servicing must be transferred to an internal or external servicer during the Post Closing process. Please see the Interim Loan Servicing Manual or the Financial Processing Chapter of the Receivership Accounting Manual for further details.

Deposit Specialist

The primary responsibility of the Deposit Specialist is to confirm the deposit liability Balance Sheet accounts and assess the reasonableness of interest accrued for the demand deposit, savings, and time deposit liability balances of the Former Institution as of the resolution date.

The Deposit Specialist works closely with Business Information Systems (BIS) and the Former Institution's servicer for the retrieval of deposit data in an electronic format. The Deposit Specialist then coordinates with BIS and Claims Teams to obtain, review and adjust (if necessary) the sub-ledger and/or general ledger account balances to the Claims Administration System (CAS).

The Deposit Specialist works closely with the Financial Manager and Proforma Team Leader during the Resolution Process. Through this process, the Deposit Specialist ensures that each deposit liability and related accrued interest Balance Sheet account is reviewed, reconciled, adjusted (if necessary) and confirmed through the resolution date. This confirmation process is controlled through the use of Proforma Jackets and the Proforma for Windows User Guide (Appendix A), which contain the necessary information to support the Former Institution's Statement of Condition.

Tax Specialist

The primary function of the Tax Specialist is to ensure that all tax related responsibilities of the Receivership are properly addressed and to obtain all information necessary to fulfill the tax reporting responsibilities remaining with the Receivership. Some of the more specific duties include gathering information for the filing of all state and federal information returns related to payroll taxes, income taxes, franchise taxes, sales taxes, and excise taxes. This also includes gathering information for use in pursuing any potential refunds available to the Receivership.

The Tax Specialist monitors the final payroll activity to ensure that all necessary information is obtained to properly report the payroll activity to the appropriate state and federal taxing authorities. The Tax Specialist is also responsible for assisting the Proforma Team in preparing the Proforma Jackets on all tax related accounts on the books of the Former Institution such as deferred taxes, taxes payable, tax refunds receivable, tax deposits payable, and the equity accounts.

The Tax Specialist may also meet with and explain to the Assuming Institution any reporting responsibilities outlined in the Purchase and Assumption Agreement.

Securities Specialist

The primary responsibility of the Securities Specialist is to confirm the Securities Balance Sheet accounts and assess the reasonableness of interest accrued for the securities balances of the Former Institution as of the resolution date.

The Securities Specialist works closely with the Capital Markets Functional Manager and the Capital Markets Pricing Specialist to determine the market value of securities as of the resolution date. The Securities Specialist completes all securities related Proforma Jackets during the Proforma Process. The Securities Specialist also works with the Financial Manager, Proforma Team Leader and Capital Markets to gather the safekeeping statements, physical certificates, and information regarding encumbrances in order to transfer any securities retained by the receiver to the FDIC portfolio.

Proforma Support

The Proforma Support functions are comprised of all duties not referenced specifically in this Manual. These functions are typically general in nature, and are staffed by Business Operations Support (BOS) staff, non-BOS staff, or contractors. The Proforma Support staff will be assigned various Balance Sheet accounts to review, reconcile, adjust (if necessary) and confirm through the resolution date. They will utilize the Proforma Jackets and the Proforma for Windows Program. They will also be assigned other duties as needed to complete the Proforma Process.

The preliminary planning and post-closing follow-up to the Proforma Support functions are typically performed by either the Financial Manager or Proforma Team Leader.

JOB AIDS FOR PROFORMA TEAM

Proforma Team Members use a wide range of job aids to assist them in performing the various Proforma functions. Listed below are links to the eight Appendices (A through H) along with a brief description of the type(s) of Proforma job aids in each Appendix. Finally, each specific Appendix contains links to all job aids covered by that Appendix. For example, Appendix D contains links to the nine job aids involving Correspondent Banks.

References to Specific Job Aids in Proforma Chapters

Specific Proforma job aids (with corresponding links) are discussed in each Chapter when they help illustrate or clarify particular points in the Chapter. However, not all job aids are discussed in the Chapters. Proforma Team Members are expected to become familiar with the major types of Proforma job aids as discussed in the Appendices listed below so they can quickly identify the particular job aid(s) useful for a Proforma task as needed.

The Appendices containing the Proforma job aids are as follows:

- Appendix A - Proforma for Windows User Guide: this document walks the user through the Proforma Program which is the tool used to facilitate the Proforma Process.

- Appendix B - Proforma Guidelines: this is a series of guides previously referred to as checklists. The guides contain various tasks a jacket preparer can use to validate the particular account of the Former Institution.

- Appendix C - Standard Proforma Worksheets: these are all the standardized worksheet templates used by Proforma. Examples include the cash recap, deposit recap, interest test worksheet, etc.

- Appendix D - Correspondent Banks: this section contains Correspondent Bank Account information for FHLB, Federal Reserve, and Banker's Banks – contact information, district maps, etc.

- Appendix E - Jacket Preparation: explains how the Jacket is organized, what needs to be completed, and how each deliverable needs to be prepared.

- Appendix F - Proforma's Acronyms and Glossary: this document gives the reader a list of FDIC commonly used acronyms and accounting terms.

- Appendix G - Tax Reference Materials: these tax materials include checklists, forms, and sample documents.

- Appendix H - Proforma Financial Statements and Additional Documents: miscellaneous supporting documents.

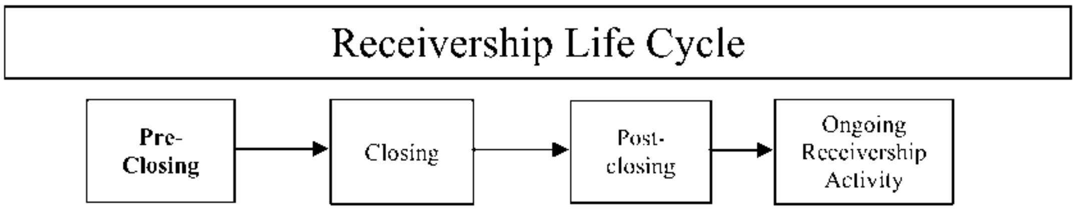
Chapter Two

Proforma Pre-closing Duties

Table of Contents

Proforma Pre-closing Introduction

As previously mentioned in Chapter 1 – Resolution Process Overview, there are four phases to the Receivership Life Cycle: Pre-closing, Closing, Post-closing and Ongoing Receivership Activity. This Chapter covers the functions that typically occur during the Pre-closing time frame of the resolution of a financial institution.



The pre-closing process starts when the FDIC initiates its resolution process upon notification that an insured bank or thrift is about to fail. An institution is typically closed by its chartering authority when it becomes insolvent, is critically undercapitalized, is implicated in fraudulent activity, or unable to meet its deposit outflows. The chartering authority, which is the state banking agency for state-chartered institutions, and the Office of the Comptroller of the Currency for national banks, informs the FDIC when an insured institution will be closed.

The pre-closing process ends when the operating charter of the financial institution is revoked by primary chartering authority. All pre-planning activities for an upcoming resolution and attending meetings for the resolution are classified as pre-closing activities. The pre-closing job duties are described below in detail by Proforma job position.

Financial Manager

During the pre-closing phase, the roles and responsibilities of the Financial Manager (FM) center around the failing institution's operating cycles, depositor portal cutoff, flow of financial data, and preparing for the closing to ensure a transparent transition for the Former Institution's customers and a smooth transition for both the Assuming Institution (AI) and FDIC as Receiver. These functions consist of the following three major categories:

- Planning and Analysis
- Logistics
- Initial Implementation

Planning and Analysis

A Financial Manager's work starts upon assignment to an upcoming resolution. Typically, the Closing Manager (CM) or Receiver-in-Charge (RIC) requests that the FM prepare the Financial Accounting portion of the Strategic Resolution Plan (SRP). This is accomplished by:

- Reviewing data and reports pertinent to the subject financial institution located on the SharePoint site established for the resolution. Data review will include BIS Technology & Operations Questionnaire (TOQ), Data Processing Overview (DPO), deposit and loan snap shots reports, branch information, and financial information; and
- Identifying and discussing operational and financial issues that may impact Proforma with the Franchise Marketing Team Leader.

In reviewing the material on SharePoint, the FM is obtaining general information about the failing institution, and formalizing the plan for staffing and developing a strategy to address operational issues.

By reviewing the data and reports available, particularly the institution's General Ledger, the FM may be able to determine the complexity of the closing based on a number of variables. This review will aid the FM in determining the proper level of staffing and the particular skill sets needed. Of particular interest are the following:

- Preparing pre-closing Proforma Financial Statements using the General Ledger as of the Information Package date;
- Performing a preliminary mapping of the General Ledger accounts to aid in the determination of the staffing needs;
- Planning for the type of transaction expected by Franchise Marketing (Whole Bank Loss Share All Deposit (WBLSAD), Whole Bank, DINB, Payout, Bridge Bank, etc.);
- Determining the number and nature of Correspondent Bank relationships;
- Determining the number and nature of any Subsidiaries, Partnerships or Joint Ventures;
- Assessing the size and composition of the institution's Securities portfolio;
- Determining the composition of the institution's Loan portfolio, focusing on any products which may require specific expertise or treatment (Credit Cards, SBA Loans, Agriculture Loans, Loans Serviced for Others (LSFO's), Loans Serviced by Others (LSBO's), etc.);
- Determining if there are Federal Reserve Bank (FRB) or Federal Home Loan Bank (FHLB) Advances outstanding which the Receivership may be responsible for paying off;
- Determining if the institution has Derivatives, Securitizations, Qualified Financial Contracts or other products that may require specific knowledge and skills;
- Determining the existence of a Trust Department, and if so, the size and level of activity;
- Assessing the quality and condition of the institution's financial records;
- Attending conference calls with Business Information Systems (BIS) and any Servicers; and

- Reviewing information available that could cause operational or financial issues upon resolution.

Performing the proper analysis will allow the FM to move on to the next phase of the pre-closing process which is the Logistics phase. Note that although the FM is moving to Logistics, the FM will continue to be involved with planning and analysis until the failing institution is closed. Franchise Marketing will include the Financial Manager in discussions with potential bidders to address operational questions.

Logistics

The FM will participate in several pre-closing Functional Managers Meetings. These meetings are convened to keep all of the Functional Managers apprised of issues relevant to the closing. It allows the managers to share information and formulate an overall approach based on the specific attributes of the resolution. The Functional Managers are the primary points of contact for a program area for a resolution.

One of the most important responsibilities the FM has is to ensure adequate staffing for the resolution. Through careful analysis, the FM ensures that a proper number of people with the correct skills will be assigned to the Proforma Team. Depending on the staffing model utilized, the Proforma Organization Chart may consist of either: a) all FDIC Staff or b) several FDIC Subject Matter Experts (SMEs) augmented with a number of Receivership Assistance Contract (RAC) Contractors.

Upon determination of the adequate staffing, the FM is responsible for:

- Keeping the Proforma Staff apprised of travel plans, the deployment schedule and any other significant items that may impact the Team.
- Notifying the Credit and Risk Management contact at the Federal Reserve Bank in the Federal Reserve District affected by a potential resolution, so they can plan for the transaction. This contact is typically made four to five business days prior to the resolution. **(The FRB is the ONLY contact made prior to closing because they are a part of the Federal Regulatory Community and the FDIC has an indemnity agreement with all twelve of the Federal Reserve Banks).**
- Participating in pre-closing Functional Manager Conference Calls/Meetings.
- Contacting the RAC Oversight Manager to inform them of necessary changes to the Task Order (if applicable) and provide a deployment schedule.
- Coordinating with BIS hardware support to order laptops (for Contractors), printers and scanners for Proforma.
- Ensuring the "Crash Bag" (supplies and Proforma Jackets) is shipped to arrive for the resolution.

The above tasks are normally performed several days prior to the scheduled resolution date.

NOTE: There are additional tasks that need to be performed if the resolution is a DINB, Bridge Bank, or Payout. Additional information can be found in the Bridge Bank Manual (See section labeled 3.0 Operations Chapter B)

Initial Implementation

Typically, the FM and (usually) the Proforma Team Leader (PFTL) will arrive at the hotel at least a day prior to the resolution. The FM and PFTL will attend the initial meeting with the Assuming Institution (AI) scheduled by the Receiver-in-Charge (RIC) and Closing Manager (CM). Key items covered in the Pre-closing meeting with the AI are:

- Meeting key representatives from the AI.
- Explaining the Proforma Process and what the AI can expect during this Process.
- Determining if the AI plans on performing a Cash Count and ensuring FDIC representatives are available to observe, if required.
- Answering any questions the AI may have regarding the Proforma Process.
- Coordinating a conference call between the AI and the Federal Reserve Bank. This call is critical to ensure a seamless transition the following business day. The Federal Reserve Bank will advise the AI of the services currently provided to the failing institution. These services normally include wire transfers, ACH, cash shipments, Treasury, Tax, and Loan (TT&L) processing, etc. Once it is determined how the AI wants to proceed regarding those services, the Federal Reserve Bank will issue an Acquiring Institution Agreement detailing the services they will provide going forward. The AI must execute that letter and return it to the Federal Reserve Bank prior to the failure of the institution.
- Requesting that the AI provide wiring instructions and a W-9, so that a wire transfer can be initiated on the first business day (if needed).
- Coordinating with other Functional Managers.
- Notifying the closing team of the Fund Number assigned by the Division of Finance (DOF).
- Handling any other operational or financial issues that may develop prior to the resolution.

The FM or Proforma Team Leaders should ALWAYS be present at the Pre-closing Meeting with the Assuming Institution. During pre-close, the bidders have credit personnel performing due diligence at the Former Institution. The Assuming Institution has senior members of their Management Team and Legal working out the details of the Purchase and Assumption Agreement (P&A). The pre-meeting is the first opportunity the Financial Manager has to set expectations with the Assuming Institution. Proforma and post-closing accounting operations require participation of the AI's operations' staff on-site as of date of closing.

A critical component of the FM's pre-closing responsibilities is to plan an effective deployment schedule. It is the current practice to limit the number of closing staff entering the institution the night of the closing. In meeting that objective, typically the Proforma Team will send only the following personnel on closing night:

- Financial Manager
- Proforma Team Leader
- Deposit Specialist
- Loan Specialist
- Tax Specialist
- Securities Specialist (if assigned)
- Subsidiary Proforma Team Leader (if assigned)

The Proforma Team members need to make immediate contact with each other to ensure understanding of the resolution transaction and what is expected of them during the Proforma Process.

Proforma Team Leader

During the pre-closing phase, the duties of the Proforma Team Leader (PFTL) are similar to those of the FM while their roles and responsibilities may differ.

In reviewing the data and reports available, particularly the institution's General Ledger, the PFTL should try to determine the complexity of the closing based on a number of different variables. This review will aid the PFTL in developing a strategy to effectively direct the Proforma Team in producing a well documented, accurate Statement of Condition (Balance Sheet).

The primary duties of the PFTL during the pre-closing phase typically include the following:

- Assessing the quality and condition of the failing financial institution's financial records.
- Evaluating the institutional knowledge of the failing institution's accounting and operational staff.
- Determining the composition of the institution's Loan portfolio, paying particular attention to any products which may require specific expertise, or handling (Credit Cards, SBA Loans, Agriculture Loans, LSFO's, LSBO's, etc.).
- Determining the number and nature of Correspondent Bank relationships.
- Determining the number and nature of any Subsidiaries, Partnerships or Joint Ventures.
- Attending conference calls with Business Information Systems (BIS) and any Servicers.
- Assessing the size and composition of the institution's Securities portfolio.
- Analyzing pertinent information in SharePoint.
- Gathering additional information relevant to the subject institution.
- Assisting the FM in determining the composition of the Proforma Team.

- Reviewing and preparing a preliminary mapping of the General Ledger (GL).
- Coordinating preliminary GL mapping with the Deposit and Loan Specialists.
- Discussing preliminary Proforma Jacket assignments with FM.
- Communicating the preliminary Jacket assignments to the Proforma Team so they can begin their analysis and preparation.
- Attending Functional Manager Meetings.
- Conducting Proforma Team meetings and determining any training needs.
- Coordinating with BIS hardware support to ensure laptops (for Contractors), printers and scanners are ordered for Proforma.
- Analyzing supply needs, replenishing the Crash Bag as needed and ensuring delivery to the hotel site.
- Training the Branch Managers on overseeing the cash count process, if required.

Subsidiary Proforma Team Leader

During the pre-closing phase, the Subsidiary Accounting Unit (SAU) is responsible for monitoring potential resolutions. The assignment of a Subsidiary Proforma Team Leader (SPFTL) will be dependent on several factors discussed below. On a weekly basis, the Subsidiary Management Group (SMG) provides the SAU a report of scheduled resolutions specifying the number and types of subsidiaries. For those resolutions that have subsidiaries, the SAU will review and analyze subsidiary information residing on SharePoint. Based on the SAU's analysis, the pre-closing phase will proceed in one of the following directions:

- If there are a small number of subsidiaries, and they are non-operating (such as many Owned Real Estate (ORE) subsidiaries) or shell entities, the SAU will not assign a SPFTL to the resolution. The SAU will advise the Financial Manager that the number and complexity of subsidiaries is such that it can be handled by the Proforma Team Members already assigned to the resolution. In these instances, the FM will assign staff to confirm the balances on each Subsidiary's Balance Sheet, and the associated accounts on the failing financial institution's Balance Sheet (Investment in Subsidiary, Intercompany Receivables/Payables, etc.). Due to the simplicity of the entities involved, the FM may opt to produce a confirmed Balance Sheet and include all of the supporting documentation in the relevant Investment in Subsidiary Proforma Jacket on the financial institution's Proforma Balance Sheet, rather than setting up and running separate Proforma Programs for each of the Subsidiary entities. The result is a fully documented and confirmed Balance Sheet for each entity whether using the Proforma Program, or this alternate approach (which is only utilized on the simplest entities).
- If there are numerous subsidiaries, or they are operating subsidiaries with robust Balance Sheets, the SAU will assign a SPFTL. A separate Proforma Program will be set up for each of the subsidiaries. Additional staff may be sent to assist the SPFTL if the number or complexity of the entities warrants.

The primary duties of the SPFTL during the pre-closing phase typically include the following:

- Assessing the quality and condition of the subsidiary's financial records.
- Evaluating the institutional knowledge of the subsidiary's accounting and operational staff.
- Determining the composition of the subsidiary's Balance Sheet, if applicable:
  - Determining the number and nature of subsidiary bank accounts;
  - Determining the number and nature of any lower tier Subsidiaries, Partnerships or Joint Ventures;
  - Assessing the size and composition of the subsidiary's Securities portfolio; and
  - Assessing the size and composition of the subsidiary's Loan portfolio.
- Gathering additional information relevant to the subject subsidiary.
- Determining the composition of the Subsidiary Proforma Team.
- Conducting Subsidiary Proforma Team meetings and determining any training needs.
- Analyzing supply needs, replenishing the Crash Bag as needed and ensuring delivery to the hotel site.

Loan Specialist

The Loan Specialist has a number of duties and responsibilities during the pre-closing phase of a resolution. (See the IS - Interim Loan Servicing Manual for additional detail information about the Loan Specialist.)

The Loan Specialist should download the Franchise Marketing Loans Schedule (FMLNS) and detail Loans Balancing files from the failing financial institution's SharePoint site. The Loans Balancing file should be reconciled to the failing financial institution's General Ledger. If the Loans Balancing report does not balance with the General Ledger, the Loan Specialist will contact the BIS Loan Download Team and have them research the Account Mapping, Asset Subtype Codes, Loan Type Codes and any other fields that may create the discrepancy. The Loan Specialist should also prepare a preliminary pivot table to verify the FMLNS file. See Chapter 3 Proforma Closing Duties – Loan Specialist section of this Manual for specific directions on creating the EXCEL pivot table.

The Loan Specialist should perform a preliminary review of the loan related General Ledger accounts. The purpose of this review is to generate account "mapping" of which accounts should be combined into a Proforma Jacket. The primary criterion for combining accounts is if the failing financial institution reconciles the accounts together. The preliminary mapping should include the proposed Product Code in the Jacket.

The Loan Specialist will work with BIS and participate in the institution Servicer Call to resolve any pending issues and establish a preliminary time table for expected deliverables. The Loan Specialist will work with the Financial Manager to monitor the transaction offering to determine is there are any asset pools being excluded.

Deposit Specialist

The Deposit Specialist has a number of duties and responsibilities during the pre-closing phase of a resolution.

The Deposit Specialist should review the pre-closing files from the failing financial institution SharePoint site. The BIS deposit download file (DEPBAL) (Deposit Specialist - DEPBAL - Sample) should be reconciled to the failing financial institution's General Ledger. If the DEPBAL report does not balance with the General Ledger, the Deposit Specialist will contact the BIS Deposit Download Team and have them research the cause of the discrepancy.

The Deposit Specialist should perform a preliminary review of the deposit related General Ledger accounts. The purpose of this review is to generate an account "mapping" of which accounts should be combined into a Proforma Jacket. The primary criterion for combining accounts is if the failing financial institution reconciles the accounts together. The preliminary mapping should include the proposed Product Code in the Jacket.

The Deposit Specialist should review information related to brokered and non-core deposits to be able to identify deposits that will be retained by the receivership and what is to be excluded from any deposit premium calculation (if any).

The Deposit Specialist will work with BIS and participate in the institution Servicer Call to resolve any pending issues and establish a preliminary time table for expected deliverables. The Deposit Specialist will need to determine how official items are paid and the clearing process. The failing financial institution's cutoff and end of day processing by source will need to be reviewed and determine if there are any issues related to when each of the financial institution's physical locations close. The Deposit Specialist should have a pre-meeting with someone from the Claims Team especially if the transaction is a Payout.

Tax Specialist

The Tax Specialist is responsible for gathering all of the tax information designated on the Tax Closing Checklist. The pre-closing duties that the Tax Specialist is responsible for include:

- Reviewing SharePoint to gain an understanding of the institution's assets and liabilities, identify any tax related issues, and determine if there are any subsidiaries that will need to be consolidated in the tax return.
- Preparing the initial information request to be presented to the main tax contact (usually the Chief Financial Officer or Controller) for the financial institution.

NOTE: An example is located in Appendix G - Tax Initial Information and Document Request Forms.

- Identifying the name and location of the most probable Tax contact(s) for the institution, if available.

Securities Specialist

The main function of the Securities Specialist is to identify and confirm the balance of the securities owned by the institution. The focus during the pre-closing phase is to prepare for a timely and efficient confirmation of securities held by the institution so the information can be sent to Capital Markets for a current valuation.

The Securities Specialist will review the information available on the SharePoint website including the General Ledger, Securities Valuation Listing and Safekeeping Report. This information is used to make preliminary Proforma Jacket assignments and as an initial listing presented to institution staff in order to confirm the existence of the securities for valuation. The Securities Valuation Listing is originally prepared by Capital Markets and includes all securities held by the failing institution.

The Securities Specialist also reviews the preliminary Securities Valuation Listing and compares the excluded securities from the valuation to the excluded securities from the Purchase and Assumption Agreement. If any differences exist, the Securities Specialist will notify the Financial Manager, Proforma Team Leader and Capital Markets of the discrepancy.

Proforma Support

As mentioned previously, the Proforma Support functions are general in nature and the primary duties typically only occur at the closing. A preliminary Jacket assignment is usually provided by the Financial Manger or Proforma Team Leader to all Proforma Support. The team member should prepare for their assignment by reviewing the information contained in SharePoint that relates to their Jackets. In addition, they should review memos and documents in related Jackets from their previous closings or Closed Banks site in SharePoint.

The following section discusses a key output document from the pre-closing work, the Strategic Resolution Plan (SRP), and the Proforma Team's specific role in developing it.

Strategic Resolution Plan – Proforma Team's Contribution

The Strategic Resolution Plan (SRP) is a resolution plan from the Receiver-in-Charge (RIC) provided to senior FDIC management for the potential resolution of a failing financial institution. The RIC gets input from several functional areas of the Division of Resolutions and Receiverships, as well as the Legal Division, Division of Administration and Office of the Ombudsman. The SRP is a summary of the pre-closing strategy for the resolution of that institution. The SRP includes issues that the Closing Team must address prior to or immediately upon closing the failing financial institution.

Proforma's contribution to the SRP is the responsibility of the FM or designee. The Proforma SRP is generally brief (less than one page) focusing on accounting and operational issues which may adversely impact Proforma. These issues can include quality and timeliness of the accounting records, cutoffs, unique depository arrangements, banking hours, affiliated company relationships, number and quality of failed bank resources, etc. It also addresses issues that might require special attention on the part of the Settlements or Subsidiary units. It adheres to the guidelines set forth by the RIC regarding format and content.

The Proforma contribution to the SRP begins with the preparation of a Financial Accounting Memo (see next section). The SRP is then derived from sections of the Financial Accounting Memo.

Financial Accounting Memo

The Financial Accounting Memo (Memo) is prepared by a designated member of the Proforma Team. The Memo is a useful pre-closing informational tool for the Financial Manager, Proforma Team Leader and other members of the Proforma Team. An example template is located in Appendix H - Bank Financial Accounting Memo Template.

It summarizes the upcoming resolution with an additional focus on extraordinary items or issues related to the specific resolution. The Financial Accounting Memo includes the following sections:

- Overview of the resolution
- Branches
- Subsidiaries
- RAC Contractors
- Closing Status
    - Scheduled Date
    - P & A Terms
- FDIC Contacts
    - Receiver in Charge
    - Closing Manager
    - FAMB Team Leader
    - FAMB Specialist
- Institution Contacts
    - CFO
    - Controller
    - Loans
    - Deposits

- Assets
  - Correspondent Banks
  - Servicers
  - Safekeeping Agents
  - Major issues
- Liabilities
  - Deposits
  - Brokered Deposits
  - Repurchase Agreements
  - Qualified Financial Contracts (QFCs)
  - Major issues
- Accounting Issues
- System Issues from BIS (SharePoint)

There are numerous sources for the information included in the Financial Accounting Memo. Some of the primary sources include:

- The Executive Summary, which is published on IntraLinks for each scheduled financial institution closing and can be found in the Offering Information folder. (This can sometimes be found in SharePoint's "Shared Documents" within the Franchise Marketing folder.); and
- The General Ledger that generally is the "as of date" financial information that the potential Assuming Institutions utilizes as the basis for bidding to acquire the failing financial institution. This information is located in the [redacted] (b)(5)
(b)(5) [redacted] on SharePoint. Focus is placed on:

  - Identifying General Ledger (GL) accounts that require additional clarification or explanation, including potentially unique or problematic accounting issues.
  - Evaluating the GL's complexity, which may include an estimate of the number of Proforma Jackets that will be required to complete the Proforma Process.
  - Preparing Accounting questions and requests for information that may be relevant to the Proforma reconciliation process. The questions and requests are directed to the Franchise Marketing Team Leader who gets the information from the failing financial institution's management. The goal is to increase the knowledge and preparation of key members of the Proforma Team.
  - Communicating with Franchise Marketing's Team Leader on-site at the failing financial institution scheduled for closing. The Team Leader is queried on the following points regarding the failing financial institution, some of which require additional follow up:
    - Assessing the quality and timeliness of the financial information reporting process;

- Assessing the quality and quantity of management and support staff, clearly identifying weaknesses that could impede or delay the performance of the Proforma Process;
- Identifying the go-to people who should be the best sources of information for the various areas of the Proforma Team; and
- Identifying potential areas of concern, ranging from the availability of space to the items noted above.

The FM and Proforma Team Lead will follow-up weekly with Franchise Marketing as to the status of the Resolution, the resolution transaction being offered and if there are any material changes which would impact the Proforma Process. Pre-closing is a collaborative continuous process until the financial institution fails or is recapitalized.

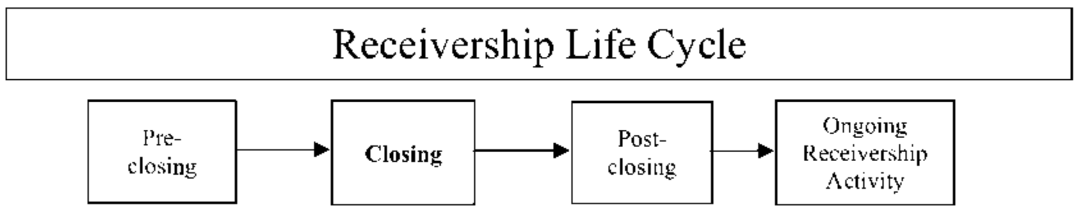
Chapter Three

Proforma Closing Duties

Table of Contents

Proforma Closing Introduction

As stated previously, there are four stages to the Receivership Life Cycle: Pre-closing, Closing, Post-closing and Ongoing Receivership Activity. The Proforma Process covers all of these timeline areas except for Ongoing Receivership Activity. There are different functions that occur during each of these time periods. This Chapter covers the functions that occur during the Closing time frame of the resolution of a financial institution.



The Closing Phase represents the period beginning with the revocation of the institution's operating charter though the Proforma Exit Meeting with the Assuming Institution. If the transaction is a Payout, Proforma is complete with the generation of the inception entries.

Closings normally begin on Friday evening with the Closing Teams working through the weekend to finalize and transfer records to the Assuming Institution so operations can resume on Monday. Typically FDIC schedules institution closings at the end of the failing institution's business day. If FDIC closes the institution earlier than the normal business day, business transactions are completed only through the time of closure.

The Proforma Team will NOT initiate any new transactions regardless of the time of closing. The Proforma Team will, however, record all transactions which have been completed and approved. For example, a wire transfer which has been requested by a customer and approved by Former Institution personnel, but which has not been physically wired prior to closing, will not be completed and sent by Proforma personnel

In order to provide DRR Claims with an updated and stable deposit base, Proforma personnel process any completed, but un-posted work prior to the closing to bring the books of the Former Institution current as of the closing. This includes the following:

- Outgoing cash letter;
- Loan payments;
- Collection items;
- Teller transactions received between normal cutoff time and time of closing;
- Unrecorded general ledger entries; and
- Unrecorded ATM transactions.

Automated transactions (i.e., sweeps, interest accruals, depreciation and amortization) that are scheduled in the normal nightly system processing are processed as scheduled.

The primary focus of Proforma during this stage is to produce a final Statement of Condition (Balance Sheet) that represents the substantiated balances of all assets and liabilities of the Former Institution, as of the closing date. The Statement of Condition and other components of the Proforma Financial Statements serve as a basis for the opening entries of both the Assuming Institution (if applicable) and the FDIC as Receiver of the Former Institution.

This Chapter provides an overview of the tasks performed by Proforma personnel during the closing process, and illustrates the differences between a closing with an Assuming Institution and a closing that is a Payout. The Closing job duties are described in this Chapter by Proforma job role. See Appendix B - Proforma Guidelines for the preparation of specific Proforma Jackets to be completed during the closing process.

Financial Manager

The primary duties of the Financial Manager (FM) are to manage the financial operations of a resolution. The Financial Manager, with the assistance of the Proforma Team Leader (PFTL), will lead the Proforma Team. The FM will be the conduit for internal and external communications related to financial matters of the resolution.

The FM should advise the Branch Managers to make sure that the final day's work is processed through Proof and the final cash letter along with all other work in process is sent to the servicer for processing. The FM will direct a cash count (if needed). If the Assuming Institution requests a cash count, the official receipt of the cash should be completed on the closing night by the Branch Managers and sent to the Financial Manager. See Appendix C - Standard Proforma Worksheets for examples of a cash recap, cash count or an official receipt.

On the closing night, the FM should obtain a copy of the signed Purchase and Assumption Agreement (P&A) and other legal documents from SharePoint. The FM will review the P&A and communicate necessary information regarding the Agreement to other Proforma Team members.

Along with the PFTL, the FM will participate in the initial meeting(s) with the Former Institution's Accounting staff. The FM will explain what the Proforma Team does and what is expected and needed over the next few days. The FM will deliver a copy of the Proforma Informational Questionnaire to the lead accounting representative (usually the Chief Financial Officer or Controller) of the Former Institution. The FM should be available to help answer questions from the Former Institution's employees.

The Financial Manager will prepare a daily resolution status report as requested by the Receiver-in-Charge or Closing Manager. (See example located in Appendix H- Friday Night Activity Report.)

The morning after the closing, the FM should obtain the final system generated General Ledger through the closing date, review it at a high level with key Former Institution employees and determine the bank contact for each asset and liability account. The FM should obtain an understanding of how the accounts work.

The FM will work in association with the PFTL in obtaining cutoff statements from the Correspondent Banks using the information gathered during the accounting meeting with the Former Institution employees. The Correspondent Bank contact information is sometimes saved on SharePoint before the closing. The FM will provide the Federal Reserve Bank (Federal Reserve Banks Contacts) and Federal Home Loan Bank (FHLB Contacts) (if applicable) and provide the appropriate closing legal documents including at least:

- Appointment of Receivership;
- Acceptance of Appointment of Receivership; and
- Purchase and Assumption Agreement

The Financial Manager will oversee the mapping of the Former Institution's General Ledger to the FDIC Proforma Account Numbers using the appropriate product codes in the Proforma for Windows Program (Proforma Program). The FM will work with the PFTL in recording the following information in the Proforma Program:

- Former Institution information;
- Former Institution staff contact information;
- Proforma Team information;
- Assuming Institution information;
- Jacket assignments; and
- Fund/FIN number

The Financial Manager will calculate the initial payment (Proforma Initial Payment Worksheet) using the Balance Sheet as of the closing date and the Purchase and Assumption Agreement. Normally the only adjustment to this calculation should be a single adjustment for rebooking the Charged Off Loans between the Information Package (IP) Date and the Closing Date. The FM will prepare the Payment Voucher (Proforma Initial Payment Worksheet) if any amounts are due to the Assuming Institution. The FM will obtain the Receiver-in-Charge's or Closing Manager's signature on the Initial Closing Wire Request form.

The FM and the PFTL will coordinate with each other and jointly work on the following during the closing phase:

- Assigning Jackets to the Proforma Team;
- Understanding all proposed Proforma adjusting entries;
- Reviewing, approving and signing all Jackets;

- Verifying the split of assets and liabilities are made per the Purchase and Assumption Agreement;
- Periodically performing a backup of the Proforma shared directory and Proforma Program;
- Recording adjusting entries in the Proforma Program to take the Receiver retained balances from an accrual basis to a modified cash basis; and
- Confirming that the final balances accurately represent the assets and liabilities retained by the Receiver.

The coordination among all DRR departments taking part in the resolution of a Former Institution is very important in order to ensure a smooth closing. The Financial Manager and/or PFTL attend all Functional Manager meetings to enable effective communication between the Proforma Team and other DRR departments.

The Proforma Exit Meeting between the Assuming Institution and key FDIC employees takes place once Proforma is complete. The Financial Manager is responsible for conducting this meeting. The PFTL participates in the meeting and assists with the following tasks:

- Printing and reviewing the Proforma Financial Statements and worksheets for accuracy;
- Verifying the Proforma Financial Statements to P&A, premium amount, splits and payment amounts; and
- Coordinating the scanning of the Jackets.

The Financial Manager and Proforma Team Leader will coordinate between each other to complete the following tasks:

- Loading the Proforma information (Scanned Jackets, Financial Statements, Payment Information) to the SharePoint site;
- Ordering shipping labels from the FDIC facilities contact; and
- Sending completed Proforma Jackets to Field Operations Branch in Dallas.

The Financial Manager prepares the Proforma Exit Memorandum to document activity and actions at the resolution event. This Memorandum will also note any extraordinary events and/or outstanding issues.

The Financial Manager may delegate certain responsibilities, tasks or duties to the Proforma Team Leader or other Proforma Team members, if necessary.
Remember: the Financial Manager is responsible for and has the final decision on all Proforma aspects at a resolution.

The Financial Manager is tasked with the duties of overseeing Proforma Team contractor performance and reporting on the performance of the Team as a unit. The reporting is on the Receivership Assistance Contractor (RAC) Team as a whole unit, even though observations are typically made on an individual basis. The Financial Manager is solely in an oversight role and should not do anything that could be considered as direct supervision of the contractor employees. However, the FM can provide guidance to the RAC manager.

The major duties related to contractor oversight include the following:

- Review all Jackets and work product submitted by contractor personnel for completeness, accuracy and conformity with FDIC procedures.
- In an effort to ensure continued improvement of contractor personnel, the Financial Manager should make every effort to return all work product to the contractor PFTL rather than directly to the contractor who completed the Jacket. It is not the role of FDIC to supervise the contractor personnel, and the contractor PFTL needs to be aware of all items being returned or questions in order to effectively evaluate their personnel.
- It is not FDIC's role to manage the contractor personnel. Therefore, if issues or concerns regarding a contractor's behavior arise (concerns of safety, treatment of Former Institution staff, security, etc.), Proforma Team Leaders should immediately bring them to the attention of the contractor PFTL and/or the contractor Project Manager, if needed. However, Proforma Team Leaders can deal with a contractor directly if the situation causes immediate concerns for the safety of others or the behavior is egregious.
- Communicate with the contractor PFTL regarding hours worked. If possible, obtain copies of timesheets, or contractors summary schedule of hours worked. Review for accuracy and communicate with contractor PFTL if there are any concerns, if time allows.
- Compile all Proforma Jacket Inspection Forms and scan. Send copies to all required parties including contractor Oversight Manager, Financial Manager and BOS Resolutions Contractor Liaison.

Proforma Team Leader

The primary duties of the Proforma Team Leader (PFTL) are to manage the Proforma Team, confirm the asset and liability balances and assist the Financial Manager.

On the closing night (if not already obtained from the Financial Manager), the PFTL should obtain a copy of the signed Purchase and Assumption Agreement (P&A) and other legal documents on SharePoint. The PFTL will review the P&A and communicate necessary information regarding the P&A to other Proforma Team members. The PFTL should ensure that the final day's work is processed through Proof and the final cash letter is sent for processing. If needed, the PFTL will also assist with the cash count.

Along with the Financial Manager, the PFTL will participate in the initial meeting(s) with the Former Institution accounting staff. The PFTL will assist in explaining what the Proforma Team does and what is expected and needed over the next few days. The PFTL should also be available to help answer questions from the Former Institution's employees.

The morning after the closing (if not already obtained from the Financial Manager), the PFTL should obtain the final system generated General Ledger through the closing date. The PFTL should review it at a high level with key Former Institution employees and determine the bank contact for each asset and liability account. Also, the Proforma Team Leader should obtain an understanding of how the accounts work.

The PFTL will coordinate with the Financial Manager on obtaining the cutoff statements with the corresponding banks using the information gathered during the accounting meeting with the Former Institution's employees. This information is sometimes saved on SharePoint before the closing.

One of the key responsibilities of the PFTL during the day after closing is correctly mapping the Former Institution's General Ledger to the FDIC Proforma Account numbers and using the appropriate product codes in the Proforma Program. The PFTL will record the following information in Proforma Program:

- Former Institution information;
- Former Institution staff contact information;
- Proforma Team information;
- Assuming Institution information;
- Jacket assignments; and
- Fund/FIN number

Note: The terminology "FIN number" is still used in the Proforma Program. FIN number will be eliminated once the Proforma Program is upgraded.

The following are additional activities that the PFTL handles with the Financial Manager over the next few days:

- Assigning Jackets to the Proforma Team;
- Assisting the Financial Manager with the initial payment calculation and the Payment Voucher;
- Understanding all proposed Proforma adjusting entries;
- Reviewing, approving and signing all Jackets;
- Verifying the split of assets and liabilities are made per the P&A;
- Ensuring the work of the Proforma Team is periodically saved to the established shared drive;

- Recording adjusting entries in the Proforma Program to take the Receiver retained balances from an accrual basis to a modified cash basis; and
- Confirming that the final balances accurately represent the assets and liabilities retained by the Receiver.

The coordination among all departments taking part in the resolution of a Former Institution is very important in order to ensure a smooth closing. The FM and/or PFTL will attend all Functional Manager meetings to enable effective communication between the Proforma Team and other DRR departments.

The Proforma Exit Meeting between the Assuming Institution and key FDIC employees takes place once Proforma is complete. The FM is responsible for conducting this meeting and the PFTL helps with the following tasks:

- Printing and reviewing the Proforma Financial Statements and worksheets for accuracy;
- Verifying the Proforma Financial Statements to P&A, premium amount, splits and payment amounts; and
- Coordinating the scanning of the Jackets.

The following are the final steps taken by PFTL, if directed by the FM:

- Assist with the Closing Memo;
- Load the Proforma information (Scanned Jackets, Financial Statements, Payment Information) to the SharePoint site;
- Order shipping labels from the FDIC facilities contact; and
- Send completed Proforma Jackets to the Field Operations Branch in Dallas.

The Proforma Team Leader may delegate certain responsibilities, tasks or duties to other Proforma Team members, if necessary.

Remember: the Financial Manager is responsible for and has the final decision on all Proforma aspects at a resolution.

Subsidiary Proforma Team Leader

Subsidiary Corporations are separate legally chartered entities (Corporations, Partnerships, or Joint Ventures) wholly owned or in part by the Former Institution. Financial institutions create subsidiary corporations for specific business lines or to manage and dispose of owned real estate. Business line subsidiaries include Mortgage or Insurance Companies, golf courses, hotels etc. Most business line subsidiaries are going concerns and are on the accrual basis of accounting. ORE based subsidiaries may be on the cash basis or accrual basis of accounting.

It is important to remember the financial institution has failed, not the subsidiary. DRR's responsibilities for the subsidiary legal entities are limited to those which the Former Institution had an ownership interest in. Unlike the Former Institution, no Receivership is established for the subsidiary entity which means for the Purchase and Assumption Agreement and every other type of resolution transaction involving an Assuming Institution, the closing agreement can (1) sell the entire subsidiary to the Assuming Institution or (2) the Receivership retains the subsidiary and assets of the subsidiary are sold to the Assuming Institution. The Proforma procedures for a subsidiary entity of a Former Institution are the same regardless of the type of resolution transaction.

The Subsidiary Accounting Unit (SAU) assigns a Subsidiary Proforma Team Leader (SPFTL) to a resolution based on the size, complexity, purpose of the subsidiary, and/or activity level of an individual subsidiary, or the number of subsidiaries of the Former Institution. The SPFTL will work closely with the Financial Manager and Proforma Team Leader to coordinate closing activities and deliverables for completing the subsidiary-related Jackets on the parent's books, as well as for completion of any Proforma for the subsidiaries.

It is important to remember the primary purpose of Proforma is to produce a Statement of Condition (Balance Sheet) that reflects a reasonably accurate financial statement of the Former Institution through the date of closing. The Former Institution's General Ledger will contain the Investment in Subsidiary Account and a Receivable or Loan Account from the Subsidiary. The completion of the Subsidiary Proforma should not impede the completion of the Former Institution's Proforma. If the information is not available to confirm all balances of the subsidiary, complete the Subsidiary Proforma with the information that is available. The balances can be adjusted once the information is obtained.

The primary duties of the SPFTL during the closing phase typically include the following:

- Determining the extent of the Proforma Process by evaluating the operating status of any subsidiaries of the Former Institution.
- Obtaining Fund numbers for each subsidiary if the subsidiary is being retained by the Receivership. There is no need to obtain a fund number if the subsidiary is sold to the Assuming Institution. (See Appendix H - Establish New Subsidiary Fund for requesting establishment of subsidiary fund numbers).
- Mapping the Subsidiary's General Ledger to the FDIC Proforma Account Numbers.
- Recording the following information in the Proforma Program:
    - Former Institution information;
    - Institution staff contact information;

  - Proforma Team information;
  - Assuming Institution information (if any);
  - Contractor team information (if any); and
  - Fund/FIN number.

- Assigning appropriate product codes for the subsidiary's General Ledger in the Proforma Program.
- Uploading or manually entering financial data into the Proforma Program. (See Appendix A - Proforma for Windows User Guide).
- Printing Proforma Jacket labels from the Proforma Program.
- Setting up all Proforma Jackets for the Subsidiary Proforma.
- Maintaining and backing up the Proforma database at least twice a day.
- Obtaining reconciliations of the subsidiary's ledger accounts to confirm the balances as of the parent institution's resolution date for the purpose of producing accurate Statement(s) of Condition for each subsidiary.
- Determining whether each individual subsidiary will be retained by the FDIC as Receiver or passed to the Assuming Institution (if any) per the Purchase and Assumption Agreement specific to the resolution.
- Reviewing, approving and signing all subsidiary Jackets.
- Assessing any post-closing requirements for the subsidiaries which need to be communicated to the SAU or other impacted FDIC unit.
- Preparing Financial Statements for each subsidiary and providing the Statements to the Financial Manager for distribution at the Proforma Exit Meeting.
- Completing any required 4C templates for the subsidiaries.
- Scanning all Subsidiary Proforma Jackets.
- Ordering boxes and labels from Facilities to send the Proforma Jackets and other supplies back to the FDIC office.
- Packing and shipping crash bag and Subsidiary Proforma Jackets to Dallas SAU office.
- Completing all subsidiary-related Jackets on the parent institution Proforma.

As stated above, the SPFTL is responsible for reviewing and approving the subsidiary-level jackets if a mini-Proforma is performed. Once the Subsidiary Proforma Financial Statements are produced, the SPFTL prepares, reconciles, and submits for review the Former Institution's investment-in-subsidiary and other subsidiary related jackets. For each subsidiary jacket, the Financial Manager and/or Proforma Team Leader will verify and confirm the inter-related accounts of the Subsidiary to Former Institution's Proforma Financial Statements before the jacket is approved in the Proforma Program.

Loan Specialist

The main function of the Loan Specialist is to identify and confirm the balance of the loans owned by the Former Institution. The Loan Specialist is responsible for the completion of all loan related Jackets. The following are some of the primary tasks the Loan Specialist performs during the Proforma Close:

- Establishing and reviewing mapping for loan Jackets. Participation loans, credit cards and LSBO (loans serviced by others) will require separate Jackets.
- Coordinating with Proforma Team Leader or Financial Manager regarding Jacket and account grouping.
- Validating BIS window period charge-offs with financial institution detail (if available). Identifying the LSBO (Loans Serviced by Others) and LSFO (Loans Serviced for Others) assets and obtaining a list of servicers with address, phone numbers, contact person and copies of the pooling and/or servicing Agreements.
- Reconciling institution asset systems of record to institution's General Ledger. Identifying asset types (loans, participations, ORE, securities, servicing rights, credit card receivables, etc.). Determining which loans have requirements for making scheduled remittances to investors. Document which loans have Agreements that create cross-collateralization, cross default, co-obligors, or co-guarantors.
- Preparing Loan Recap Worksheet and requesting servicer numbers (See Appendix H - Loan Specialist - BIS Loans Balancing - Sample).
- Completing 4C Templates (Appendix H- Loan Specialist - Close Proforma in 4C Guideline) with input from the Functional Managers.

The Loan Specialist should obtain and review some of the following external servicing agreements:

- Participation / Servicing Agreements;
- Custodial Agreements; and
- Securitization Trust Agreements

During the Closing Phase, the Loan Specialist should also interview personnel from the Former Institution who performed loan servicing functions - loan operations, accounting, and systems reporting - including:

- Number and complexity of loans, including any system constraints concerning the loans.
- Standard reports available, including those necessary for balancing.
- Work flow of servicing functions throughout Former Institution operations.
- Confirming and validating segregation of loan portfolio (FDIC vs. Assuming Institution).

- System ability to report by FDIC product code (asset type).
- System ability to process and report (cash / non-cash) transactions (i.e. write-offs), compromises, etc.).
- Identifying and determining ongoing servicing requirements of loans and any special handling requirements. Refer to the IS - Interim Loan Servicing Manual for additional information.
- Communicating with the Former Institution's key personnel that they should continue processing and balancing functions as necessary for financial institution operations.
- Gathering information on all systems used to service assets. Obtain manuals, software agreements, samples of standard reports, file layouts and list of any fields available to assist in coding.

Deposit Specialist

The Deposit Specialist is responsible for confirming the principal and interest balances for all depository accounts held at the Former Institution at the resolution date. Also, the Deposit Specialist is responsible for the completion of all deposit related Jackets. Additionally, the Deposit Specialist coordinates and reviews the reconciliation of the official checks prepared by the DRR Claims Unit at the resolution.

The duties of the Deposit Specialist during the closing phase typically include the following:

- Contacting the BIS Deposit Support Team or individual that the Proforma Deposit Specialist will be working with on the closing and discuss the timeline of the BIS deliverables.
- Requesting and obtaining information for the interest accrual test (i.e., Thursday's deposit trial balances).
- Obtaining and reviewing the BIS demand deposit Sub-Ledger trial and the Former Institution's final General Ledger as of the closing date. (See Appendix H – Deposit Specialist - DEP TRIALS - Sample and Deposit Specialist - DEPBAL - Sample for a sample of the BIS demand deposit file).
- Reviewing the BIS Deposit Balancing Spreadsheet along with DDA, Savings, CD and IRA General Ledger accounts to determine the FDIC Jacket grouping and mapping of accounts for Proforma purposes.
- Using the Deposit Recap Worksheet Template, prepare the preliminary Deposit Recap Worksheet.
- Reviewing and obtaining the necessary Deposit information required for calculation of the Initial Payment.
    - Determining the Deposits and related Accrued Interest that will be retained by FDIC. These are typically CEDE & Co. Brokered Deposits in Whole Bank transactions; and

  - Determining the Market Place and other non-core deposits that will be transferred to the Assuming Institution but excluded from the calculation of a Deposit Premium.
- Determining the required accrued interest adjustment IF the core data processor processed interest through Sunday of closing weekend. Often interest will process on the closing ledger through the weekend and may require an adjustment to reverse the impact of the interest back to the closing date.
- Locating the Claims Unit staff assigned to the failed financial institution closing. Communicate with BIS and Claims staff to resolve any differences, if any, in the deposit download file and the trial balances and determine if any adjustments are required to Claims Accounting System (CAS).
  - Inquiring of Former Institution's staff whether post-dated CD interest checks have been issued. If there are post-dated CD interest checks issued, determine the status of the transaction in the General Ledger (i.e. balances remaining in accrued interest or as official checks). Then confirm with DRR Liability Accounting Reconciliation Unit staff as to treatment of the balance through Proforma, either as a difference to the CAS upload or as a Proforma adjustment to CD principal balances.
  - Verifying treatment of any post-dated CD interest checks issued for the CEDE & Co brokered deposits with the DRR Liability Accounting Reconciliation Unit staff.
- Determining which employees of the Former Institution are responsible for Deposit Operations:
  - Interviewing key Former Institution staff responsible for the deposit related operations and obtain the core data processor deposit application system balancing report, if available, and/or the Former Institution's reconciliation and outstanding check listings for the deposit related accounts.
  - Determining the amount of CEDE & Co brokered deposits and related accrued interest retained by the FDIC, if any.
  - Verifying treatment of any post-dated CD interest checks issued for the CEDE & Co brokered deposits.
  - Reviewing any un-posted or rejected bank transactions and interviewing the Former Institution Deposit Operations staff to determine the reason why the transaction rejected and ascertain the timing of when the rejected items will be cleared;
  - Verifying that the un-posted items have been processed and cleared the next business day.
  - Interviewing key Deposit Operations staff at the Former Institution to prepare and document a listing of all bank owned internal DDA accounts as well as a completed BACU checklist for reporting to BACU (Bank Account Control Unit). Email the completed forms

(b)(5) [redacted]
to [redacted] See Appendix H BACU Checklist for a sample BACU Checklist file.

- Coordinating with BIS and Claims staff to obtain the CAS upload and confirming that it reconciles to the Sub-Ledger balances and General Ledger. The Deposit Specialist must ensure that the CAS downloads, Sub-Ledgers and General Ledger with adjustments are all in balance.
- Preparing the reconciliation for all deposits on the BIS deposit download and Proforma Product Code 903 using the ddarecap.xls form. Include the final balancing deposit recap in the master deposit Jacket. See Appendix C for a sample of the Deposit Recap file.

Tax Specialist

The Tax Specialist must identify the main tax contact(s) for the Former Institution. These will generally include:

- Chief Financial Office or Controller;
- Human Resources (for payroll tax information);
- Information Technology (for information reporting); and
- Outside CPA Firm

The Tax Specialist will then provide the tax contacts with an initial information request. The Tax Specialist and Former Institution contact will then review the list of requested items to ensure mutual understanding and to identify final contacts for each item.

The gathering of this information will allow the Tax Specialist to complete their primary duties at the resolution. The duties of the Tax Specialist can change depending upon the circumstances of the resolution, but they typically include:

- Gathering all tax documents available.
- Completing any Tax related Proforma Jackets assigned.
- Completing the reconciliation of Retained Earnings from Last Tax Return filed, through closing date.
- Completing reconciliation of Loan Loss Reserve from Last Tax Return filed through closing date.
- Completing the Tax Closing Checklist. See Appendix G - Tax Reference Materials for a sample file.
- Completing the Tax Receivership Input Form. See Appendix G - Tax Reference Materials for a sample file.
- Completing a Tax Refund Analysis. See Appendix G - Tax Reference Materials for a sample file.
- Boxing and preparing all tax documents for shipping to the Field Operations Branch in Dallas, including box inventory preparation.
- Sending any required notices as time allows.

- Completing the Tax Closing Memo to identify any open issues and document status of all tax issues of the Former Institution at time of closing. See Appendix G –Tax Closing Memo - SAMPLE for the closing file.

Securities Specialist

The primary duty of the Securities Specialist is to complete the assigned securities related Proforma Jackets. These Jackets should be an accurate representation of the security holdings of the Former Institution as of the closing date.

The Securities Specialist will confirm the preliminary Security Valuation List with the Former Institution contact, usually the Controller or Chief Financial Officer. If any differences are identified, the Securities Specialist will be:

- Adding new acquisitions;
- Removing any redemptions;
- Identifying where securities are held in safekeeping;
- Identifying where receipts for redemptions and monthly principal and interest payments are deposited by the custodial bank;
- Reviewing and evaluating any securities in transit and not settled; and
- Identifying payments due and delays on principal and interest payments due.

If any changes were made from the preliminary Security Valuation List, the Securities Specialist will then verify and confirm the updated Security Valuation List with the Former Institution contact. The Securities Specialist will then confirm the General Ledger balance with the Security Valuation List and understand variances between the GL and Security Valuation List as there are usually some timing differences. The Securities Specialist will then send the confirmed Security Valuation List to the Capital Markets Functional Manager (CMFM) and the Capital Markets Pricing Specialist in Washington for valuation with current pricing.

While waiting on the return of current valuation of the securities, the Securities Specialist should review the Purchase and Assumption (P&A) Agreement to identify any excluded securities in Section 3.5 (l). At this time, the Securities Specialist should also request a Cut-Off Statement and Pledging Report from the Safekeeping Agent(s) for assets on record through the closing date. Reconcile the confirmed Securities Valuation List and follow-up with the Former Institution contact and CMFM to resolve and discrepancies..

When the updated Securities Valuation List is received from Capital Markets, the Securities Specialist should complete the Proforma Jackets. This includes making any necessary adjustments to the Proforma Jackets and splitting the securities based upon the P&A. If any un-priced securities are returned from Capital Markets, they should be communicated to the Financial Manager and Proforma Team Leader.

Lastly, the Securities Specialist should research any Principal and Interest Payments that reduced the value of the securities, but were not yet received and recorded on the Former Institution's General Ledger. An adjustment will need to be made to account for these. (Typically, these are due to a timing delay from the date of payment until the receipt by the Former Institution).

Once the Securities Valuation List is reconciled and the Jackets are completed the confirmed prices are entered onto the 4C Securities, Asset Type 25, Template Schedule. The remainder of the Schedule is completed and sent to the Loan Specialist for verification. (See Appendix H for 4C Instructions for Securities). When the Loan Specialist verifies that the 4C Securities Template balances, he should e-mail a copy of the 4C Securities Template, the verified cut-off statement(s) and pledge report(s) from the Safekeeping Agent to Capital Markets. The Securities Specialist should also coordinate with the Financial Manager to ensure that ant physical certificates, together with all supporting documentation, are shipped to the Treasury Manager, DOF.

Proforma Support

The primary function of Proforma Support staff is to confirm and document balances of all Balance Sheet accounts. Proforma Support staff interact closely with the Former Institution staff to gather all necessary reports, documentation and reconciliations to support and confirm the balances.

The Proforma Support functions are typically staffed by multiple people, and are normally assigned by the Closing Workforce Scheduling System (CWSS). The Proforma Support positions may be staffed by Receivership Assistance Contract (RAC) contractors in many instances. The duties of the designated staff are assigned by the Proforma Team Leader. Proforma Support personnel may be assigned to one or more of these duties. Guidelines for the preparation of most of the Proforma Jackets are located in Appendix B - Proforma Guidelines. If the specific guideline is not found, the Proforma Support personnel should see the Proforma Team Leader or Financial Manager.

The following represents some, but not all, of the Jacket types the Proforma Support members are normally assigned during a closing and some of the typical duties assigned to the Proforma Support staff members.

Cash

Cash represents all Currency and Coin held at a Former Institution in the vault, teller drawers, ATM's and other locations. It includes foreign currency and cash in petty cash funds (1120 - Cash Items). Any foreign currency found will be converted to U.S. Dollar equivalents for Proforma.

Proforma confirms the cash as of the date (b)(5)

(b)(5)

Physical Cash Count

(b)(5)

Daily Balancing Confirmation

(b)(5)

In all cases, Proforma staff should inquire of Former Institution's personnel if there are any off- book funds not recorded on the books such as petty cash, vending machine, stamp funds, etc. Make an adjustment to record any discovered off-book cash.

Cash Items

Cash Items are any negotiable and non-negotiable instruments convertible to US currency that are in the process of collection by the depository bank from the financial institution that is drawn upon. Some examples are checks drawn on other banks, cash letters, debit card point of sale (POS) transactions, foreign checks in process of collection, savings bonds redeemed and bank drafts.

The Proforma Team should follow the guidelines in <u>Appendix B - Proforma Guidelines</u> in confirming cash items and to obtain support of the items (i.e. copies) that are in the process of clearing and review for reasonableness.

Correspondent Bank Accounts

Correspondent (Due From) Bank Accounts are bank accounts owned by the Former Institution at third party banks. These accounts are usually categorized as standard correspondent clearing accounts, specific purpose accounts (credit card clearing, collection of investment income on securities or fulfilling physical cash orders) or reserve requirements accounts (security deposits for credit cards issued, collection account for correspondent bank borrowings or legal reserve accounts as required for litigation).

The Proforma Team will follow the guidelines in Appendix B - Proforma Guidelines by confirming Correspondent Bank Accounts by requesting cutoff statements as of the date of closing and confirm the balance on the GL through a reconciliation prepared by Former Institution's personnel.

Time Deposits

Time Deposits are investments usually in the form of Certificate of Deposits owned by the Former Institution on deposit with a third party financial institution. These deposits are usually either short-term excess funds or restricted accounts securing performance

Proforma staff will follow the guidelines in Appendix B - Proforma Guidelines on confirming these balances and preparation of the Proforma Jackets.

Prepaid Expenses

Prepaid Expenses are assets on the books of the Former Institution for goods and services paid in advance and expensed over the life of the product.

Proforma will follow the guidelines in Appendix B - Proforma Guidelines when confirming Prepaid Expense balances on the books of the Former Institution. A Prepaid Expense (Prepaids) template is located in Appendix C to categorize and amortize the expenses through the date of close.

Proforma staff will gather supporting information by:

- Obtaining copies of invoices or checks indicating vendor, description date and term; and
- Inquiring about unrecorded prepaid expenses such as postage, office supplies, and bank premiums. Adjust as necessary.

Fixed Assets

Fixed Assets include land, buildings, bank vehicles, leasehold improvements, furniture and fixtures, data processing equipment and Fixed Assets-in-Process acquired by the Former Institution for the purposes of utilization in the normal course of business. These assets are depreciated over their estimated useful life.

The Proforma Support staff assigned to Fixed Assets will work closely with the Owned Real Estate (ORE) staff at the closing. The ORE staff is tasked with identification and reconciliation of all Fixed Assets at a resolution.

The Proforma approach to confirming fixed assets is to obtain the Fixed Asset Schedule (i.e. Sub-Ledger) from the Former Institution personnel and reconciling the category subtotals against the General Ledger for both asset and accumulated depreciation.

Other Real Estate Owned

Other Real Estate Owned (ORE) is real property acquired by the Former Institution through its lending activity. Lending activities include foreclosures, deed in lieu of foreclosure, and any other form of conveyance in satisfaction of a debt. ORE is normally recorded at the lower of cost or estimated recovery value.

As stated above, the Proforma Support staff assigned to Fixed Assets will work closely with the ORE staff at the closing. The ORE staff is tasked with identification and reconciliation of all Fixed Assets at a resolution. The Proforma approach of confirming ORE balances is to request an ORE Schedule from Former Institution personnel and trace the balance to the General Ledger. The ORE Schedule is also agreed to the 4C Template for Asset Type 35 (ORE Assets) prepared by the DRR ORE Team. Any differences are reconciled and adjustments (if necessary) are made to the Jacket.

Repossessed Assets

Repossessed Assets (Repos) are collateral for loans other than real estate repossessed by the Former Institution for loan default from borrowers. Repos are recorded at net realizable value depending on their nature. (Examples of repossessed assets are securities, vehicles, livestock, equipment and inventory.)

The Proforma approach to confirming Repossessed Assets is to obtain an inventory listing of repossessed assets from Former Institution personnel and verify the total to the General Ledger. The inventory list should describe the asset; include the name of the borrower, the date acquired, book value, loan number and notation of any pending sale.

Other Assets – Accounts Receivable

Accounts Receivable represents money due the Former Institution for miscellaneous transactions occurring outside of the customary lending cycle. Examples of these are receivables from employees, legal fees due from customers, court judgments and deficiencies from loan workouts and commissions on sale of life insurance to customers.

The Proforma approach to confirming Accounts Receivable is to obtain a schedule of receivables from Former Institution personnel and validate where possible against acknowledgement of debt by a third party. The schedule should include date acquired, nature of receivable, book value and who it is from.

Other Assets – Bank Owned Life Insurance

Bank Owned Life Insurance (BOLI) is purchased by the Former Institution to insure the lives of bank officers and highly compensated employees. These policies are typically used to fund the Former Institution's expected exposure for employee compensation and benefits, such as benefit obligations associated with any deferred compensation plans. Occasionally, the Former Institution is not the beneficiary of the insurance policy and therefore may not be entitled to the cash surrender of the policy.

Proforma's approach to confirming BOLI balances is to obtain the most recent valuation report from the third party insurance broker/underwriter and verify the cash value total for the policies to the GL.

Intangible Assets

An intangible asset is an asset of non-physical nature created or purchased by the Former Institution and believed to have an intrinsic value. Examples of intangible assets are goodwill, patents, copyrights, and trademarks.

Proforma's approach to confirming Intangible Assets is to obtain a schedule prepared by personnel from the Former Institution that identifies the nature of the intangible asset, the date created and the useful life for which it is being amortized. If available, document the basis of calculating the initial value of the intangible asset.

Mortgage Servicing Rights

Mortgage Servicing Rights (MSRs or Servicing Asset) are a contractual Agreement for the right to service mortgage loans retained or purchased by the Former Institution upon sale of the underlying loans to third party investors (i.e. Loans Serviced For Others). As servicer of mortgage loans, the Former Institution is required among many other functions to: collect mortgage payments, administer customer escrow accounts, prepare and mail mortgage statements, manage distressed loans and remit payments to investors. For these services, the servicer is paid a fee that is either net remitted from collections or settled on a periodic basis per the servicing Agreement.

MSRs are financial assets and subject to mark-to-market valuation. Depending on the volatility of the underlying loan portfolio (i.e. prime vs. sub-prime), MSRs may be valued with varied frequency using internal or external valuation models.

The Proforma approach to confirming Mortgage Servicing Rights is to obtain a schedule prepared by Former Institution personnel that lists the servicing rights and confirm the fair value against the most recent valuation model or amortization table.

Letters of Credit

Letters of Credit represent a conditional commitment to provide payment to the beneficiary upon request in accordance with the terms of the Agreement. Letters of Credit are generally accounted for by banks as memo accounts on the Balance Sheet with no (zero) book value. In some instances banks may track Letters of Credit Off-Balance Sheet.

The Proforma approach of confirming Letters of Credit as of the date of resolution is to obtain copies of Letters of Credit from the Contracts and Leases Team and reconcile the total to the General Ledger.

Repurchase Agreements

Repurchase Agreements are collateralized borrowings by the Former Institution. The Former Institution usually pledges securities or loans for cash consideration to be paid at a predetermined time in the future at an agreed upon interest rate. Generally the Federal Home Loan Banks (FHLB) and the Federal Reserve Banks (FRB) provide this type of financing for member banks in the form of advances. These advances are often used by the Former Institution as a revolving line of credit for liquidity purposes.

The Proforma approach to confirming Repurchase Agreements is to obtain a schedule of Repurchase Agreements from Former Institution personnel. The schedule should list the interest rate, amount, issue date, maturity date, lending institution and date of last interest. The schedule should reconcile to the GL and bank cutoff statement.

Subordinated Debt

Subordinated Debt is unsecured debt subordinate to other forms of debt in the event the failing financial institution goes into Receivership. It is generally provided by shareholders or venture capital firms and carries a higher interest rate to compensate for the added risk. The debt may be in the form of bonds that have a conversion feature into common or preferred stock at some time in the future.

The Proforma approach to confirming Subordinated Debt is to obtain copies of the promissory notes comprising the total amount of subordinate debt and reconciling the total to the General Ledger. The form and timing of proceeds from the note holders should be documented to determine if it was in cash or in kind.

Other Liabilities - Accounts Payable and Accruals

Accounts Payable are liabilities that have been incurred by the Former Institution that have not been paid. Examples of accounts payable are utilities, telephone service, lawn service and subscriptions to trade publications. Accruals are liabilities for expenses incurred or anticipated to be incurred in the future for which an invoice has not been presented by the vendor.

The Proforma approach to confirming Accounts Payable is to obtain a schedule from the Former Institution staff that includes the vendor name, amount due, nature of the liability and date incurred. This schedule is reconciled to the G/L as of the date of closing.

Deferred Credits

A Deferred Credit is money received in advance of being earned. Examples of Deferred Credits at a financial institution are deferred rent from tenants of ORE, gain on seller-finance of ORE, recapture of accrued interest on a trouble debt restructure and customer fees on loan commitments.

The Proforma approach to confirming Deferred Credits is to obtain a schedule from the Former Institution staff that includes the customer name, amount, nature of the payment and date received.

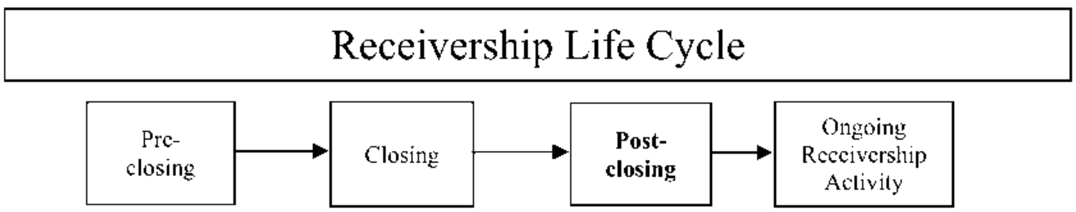
Chapter Four

Proforma Post-closing Duties

Table of Contents

Proforma Post-closing Introduction

As stated in previous chapters, there are four sections to the Receivership Life Cycle: Pre-closing, Closing, Post-closing and Ongoing Receivership Activity. The Proforma Process covers all of these timeline areas except for Ongoing Receivership Activity. There are different functions that occur during each of these time periods. This section covers the functions that typically occur during the post-closing time frame of the resolution for a failed financial institution.



Post-closing job functions begin with the generation of the opening entries. The opening entries generated from the Proforma for Windows Program become the inception (or beginning) entries for the receivership. Once the opening entries are recorded in NFE General Ledger (NFE GL), they are not changed. The Proforma Process is not an audit so if additional information is discovered by Claims or the Asset Team post-closing, the asset balances can be adjusted in NFE GL. However, the inception balances do not change. The Proforma Jackets document the inception assets and liabilities of the Former Institution through date of closing. Adjustments post-closing will require documentation for the transaction.

The post-closing job duties are described below by Proforma job position.

Financial Manager

During the Post-closing phase, the Financial Manager (FM) and Proforma Team Leader (PFTL) continue to work closely together to make sure all open items are resolved and to avoid duplicating efforts.

These duties include:

- Preparing Proforma Financial Statements in PDF format and uploading to SharePoint;
- Preparing Cash Basis Statements in PDF format and uploading to SharePoint;
- Preparing Opening Entries in PDF format and uploading to SharePoint;
- Uploading images of Proforma Jackets to SharePoint;
- Uploading images of the Initial Payment and Proforma Payment Recalculation to SharePoint;
- Preparing the Proforma Exit Memorandum with input from the Proforma Team Leader;

- Communicating to required parties that Financial Statements and Jackets have been uploaded to SharePoint;
- Ensuring delivery of Proforma Jackets from field site to Field Operations Branch in Dallas;
- Ensuring that Proforma Jackets are filed in the permanent records file room;
- Working with Liability Accounting to confirm opening entries were made and questions have been answered;
- Ensuring the completion of the Proforma Closing Checklist;
- Ensuring delivery of the BACU Checklist (Bank Account Control Unit) and any associated information; and
- Answering any post-closing questions for the Assuming Institution or Settlement Agent.

The post-closing responsibilities of the Financial Manager in relation to Contractor Oversight are usually limited. They typically only include approval of time billed by the contractor for reasonableness and accuracy, along with providing a performance evaluation of the contracting firm to the Oversight Manager, if requested.

Proforma Team Leader

As mentioned in the Financial Manager's (FM) post-closing responsibilities, the Proforma Team Leader (PFTL) and FM post-closing duties are very similar. Close communication between the PFTL and FM is essential to avoid duplicating efforts.

These duties include:

- Preparing Proforma Financial Statements in PDF format and uploading to SharePoint;
- Preparing Cash Basis Statements in PDF format and uploading to SharePoint;
- Preparing Opening Entries in PDF format and uploading to SharePoint;
- Uploading images of Proforma Jackets to SharePoint;
- Uploading images of the Initial Payment and Proforma Payment Recalculation to SharePoint;
- Communicating to required parties that Financial Statements and Jackets have been uploaded to SharePoint;
- Ensuring delivery of Proforma Jackets from field site to FDIC Office;
- Ensuring that Proforma Jackets are filed in the permanent records file room;
- Working with Liability Accounting to confirm opening entries were made and questions have been clarified;
- Assisting the Financial Manager with the completion of the Proforma Exit Memorandum;
- Ensuring the completion of the Proforma Closing Checklist; and
- Answering any post-closing questions for the Assuming Institution or Settlement Agent.

Subsidiary Proforma Team Leader

The Subsidiary Proforma Team Leader is responsible for preparing the Proforma Exit Memorandum for each subsidiary entity. The Team Leader will establish a tickler to ensure all open issues outlined in the Proforma Exit Memorandum are resolved once the Proforma Team leaves the Former Institution site. The Subsidiary Proforma Team Leader needs to ensure that all Subsidiary financial statements and imaged Proforma Jackets are uploaded to the SharePoint site during the Post-closing process.

Subsidiaries Retained by the Receivership

The Subsidiary Proforma Team Leader ensures that an accurate subsidiary General Ledger is established on the NFE GL. The existing Opening Entries from the Proforma for Windows Program cannot be directly used to prepare the initial balances for the subsidiary. This is because of the differences between receivership General Ledger account numbers and subsidiary General Ledger account numbers. The Subsidiary Proforma Team Leader utilizes the Proforma Worksheet and Proforma Statements to categorize the accounts to prepare the initial entries for the subsidiary General Ledger.

The Subsidiary Asset Manager and Subsidiary Attorney will ensure that new officers are appointed for any retained subsidiaries. The Subsidiary Proforma Team Leader will work with the Subsidiary Asset Manager and these appointed officers to ensure the closure of field bank accounts of non-operating subsidiaries and the transfer of balances to the National Subsidiary Account at the Federal Home Loan Bank of New York.

All accounting functions for the ongoing operations of a retained subsidiary are transferred to the Subsidiary Accounting Unit. Please see the Subsidiary Accounting Manual for additional information.

Subsidiaries Acquired by Assuming Institution

A General Ledger is not maintained on the NFE GL for a subsidiary that was acquired in whole by an Assuming Institution pursuant to a Purchase and Assumption Agreement. A tracking fund number was acquired during the Closing process. The Subsidiary Proforma Team Leader needs to be available to clarify any post-closing questions related to the confirmed balances of any transferred subsidiary.

Loan Specialist

The post-closing responsibilities of the Loan Specialist are numerous and include four primary work areas:

- Validating the 4C Uploads - the Loan Specialist is responsible for preparing the non loan templates. The Loan Specialist confirms all non loan and loan balances

uploaded into 4C match the final Proforma amounts by Product Code (Asset Type).
- Validating of Assets sold to the Assuming Institution - This involves confirming the entry for the sale of the Franchise assets, loss share covered assets, and that all remaining assets on 4C are assets retained by the Receivership.
- Closing the Proforma in 4C - Once all the assets are loaded into 4C, the 4C balances are confirmed to the Proforma Financial Statements, and all variances are researched and cleared.
- Preparing the Loan Specialist Closing Documentation - completion of the Loan Specialist documentation of the closing. A six-part file folder is a means of storing this documentation.

Guidelines for the steps in these functions are detailed in Appendix H - Proforma Financial Statements and Additional Documents.

Deposit Specialist

The Proforma responsibilities of the Deposit Specialist are completed in the field. Any further functions are encompassed in the duties of the Liability Accounting Reconciliation Unit which are in the Receivership Accounting Manual.

Tax Specialist

The Tax Specialist will forward all tax documents sent from the field site to the Dallas Field Operations Branch. Since tax documents traditionally contain personal identifiable (PII) and sensitive (SI) information, all tax documents are prepared for shipment in accordance with FDIC's Circular 1360.9, Protecting Sensitive Information. The post-closing responsibilities of the Tax Specialist are outlined in the Tax Manual. Each Receivership and subsidiary is a distinct legal entity and must comply with all federal and state tax law until the entity is terminated or dissolved.

Securities Specialist

The Proforma responsibilities of the Securities Specialist are completed in the field. The Securities Specialist will coordinate with the FDIC Capital Markets Team to ensure that they are able to identify all securities retained by FDIC and transfer those securities to FDIC's safekeeping account with the Federal Home Loan Bank of New York. The Securities Specialist will also provide support to the Capital Markets and Financial Processing staff with the identification of principal and interest payments due to the FDIC as Receiver.

Proforma Support

All job duties of the Proforma Support personnel are considered complete at the end of Proforma. Any additional follow-up or clarification will be performed by either the Financial Manager or Proforma Team Leader.

Proforma Manual Glossary

4C:	FDIC's comprehensive inventory System that houses all asset data for failed institutions beginning with Pre-close activities, through asset disposition or ongoing management.
ACH:	Automated Clearing House is an electronic network used for financial transactions in the United States. A primary use of the ACH network is the direct deposit of payroll and social security payments.
AI:	Assuming Institution, Acquiring Institution or Assuming Bank are terms used interchangeably to refer to the insured depository institution which purchased the Former Institution's assets and acquired the deposit franchise.
As of Date:	This is the effective date of the Resolution Process. All Pre-close institution data provided to prospective Assuming Institutions reflects processing through this date. This is also know as the Bid Valuation Date and formerly known as the IP Date.
Asset Valuation Review:	A review of the failing institution's assets to estimate the liquidation value of these assets. This valuation is used for the Least Cost Test as well as the Intrinsic Loss Estimate.
BACU:	Bank Account Control Unit (FDIC). This unit within DRR Business Operations Support tracks all bank accounts opened with an insured depository institution.
Bid Valuation Date:	It is the valuation date that Franchise Marketing uses to solicit or market the failing institution to the public.

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BIS: Business Information Systems. An FDIC department within DRR responsible for managing failed institution data and supporting the information technology infrastructure of failed institutions.

BOS: Business Operations Support. An FDIC department within DRR responsible for maintaining a full accounting for each failed institution and its subsidiaries.

BPO: Business Process Outsourcing. A contract with pre-qualified providers to support the failed institution's core banking application as well as a mechanism to support the interim loan servicing operations at the failed institution's site of operations.

Bridge Bank: Bridge Banks are newly chartered depository institutions and serve as interim banking entities prior to the ultimate resolution of failed institutions. In resolutions where FDIC lacks adequate advance notice of the closing to value the institution and market the assets and liabilities to potential acquirers, the establishment of a Bridge Bank gives FDIC time to perform these functions while preserving franchise value and reducing potential disruption to the surrounding community.

CAS Claims Administration System (CAS). CAS is a central repository of claims data which is used in performing pre-closing estimates of the uninsured depositors, financial institution closures, insurance determination, automated holds, and the subsequent claims processing and tracking. CAS is not an accounting system but is the FDIC's subsidiary system of record for insurance determinations and

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	approved claims which are accounts reconciled by DRR Accounting.
Charge-off	A book value amount that was expensed as a loss before receivership and that continues to be a legal obligation of the borrower to the institution.
CFO:	Chief Financial Officer. Normally the senior banking official over accounting operations at a failed institution.
CTM:	Control Totals Module. The CTM System is used for cashiering functions, primary financial accounting management and control Systems for Receiverships. With the exception of disbursement processing, all major Receivership accounting functions are performed by authorized users through CTM. The CTM System maintains two balances (servicer system of record and general ledger balance) controlled by two separate groups (BOS Interim Servicing Processing and BOS General Accounting).
DDA:	Demand Deposit Account is simply a bank account where customers store or deposit money. The funds can be acquired on demand by simply going to the bank and making a withdrawal. Other avenues for obtaining the depositors' funds include going to an ATM.
DRR:	Division of Resolutions and Receiverships. The Division within FDIC which ensures that the failed institution's customers have timely access to their insured deposits and other services after the institution fails. DRR is also responsible for efficiently recovering the maximum amount of value that is possible from the disposition of the Receivership's assets and the pursuit of the Receivership's claims. Funds collected from the sale of assets and the dispositions of valid claims

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	are distributed to the Receivership's creditors in accordance with the priorities as set by law.
DINB:	Deposit Insurance National Bank. The FDIC is authorized by federal statute to organize a new national bank or Federal savings association with limited life and powers to assume and payoff the insured deposits of failed insured depository institutions. Commonly known within the FDIC as "Deposit Insurance National Banks" (or "DINBs"), such newly chartered institutions provide an alternative to other resolution and deposit payout methods and allow the orderly liquidation of failed insured depository institutions with minimal disruption to their local communities and the financial markets.
FAMB:	Franchise & Asset Marketing Branch. FAMB is responsible for soliciting buyers of failed institutions or portions of failed institutions. Asset Marketing is responsible for the selling assets not sold by Franchise Marketing.
FACTS:	FDIC Automated Corporate Tracking System (FACTS). The FACTS System is an integrated, end-to-end web-based application that provides full functionality to support the case approval process. FACTS provides a consistent interface that is used across all DRR business lines.
FIN	The Financial Institution Number assigned by the FDIC when an institution is closed.
FHLB System:	Federal Home Loan Bank. A System of twelve regional banks created under the authority of the Federal Home Loan Bank Act of 1932 to provide a source of credit for member institutions.
GL:	General Ledger. The consolidated summary book of accounts for an entire institution or enterprise.

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All changes in an institution's financial position and all subsidiary ledgers, such as branch and department totals, are recorded in the general ledger.

Insured Deposit Transfer: Insured Deposit Transfer (IDT) is a type of resolution transaction whereby the FDIC pays a bank to serve as its "Agent" to assume only the insured deposits of the failed institution. The other claimants (including uninsured depositors) must seek satisfaction from the receivership of the failed institution. The acquirer may purchase some or all of the assets.

LCT: Least Cost Test. LCT is a statutorily required model used by FDIC to determine the least costly resolution of a failing institution. The LCT is used to analyze and compare bids submitted for failing institutions.

LIP: Loans in Process (also referred to as "Available Unfunded Commitment"). This is the available balance on a loan according to the judgment of the Asset Management team. LIP can be reduced by factors such as delinquent payment or failure of the borrower to comply with other loan covenants.

Loss Share: The FDIC may agree to a loss share contract where the FDIC absorbs a portion of the assuming bank's losses from the failed institution assets.

LSBOs: Loans Serviced by Others. Loans owned by FDIC as Receiver of the failed institution, but serviced by mortgage servicers, other financial institutions, or other agencies.

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LSFOs: Loans Serviced for Others. Loans serviced on the failed institution's Loan System that are not owed by the institution.

Market Place Deposits: "Market Place Deposits" is a description given to deposits that may have been solicited via a money desk, internet subscription services (for example, QwickRate), or similar programs.

Metavante: FDIC's detailed trial balance System for most non-loan assets.

MLSA: Master Loan and Security Agreement (MLSA) is a legal agreement between the FDIC in its corporate capacity to extend loans to the FDIC as receiver for a specific failed institution.

NFE: New Financial Environment. FDIC's General Ledger System.

Official Item: An official item is a check issued by the financial institution.

ORE (aka REO or OREO): Owned Real Estate. Real property owned by the failed institution as the result of foreclosure on a loan that was secured by the real property or taking a deed-in-lieu of foreclosure on a loan secured by real property.

Office of Thrift Supervision: OTS. The regulatory agency within the U. S. Treasury Department that has responsibility for the overall supervision, regulation, and examination of federally chartered thrift institutions.

Participations Sold: The financial institution where the loan was originated (lead bank) will sometimes sells a portion of the loan to an investor in order to share the risk associated with the loan. The amount of the participation sold should be shown as a credit

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	balance that offsets the gross principal balance (debit balance) of the loan.
Pass-Through Receivership:	A resolution term used when (in general) insured deposits, substantially all assets, and certain nondeposit liabilities of the Former Institution instantly "pass through the receiver" to a newly chartered federal mutual association, subsequently know as the "conservatorship".
Payout:	A Payout is a resolution transaction when no Assuming Institution (AI) can be found. The FDIC pays the depositors with insured deposits up to the insurance limit.
PCAM:	Post Closing Asset Manager. The PCAM is the FDIC management officer at the failed institution site responsible for managing the assets until the assets are sold or converted to an FDIC national servicer.
PII:	Personally Identifiable Information. The FDIC has established strict policies for the protection of sensitive information.
Proforma for Windows	A program tool that is used to import the general ledger from a failing financial institution, make any necessary adjustments, convert the information to a standardized accounting system and print reports and statements that are used to create the inception balance entries for the receivership and initial starting balances for the Assuming Institution(s).
Put-Back:	The resolution agreement with the Assuming Institution may allow the transfer or "put back" of certain assets to the FDIC during a designated period of time, subsequent to the date of failure.

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Qualified Financial Contract: QFC. Certain types of financial agreements including, but not limited to, securities contracts, commodity contracts, forward contracts, repurchase agreements, swap agreements, and/or any similar agreements.

Receiver: A person or entity, including a government agency, appointed to handle the assets and liabilities of a failed insured depository institution.

Restitution: The term "restitution" for the FDIC refers to criminal restitution debt where courts order repayment or restitution of debt by parties convicted of criminal acts related to the failure of an insured financial institution. The amount of the restitution is ordered to be paid to the FDIC as receiver or in its Corporate capacity.

Resolution: The disposition plan for a failed institution, designed to protect insured depositors and minimize the losses to the FDIC's Deposit Insurance Fund (DIF) which are expected from covering insured deposits and disposing of the institution's assets.

Resolution Type: Reflects the action taken by the FDIC to resolve the failed institution. The legal method in which the failed institution's assets are sold and deposit liabilities transferred or paid out.

SBA: Small Business Administration. An independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation.

SharePoint: A collaborative website used to share and post relevant information accessible by FDIC staff.

SME Subject Matter Expert. A designation of advance expertise in a particular subject or discipline.

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SNC: Shared National Credit. A loan and/or a formal loan commitment extended to a borrower by a federally supervised institution, its subsidiaries and affiliates that aggregates to $20 million or more and is shared by three or more unaffiliated supervised institutions under a formal lending agreement.

SSR: Subsidiary System of Record. The SSR records the control totals by asset type and servicing within the Control Totals Module System (CTM). One of the modules within CTM provides for the reconciliation between SSR Control totals and General Ledger Control totals.

Strategic Resolution Plan: The formal written plan developed by Strategic Operations from contributions of all functional areas identifying critical issues and strategies for the orderly conduct of the institution closing.

Virtual Data Room: The virtual data room is a secure website where the FDIC posts information on a failing institution for bidders, regulators and other FDIC stakeholders

Whole Bank Acquisition: Acquiring financial institution takes over or assumes substantially all assets and deposits of the failed financial institution.

Whole Loan: A loan originated by the financial institution that has no participations sold.

Window Period: The time period between the Bid Valuation Date and date of closing.

Appendix A – Proforma for Windows User Guide

Proforma for Windows User Guide

PROFORMA FOR WINDOWS

Overview

The Proforma for Windows (PFW) program is a tool that is used to import the general ledger from a failing financial institution, make any necessary adjustments, convert the information to a standardized accounting system and print reports & statements that are used to create the inception balance entries for the receivership and initial starting balances for the Assuming Institution(s).

This user manual will guide you through how to use the Proforma for Windows program. This manual will explain each function that is available within the PFW program.

Navigating in the Proforma program

The Proforma for Windows program allows for multiple Windows to be open and the user can go back and forth between all open windows.

The screens within the Proforma for Windows program have a group of Command Buttons similar to the illustration below.

Some of the items may be grayed-out indicating that they are not functional at that time in the program, or on that particular page.

To exit a screen without the toolbar, and return to the main menu, click on the ⊠ in the upper right corner of the screen.

Add	Edit	Delete	Save	Cancel	Exit

Next	Previous

The functionality of each button is described below:

Button Name	Functionality
Add	Add information by entering on screen
Edit	Enables editing of the existing information shown on screen
Delete	Deletes the information shown on screen
Save	Saves the edited or the new information entered
Cancel	Cancels preliminary changes made on screen
Exit	Returns to the Proforma Main Menu
Next	Advances to the next record
Previous	Returns to the previous record

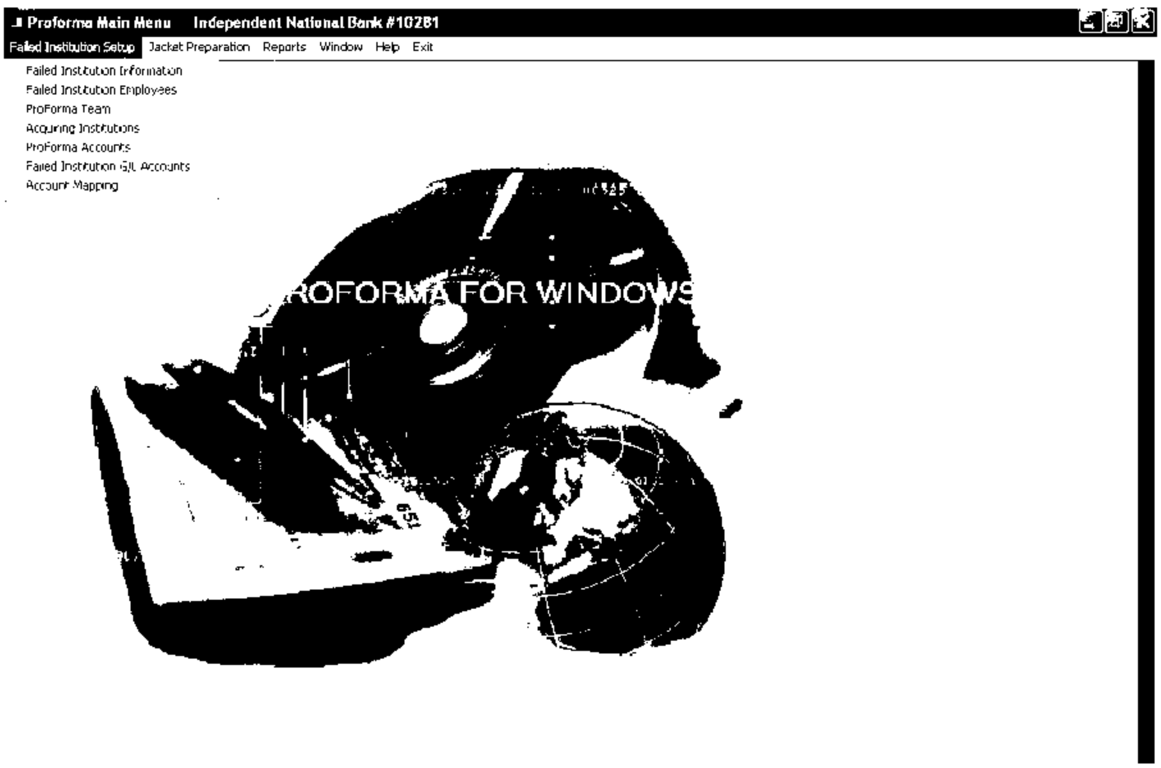
Key to symbols

Symbol	Functionality
⊠	**Exit** this page and return to the main Proforma menu (click on the Xbox in the upper right corner)
⇦	**Previous** Record
⇨	**Next** Record
⇧	**Top** of File
⇩	**Bottom** of file

Failed Institution Setup

The choices in the Failed Institution Setup dropdown menu are:

- Failed Institution Information
- Failed Institution Employees
- Proforma Team
- Acquiring Institutions
- Proforma Accounts
- Failed Institution G/L Accounts
- Account Mapping



Failed Institution Information

The information entered on this screen includes:

Bank Name – The official name of the failing financial institution
Bank Number – The Fund Number assigned by FDIC
TIN – The Federal Employer Identification Number for the failing financial institution
Certificate Number – The FDIC Insurance Certificate Number
Date Closed – The date of the revocation of the charter of the financial institution
Contact – The primary contact for the accounting records of the former financial institution
Address 1 – The physical address of the headquarters of the failing financial institution
Address 2 – Second line address (if needed)
City, St – City and State of the failing financial institution
Phone Number – Telephone number for the failing financial institution or the primary contact
ABA # - The FedWire routing number for the failing financial institution

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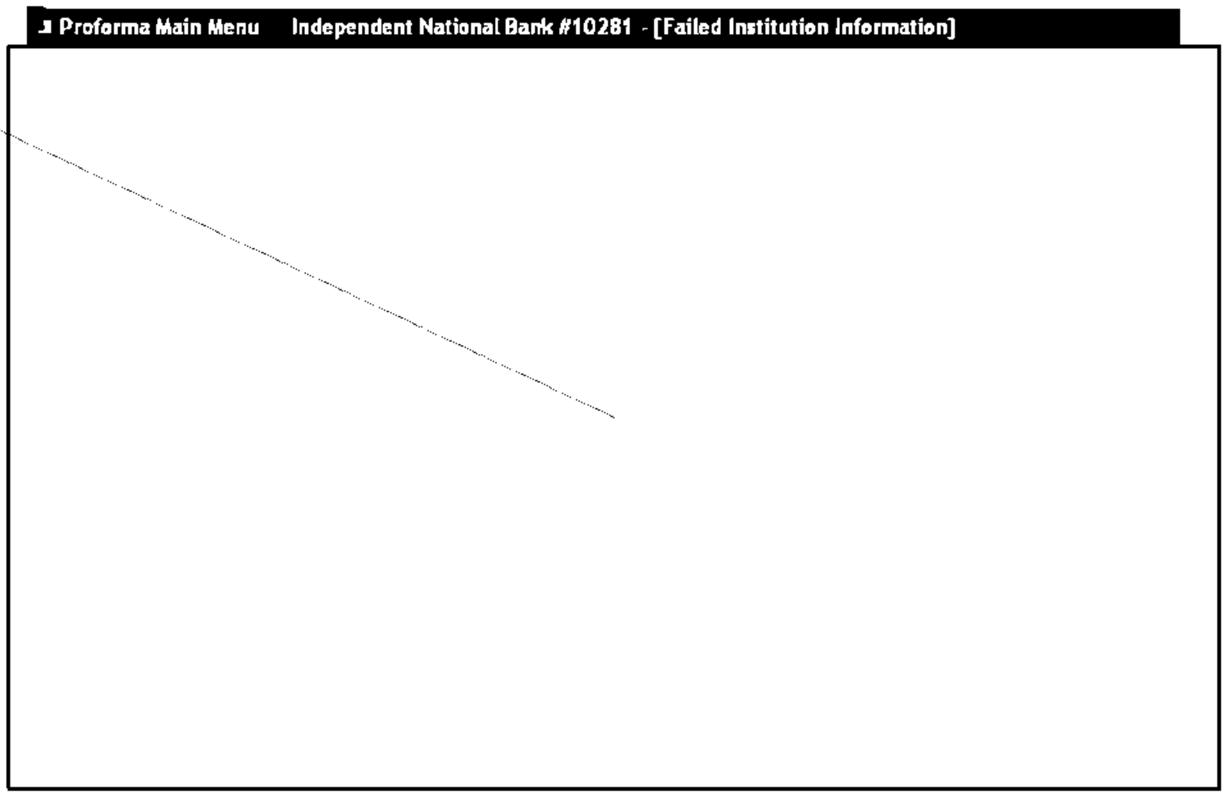
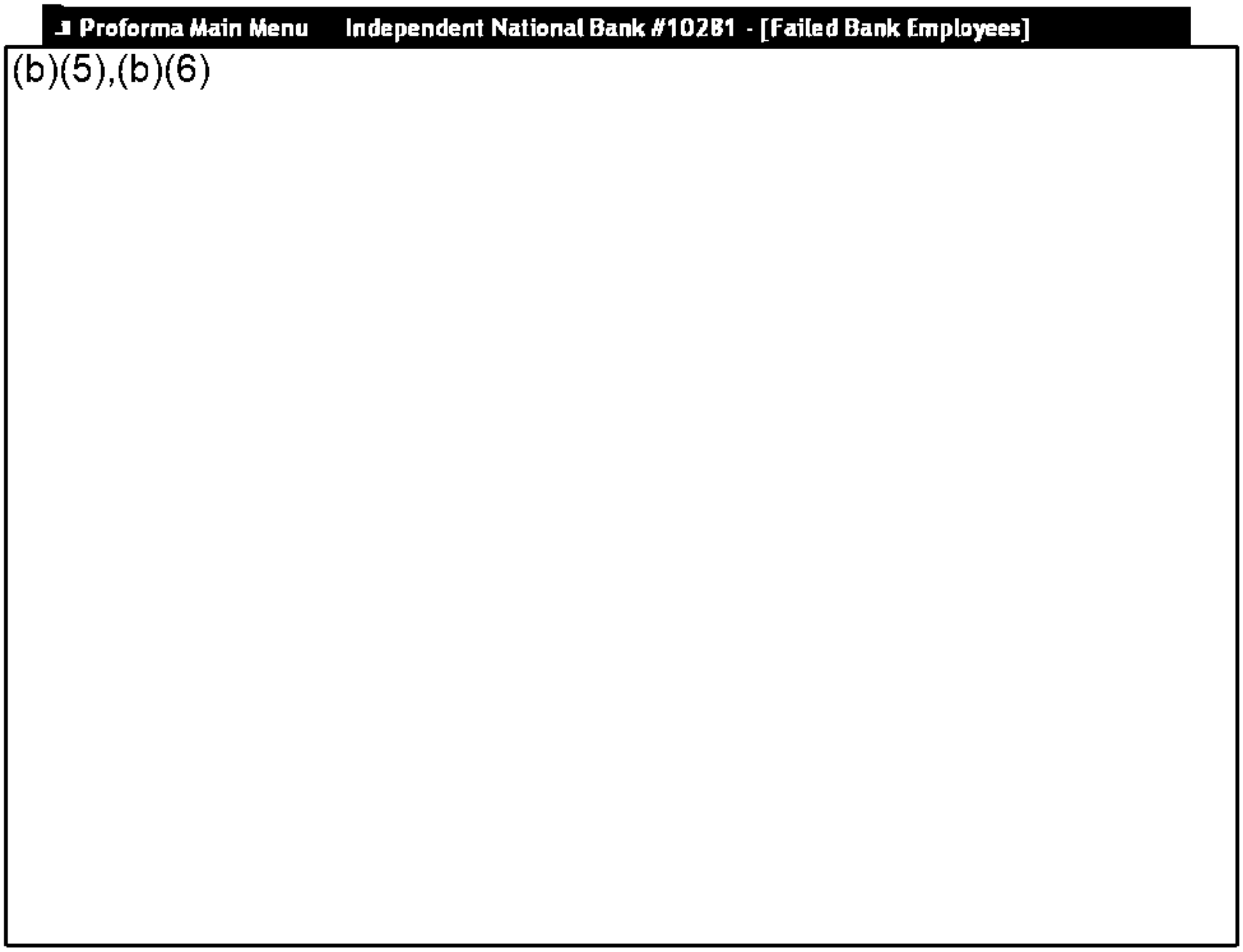


Failed Institution Employees Information

The information included on this screen is for failed bank employees who will be contacts or primary resources for any accounts that will be included in the Proforma process. This typically includes the Chief Financial Officer (CFO), Controller and any accountant who reconciles the general ledger accounts.

This table includes the Employees Name and their Responsible Area.

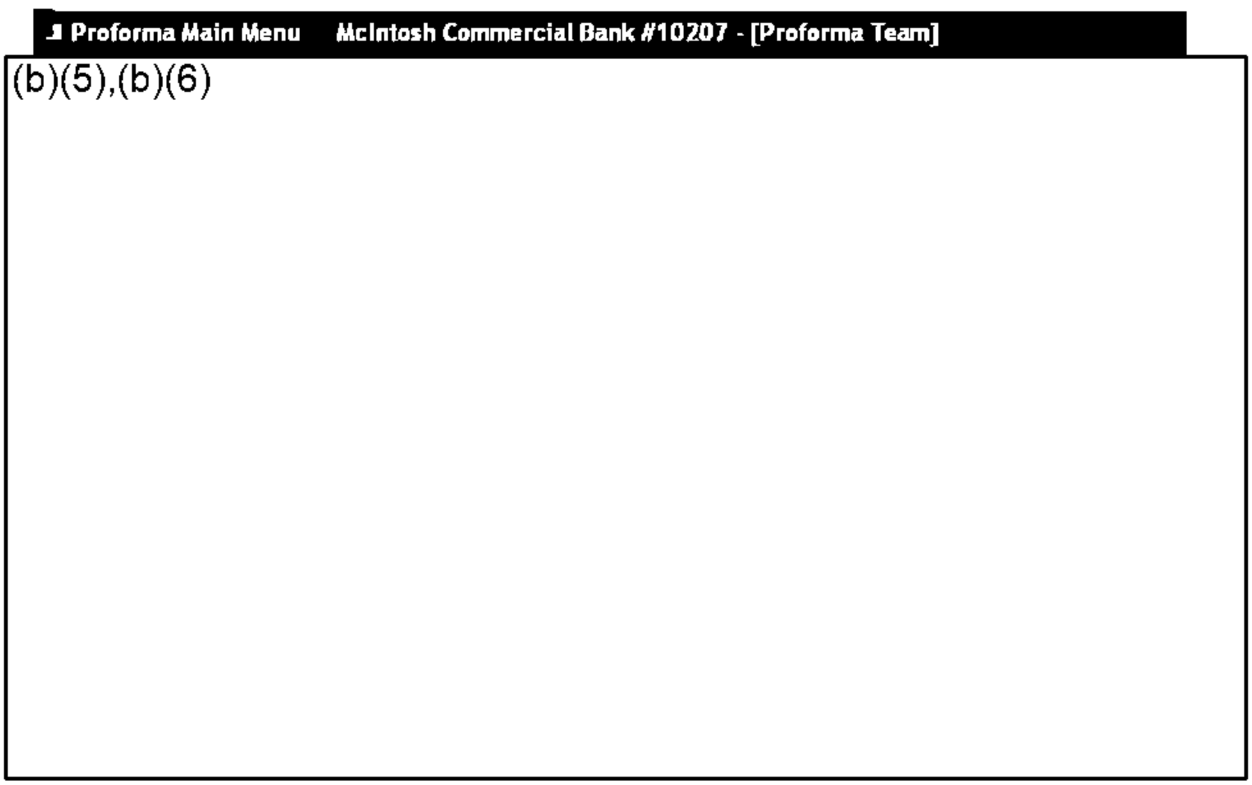


Proforma Team Name, Function and NT Name

The Proforma for Windows Program will recognize each Proforma team member's functionality when they log into the network, as long as they log in with their specific NT name. If contractors are assigned to the Proforma team, their NT Name will be provided by the BIS support team at the close.

Currently there are three levels of functionality within the Proforma for Windows program. These levels of functionality act as controls and allow team members to perform different functions in the Proforma process. The functional levels currently are:

- Proforma Manager
- Team Leader
- Team Member



Acquiring Institution Information

There is typically one Assuming Institution for failed financial institution. In certain circumstances, there may be multiple acquirers. The information to be input for each assuming instituiton includes:

- Bank Name – The official name of the Assuming Institution
- ABA # - The FedWire routing number for the Assuming Institution
- Certificate Number – The FDIC insurance certificate number for the Assuming Institution
- TIN# - The Federal Employer Identification Number of the Assuming Institution
- Address 1 – The physical address of the headquarters of the Assuming Institution
- Address 2 – Line 2 Address field if needed
- City, State, Zip – The City, State & Zip Code of the headquarters of the Assuming Institution
- Phone Number – The telephone number of the Assuming Institution
- Contact – Primary contact for the Assuming Institution
- Premium Amount or Negative Bid – The net of any Asset Premium or Discount bid and any Deposit Premium or Discount
- Memo – Any additional information deemed necessary or useful to the Financial Manager or Proforma Team Leader

Proforma Main Menu   Independent National Bank #10281 - [Acquiring Institutions]

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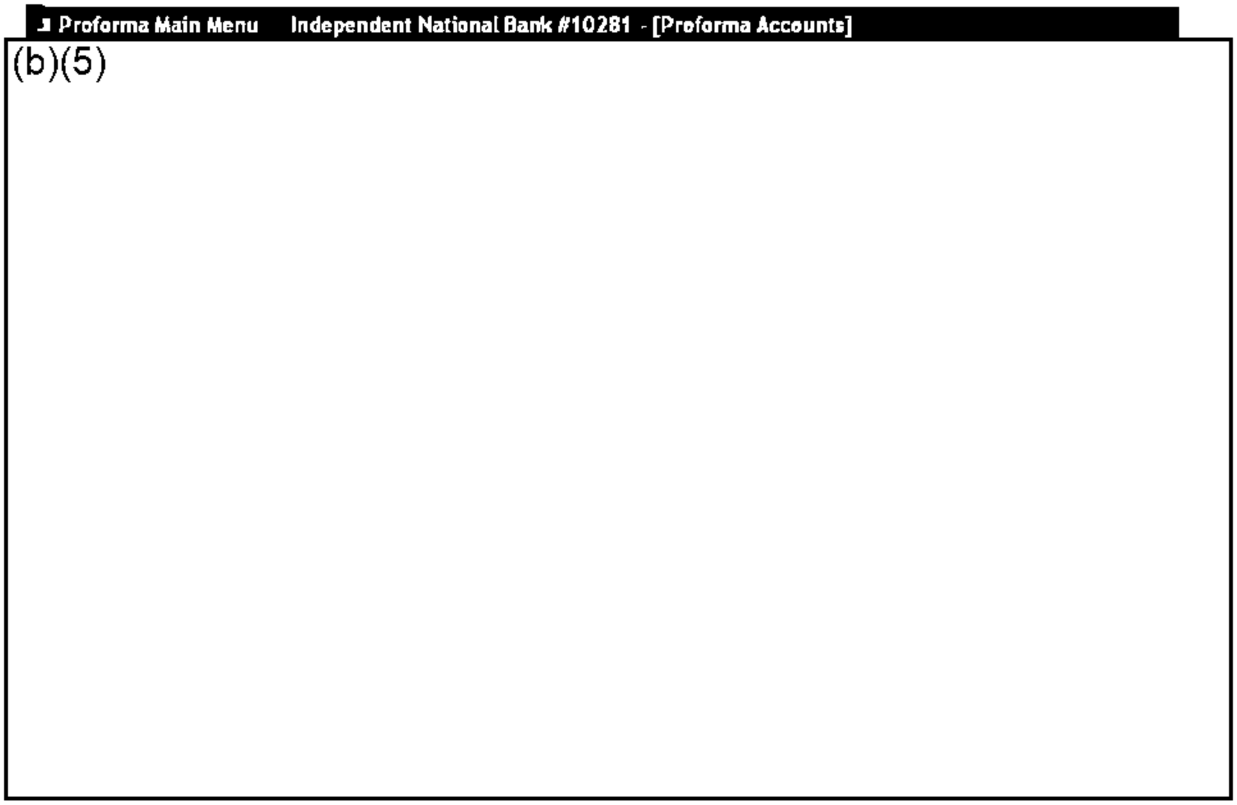
Proforma Accounts

The Proforma Accounts table is pre-loaded with a default setup. Each Proforma account has the related Product Code associated with the account. The only Proforma Accounts that may be added or edited are the Miscellaneous Assets (19XX series) or the Miscellaneous Liabilities (25XX series).



Failed Institution G/L Accounts

To setup Failed Institution G/L Accounts –

1. Normalize the Banks General Ledger in Microsoft Excel as provided to Proforma by the BIS team:

   A. Delete all accounts with zero balances.

   B. Make sure all liability and equity accounts are recorded as a credit (negative) number. If the liability and equity accounts are recorded as debit (positive) change the sign for all of them. There may be instances an account that should have a credit balance may have a debit balance.

   C. The General Ledger (G/L) balance should reconcile to a zero balance, Assets=Liabilities+Equity.

2. Double Click and open the **Proforma** program folder on the share drive. The BIS professionals install the Prorforma program on the share drive.

ProformaVersion3.0.2.22

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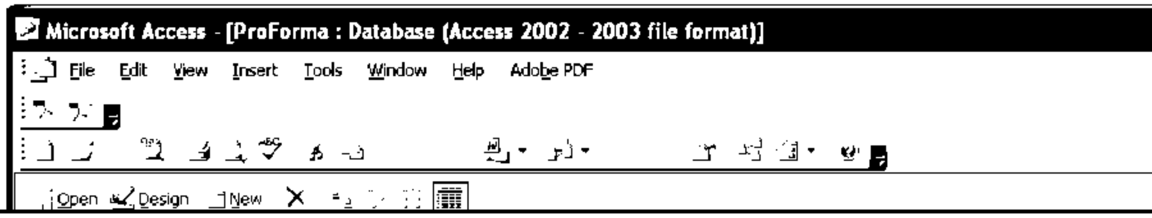
4. Make sure **Tables** in Objects is selected, Then Open **GLAccounts** table by double clicking.



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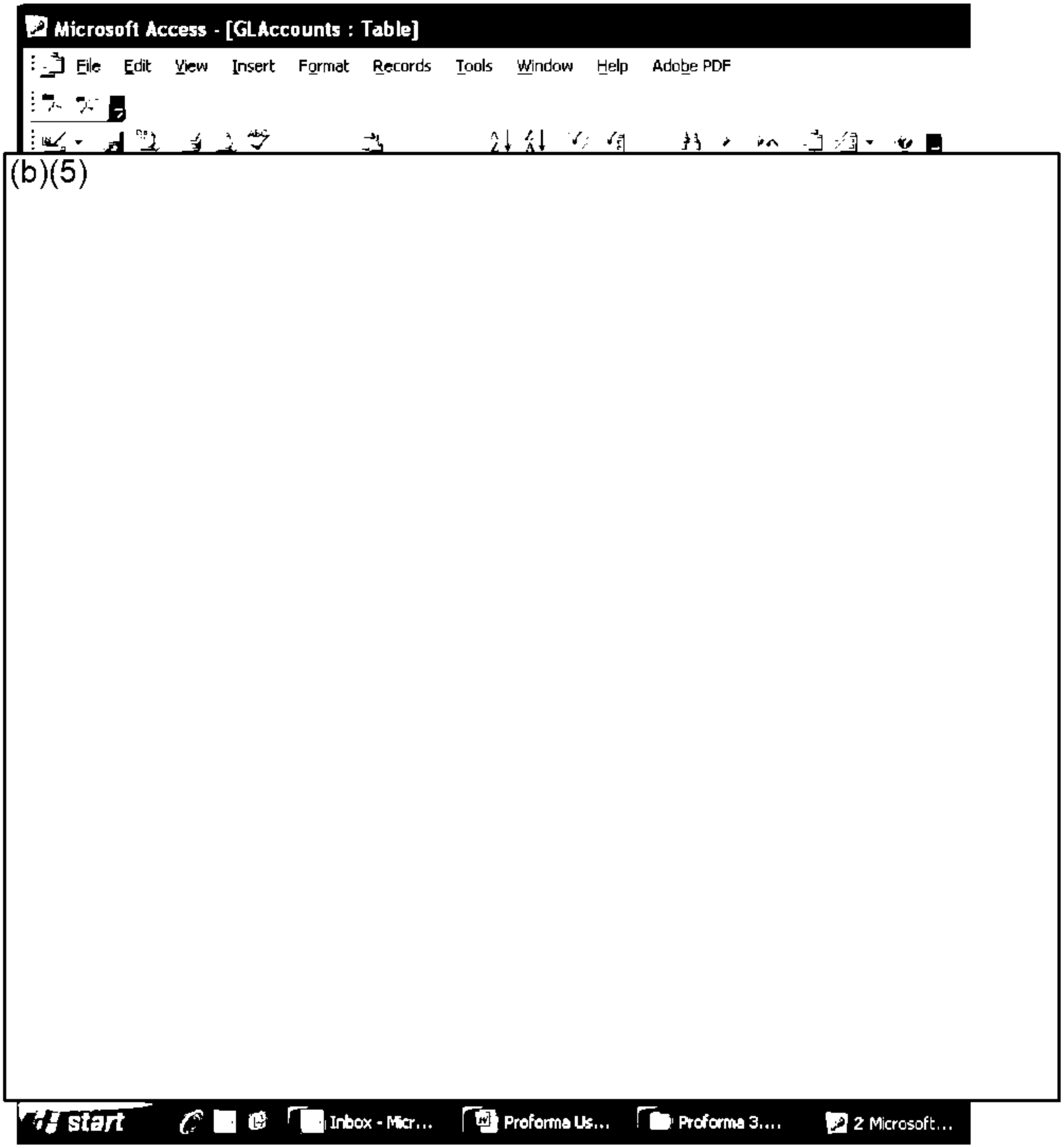
6. Close the **GLAccounts** window once the data has been pasted and close (b)(5)



7. Verify the G/L has been properly loaded and the G/L balance is **0.00** by opening **Failed Institution G/L Accounts** window under **Failed Institution Setup.**

Proforma Main Menu   Haven Trust Bank, Florida # - [Failed Institution GL Accounts]

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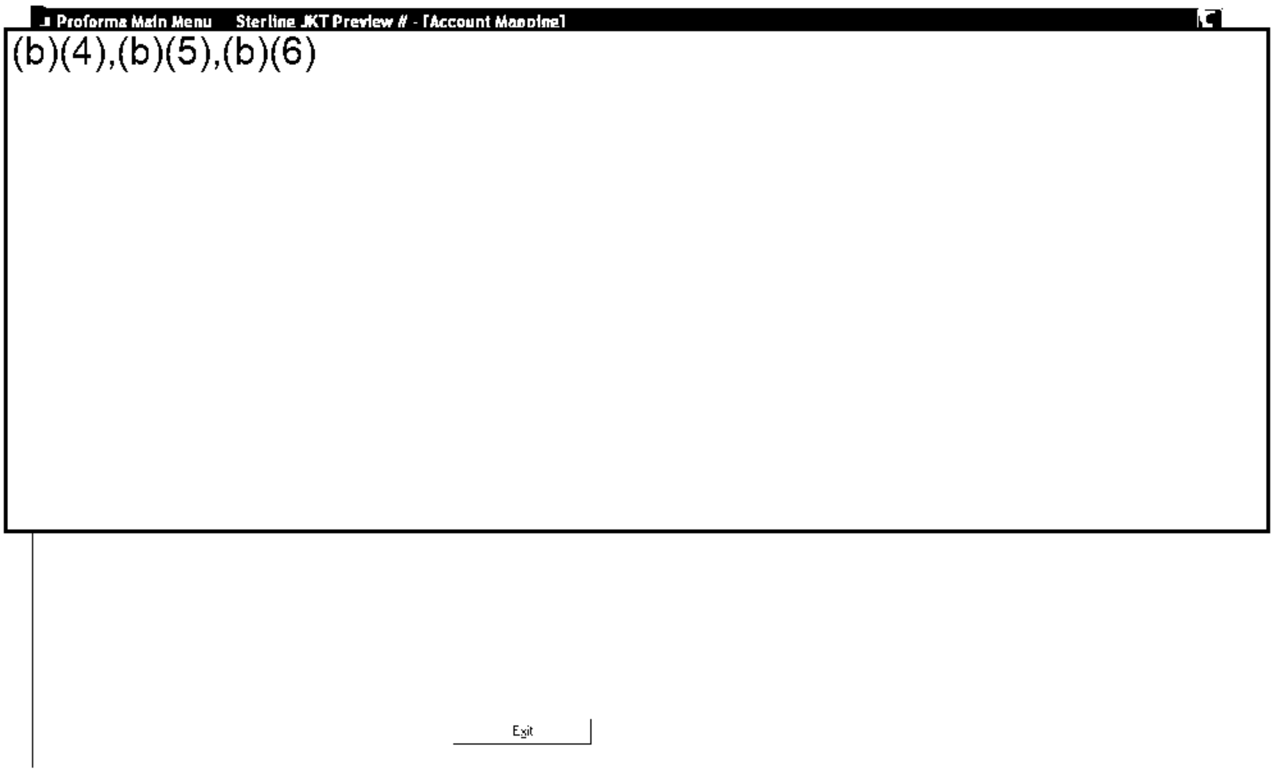
Account Mapping

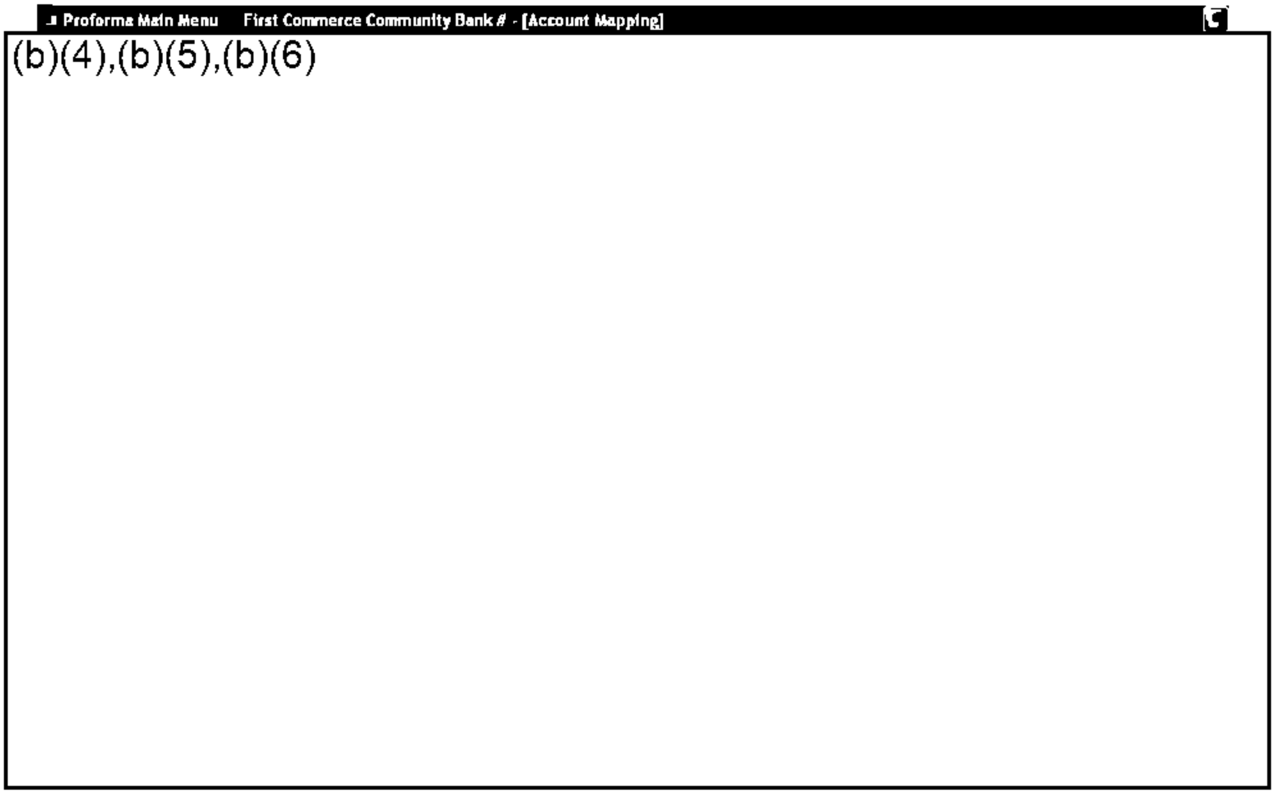
When you first go into Account Mapping, you will only see the two grids below. If the Proforma accounts and jacket numbers were not added when the G/L was normalized perform the following steps: These steps can also be used to update and modify the account mapping as needed.

To link the Proforma Account Numbers (in left grid) with the Failed Institution G/L Accounts (in the right grid):

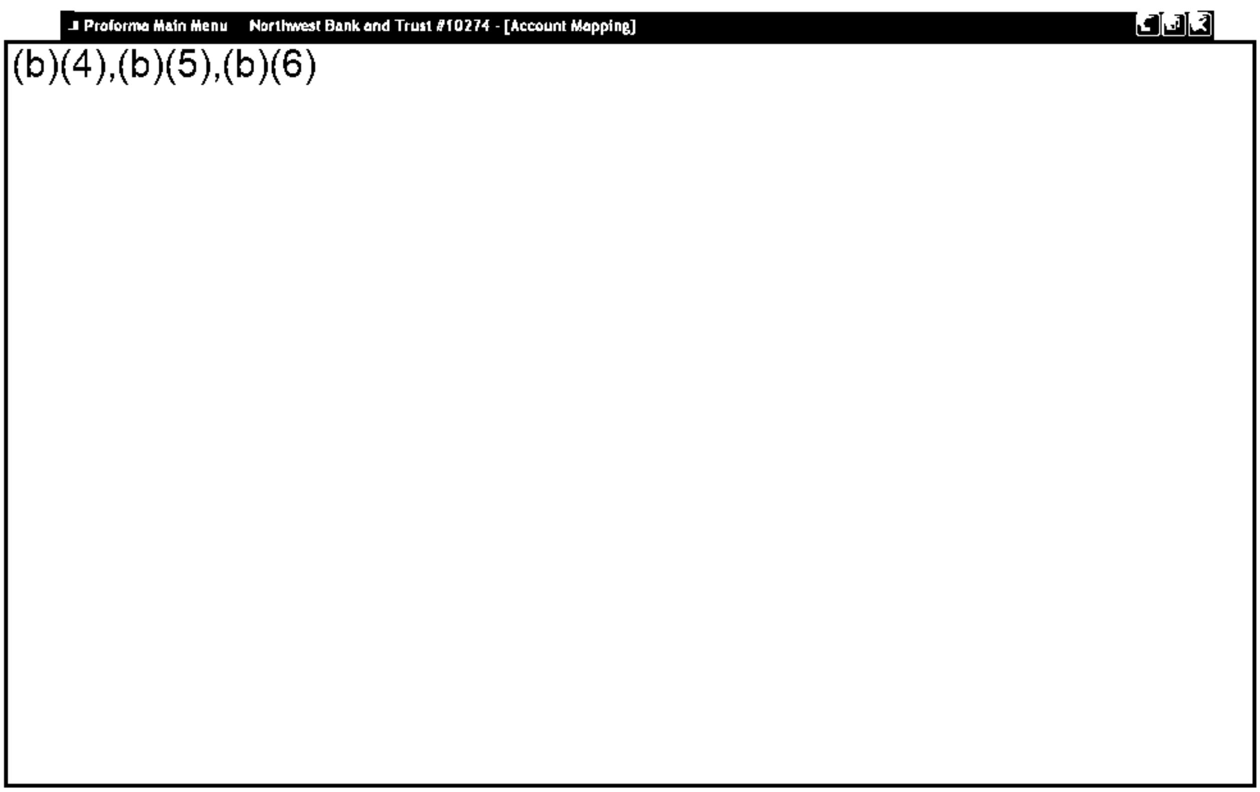
- click on a line item on the right grid, so the arrow shows in the first column,
- then go to the left grid, and find the corresponding Proforma Account Number, and double click on it. The two will then be linked.
- Add in Jacket numbers after all the Proforma Account Numbers have been added. G/L accounts with different Proforma Accounts cannot have the same Jacket number.



When finished linking the accounts, press the [Generate Jackets] button.
The screen will now look like this:



Then you will need to link the FDIC Contact names with the Failed Institution Contact Names.
Click on the contact names, to mark with an arrow, then double click on the jacket, in similar fashion, as noted above.



Jacket Preparation

Jacket Information

Proforma Main Menu   Independent National Bank #10281 - [Jacket Preparation]

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GL Reconciliation

The circled buttons generate reports not on the regular reports menu.

Proforma Main Menu   Independent National Bank #10281 - [Jacket Preparation]

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