

## Treasury Establishes Temporary Guarantee Program for Money Market Funds

The U.S. Department of the Treasury (“Treasury”) has established a Temporary Money Market Fund Guarantee Program (“Program”). In short, the Program acts as a guarantee of a shareholder’s investment in a money market fund as of September 19, 2008 if the fund participates in the Program. The Program will terminate on December 18, 2008 unless the Secretary of the Treasury (“Secretary”) extends the Program to a date not later than September 18, 2009.

To be eligible to participate in the Program, a money market fund, including a tax-exempt money market fund, must:

- (i) be registered under the Investment Company Act of 1940 (“1940 Act”);
- (ii) offer securities registered under the Securities Act of 1933;
- (iii) have a policy of maintaining a stable net asset value or share price of \$1.00 per share;
- (iv) be operated in compliance with Rule 2a-7 under the 1940 Act; and
- (v) have a market-based net asset value per share on September 19, 2008 of \$0.995 or greater.

**Applying for the Program.** To participate in the Program, an eligible fund must by October 8, 2008: (i) pay the fee described below; and (ii) submit an executed version of the Treasury’s form of Guarantee Agreement (“Guarantee Agreement”) and certain related documentation (including an acknowledgement and undertaking by the fund’s investment adviser) to the Treasury via e-mail. If a fund’s market-value-based net asset value per share on September 19, 2008 was greater than or equal to \$0.9975, the fund’s fee for participation in the Program until December 18, 2008 is 0.01% of the product of the number of the fund’s shares outstanding on September 19, 2008 and \$1. If the fund’s market-value-based net asset value per share on September 19, 2008 was less than \$0.9975 but greater than or equal to \$0.995, the fee is 0.015% of such product. The Treasury’s form of Guarantee Agreement, other required documentation, and detailed instructions for applying for the Program are available [here](#).

**Program Operation.** The Program will make payments only when a fund’s market-based net asset value per share declines below \$0.995 (a “Guarantee Event”). In order to preserve covered shareholders’ right to payment under the Guarantee Agreement, after a Guarantee Event the fund must, among other things, initiate the actions necessary under applicable law to commence the liquidation process of the fund within five business days and complete the liquidation of the fund on or before the 30th day following the Guarantee Event unless the Treasury consents in writing to a later date. The Guarantee Event will be deemed not to have occurred, however, if the fund’s market-based net asset value per share returns to an amount greater than or equal to \$0.995 before the commencement of liquidation. The fund must submit notice to the Treasury informing it of any such “cure.”

Only shareholders who held shares of a fund on September 19, 2008 will receive payments under the Program (“Designated Shareholders”). Under the Guarantee Agreement, Designated Shareholders will receive payments only with

respect to the lesser of the number of shares owned by such shareholders on September 19, 2008 and the number of shares owned at the time of the Guarantee Event (“Designated Shares”). Subject to the conditions set forth in the Guarantee Agreement, the payment under the Program to a fund (or its paying agent) with respect to a Guarantee Event will equal the total value of the Designated Shares (assuming a value of \$1 per share for this purpose) minus payments (including payments of principal and interest) made to Designated Shareholders since the date of the Guarantee Event in respect of Designated Shares and other monies or assets designated to be paid by the fund to such shareholders.

**Program Limitations.** The Program will be funded with the assets available to the Exchange Stabilization Fund (“ESF”) and will not be backed by the full faith and credit of the United States. The Treasury has stated that the ESF has approximately \$50 billion in assets available to it, and the Secretary reserves the right to use the assets of the ESF for purposes other than the Program. Payments under the Program will generally be handled on a first-come, first-served basis.

**Required Board Determinations.** Before executing the Guarantee Agreement, a fund’s Board of Trustees, including a majority of the non-interested members, must determine that entering into the Guarantee Agreement and fulfilling the obligations thereunder are in the best interests of the fund and its shareholders. The Board of Trustees should also consider whether the fund’s investments and other affairs are managed in a manner that is designed to reduce the likelihood of a Guarantee Event or, if such an event does occur, to reduce the amount of the payments that would be required by the Program, giving, as necessary, consideration to obtaining and drawing upon accommodations or undertakings designed to maintain the fund’s stable net asset value or share price.

**Support Agreements.** The Guarantee Agreement places severe restrictions on a fund’s and an investment adviser’s ability to amend, terminate or withdraw from any arrangement (including those with a third party) that is designed to facilitate the fund’s maintenance of a stable net asset value or share price and has been relied upon by the fund on or after September 19, 2007 (“Support Agreement”). For example, a fund must renew or extend any such Support Agreement if it has the option to do so. Additionally, if a support provider’s obligation to make a payment under a Support Agreement is contingent upon the fund’s disposition of a portfolio security, the Guarantee Agreement requires that the fund promptly dispose of such portfolio security after a Guarantee Event.

**Disclosure Considerations.** Participating funds may wish to disclose their participation in the Program, including through press releases and supplements to their disclosure documents. Funds should consider, among other things, disclosure regarding the conditions and limitations of the Program, including coverage terms and the fee to be paid by the fund. A reference to the Treasury’s [Web site](#), where investors can access more information regarding the Program, including a copy of the form of Guarantee Agreement, may be appropriate.

**Questions.** If you have any questions concerning the Program, please contact your usual Ropes & Gray advisor.

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