



Corporate Trust CONNECTION

winter 2009

2009: The Year in Review



*Bryan Calder
President,
U.S. Bank Corporate
Trust Services*

Despite unprecedented challenges to the U.S. economy and the financial services industry, 2009 has proved to be a year of opportunity and growth for U.S. Bank Corporate Trust Services. In particular, we are proud to have been recently appointed

on the U.S. Treasury's HFA initiative, which includes Temporary Credit and Liquidity and New Issuance Bond programs for Housing Finance Authorities.

"U.S. Bank Corporate Trust Services has been named administrator and closing agent for this very important program designed to provide much-needed liquidity to the housing sector," says Bryan Calder, president of U.S. Bank Corporate Trust Services. "We're excited to be working with Fannie Mae, Freddie Mac and the U.S. Treasury. This appointment demonstrates the strength of U.S. Bank, our expertise in structured finance and our scale and experience on housing finance issues."

Other Highlights of 2009

In addition to the new appointment, highlights over the past year include:

Acquisitions – U.S. Bank Corporate Trust Services completed two acquisitions in 2009, purchasing the bond administration business of AmeriServ Financial, Inc. of Philadelphia, and the municipal and corporate bond trustee business of First Citizens Bank of Raleigh, N.C. "U.S. Bank has been an active acquirer in years past and our continued commitment to the corporate trust business is demonstrated by these acquisitions," Calder says.

Employee engagement – U.S. Bank continues to invest in its people and engage its employees. U.S. Bank recognizes employees who provide excellent customer service through three new service award programs – one program each to recognize individual performance, team performance and business line service improvement. Additionally, managers have stepped up one-on-one communications with employees to discuss industry and business trends and provide an opportunity to share issues our staff has heard directly from clients. These initiatives to engage each employee in consistently improving our business relationships ultimately accrue to the benefit of our corporate trust clients through exceptional service.

Repayment of TARP money and warrants – U.S. Bancorp was among the first wave of financial institutions to pay back funds from the Troubled Asset Relief

Did You Know?

U.S. Bank ranked first in the 2009 Privacy Trust Study for Retail Banking issued by the Ponemon Institute. This is the fourth year the bank has ranked first. In addition, U.S. Bank has ranked in the top five each year since the study's inception in 2003. The Ponemon Institute study measures consumer perceptions of trustworthiness for retail banking institutions.

U.S. Banker magazine* has once again recognized U.S. Bancorp in its selection of the Most Powerful Women in Banking. Among the "25 Most Powerful Women in Banking" were Pamela Joseph, vice chairman of payment services; Diane Thormodsgard, vice chairman of wealth management and securities services; and Leslie Godridge, executive vice president of national corporate and institutional banking. Lynn Heitman, senior vice president of retail payment solutions, was among the "25 Women to Watch." For the fourth year in a row, U.S. Bancorp's team of 56 women leaders ranked first among the Top Banking Teams for 2009. Among those recognized were Teresa Caspary, Regional Manager-West, and Eve Kaplan, Manager, Structured Finance, of U.S. Bank Corporate Trust Services.

* U.S. Banker magazine is not affiliated with U.S. Bancorp.

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We're Here To Help

The business development officers (BDOs) at U.S. Bank Corporate Trust Services are experts in corporate and tax-exempt trust and escrow, structured finance and other corporate trust services. In addition, your BDO is a resource who can introduce you to other areas of U.S. Bank where we may be of service.

Feel free to contact the BDO in your region if you have any questions about financial products and services offered by U.S. Bank.



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Build America Bonds

Build America Bonds (BABs) are a new form of government bond established in the American Recovery and Reinvestment Act signed into law February 17, 2009. According to Joel Geist, vice president, U.S. Bank Corporate Trust Services, “BABs are taxable municipal bonds that were authorized under the American Reinvestment and Recovery Act of 2009 to give issuers access to the bigger, deeper liquidity of the taxable bond market. The U.S. Treasury gives issuers a subsidy equal to a percentage of the interest as a replacement for the traditional muni tax exemption. Proceeds of BABs with the direct payment option must be used for capital expenditures.”

The Bonds Explained

The BABs program authorizes three bonds:

- 1) Direct payment bonds, which provide refundable tax credits directly to issuers equal to 35 percent of the total interest payable on the bonds.
- 2) Recovery-zone economic development bonds, which provide refundable tax credits directly to issuers equal to 45 percent of the total interest payable on the bonds.
- 3) Tax credit bonds, which provide refundable tax credits to bond investors, a federal subsidy in the form of



a credit against a bondholder’s federal income tax liability equal to 35 percent of the total interest paid on the bonds.

Issuers of BABs include traditional tax-exempt municipal bond issuers, state and local government issuers and school districts. Issuers of the Direct Payment BABs receive a subsidy to offset the higher debt service.

Jacqueline Alliegro, vice president, says, “BABs are considered by some investment professionals as an alternative investment to corporate bonds, offering better yields and lower risk. The refundable tax credit is an attractive incentive to bond buyers.”

U.S. Bank Participation

In addition to acting as paying agent or trustee, U.S. Bank Corporate Trust

Services can act as Filing Agent to file with the Internal Revenue Service the applicable tax form (Form 8038-CP) on behalf of issuers in order to receive the refundable tax credit payments for the Direct Pay BABs. We also can receive the subsidy payments directly from the U.S. Treasury on behalf of the issuer and deposit them to a trust account.

If you have any questions, or would like further information about BABs, contact your Account Manager.

Note that neither U.S. Bancorp nor any of its affiliates give tax advice. For information specific to your situation, please consult a tax attorney.

These products are:				
NOT A DEPOSIT	NOT FDIC-INSURED	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY	NOT GUARANTEED BY THE BANK	MAY GO DOWN IN VALUE

U.S. Bancorp Opts Out of TAGP

U.S. Bancorp announced in November 2009 that its banking subsidiaries, U.S. Bank National Association and U.S. Bank National Association ND, will opt out of the six-month extension of the Transaction Account Guarantee Program (TAGP). The current program, which is in effect through December 31, 2009, provides full insurance coverage from the FDIC on non-interest-bearing transactional accounts with balances greater than \$250,000. Effective January 1, 2010, FDIC insurance will be limited to \$250,000 per transactional account.

The decision to opt out of the extension of the TAGP is a reflection of the strong capital and liquidity position of U.S. Bancorp. U.S. Bancorp previously announced the redemption of the \$6.6 billion of preferred stock issued under the U.S. Treasury’s Capital Purchase Program (TARP) and the repurchase of the 10-year warrant issued to the U.S. Treasury in conjunction with the TARP program, effectively concluding the company’s participation in TARP.



U.S. Bank Selected as Trustee for Rhode Island Clean Water Finance Agency Water Pollution Control Bond Series 2009A

U.S. Bank has been named trustee of the bonds for Rhode Island Clean Water Finance Agency Water Pollution Control Bond Series 2009A, representing \$41.6 million in bond issuances.

The funding sources are a combination of Federal Act Capitalization grants as well as grants that are in agreement with the American Recovery and Reinvestment Act of 2009 under the Federal Stimulus Act.

“We selected U.S. Bank because their team is extremely competent, diligent and detail-oriented. More importantly, U.S. Bank makes us feel like a valued client,” says Anthony Simeone, executive director for the Rhode Island Clean Water Finance Agency.

As bond trustee for the Agency’s Water Pollution Control and Drinking Water bond issues since 1992, U.S. Bank is the trustee for more than \$648 million of bonds outstanding.

If you have questions about our trustee services, please contact your Account Manager.

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Program (TARP). “The fact that we were positioned to repay TARP at the earliest possible opportunity demonstrates the financial strength and stability of U.S. Bank and allows us to operate our business as we see fit,” Calder says. “In addition, our financial strength and high credit rating allow us to offer our corporate trust customers a broad menu of investment options which include bank deposits.”

Accolades – U.S. Bank was named “Best Bank in the U.S.” by *Euromoney* magazine. We also ranked first in the 2009 Privacy Trust Study for Retail Banking by The Ponemon Institute, a privacy and information management research firm. In addition, three U.S. Bank professionals were named among the “Top 25 Women in Banking” by *U.S. Banker* magazine (see “Did You Know?” on page 1).

We Met the Stress and “Stressed” Tests

The Federal Reserve’s Supervisory Capital Assessment Program (“stress test”) – a comprehensive assessment of the financial conditions of the nation’s 19 largest bank holding companies – found that U.S. Bancorp, the parent company of U.S. Bank, did not need any additional capital buffer.

In our own area, we’ve successfully navigated the severe stress in the capital markets. “The latter part of 2008 and 2009 have seen numer-

ous failures to remarket municipal bonds, the collapse of structured vehicles and the inability to remarket auction rate securities,” explains Calder. “These crises put a tremendous amount of stress on the back office operations of corporate trust shops. Despite this, U.S. Bank has been able to provide our customers with value-added solutions along the way. In fact, recent surveys confirm that our clients have been very satisfied with how we performed during the financial crisis.

“Finally, each quarter U.S. Bank Corporate Trust Services is ranked against other trustees. In the structured world, our market share increased from 10% to 15% year-to-date as of October 15, 2009, an indication of how we’ve been able to translate quality service into more market share,” Calder adds. “On the muni side, we had been holding strong in our No. 2 position, and for the third quarter 2009 grabbed the No. 1 spot.”

Looking Forward to 2010

Although the economy still faces significant challenges, Calder believes a slow recovery is on the way. “Investors will be more comfortable with taking on additional risk as the economy gains strength.”

As we move forward, clients and investors will be looking for additional services and transparency from their trustees, and U.S. Bank is well-situated to provide the

services they will require. We continue to invest in technology, and have plans to upgrade our bondholder Web site.

“As trustee on more than 100,000 bond issues serving 666,000 bondholders with principal debt outstanding of \$2.1 trillion, we are uniquely positioned to introduce our customers to other banking partners,” Calder says. “Our goal is to build deeper relationships with our clients.”

U.S. Bank also will carry on its demonstrated commitment to the corporate trust business. “The industry will continue to consolidate,” Calder says. “Banks in need of capital will be looking to sell discrete businesses. If an organization is not strategically focused on corporate trust, they may look to exit. U.S. Bank will continue to acquire as the opportunities present themselves, expanding and enhancing our presence in this market.

“The past two years have been difficult, probably the worst market we will ever see. U.S. Bank has gotten through in enviable shape,” Calder comments. “We’ve built a lot of momentum, and we’re primed and ready to maintain and grow our position in order to help our customers prosper as the markets return to health in 2010.”

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