



A PRIMER ON DTC-ELIGIBLE SHARE CERTIFICATES

An aerial photograph of a city street grid, likely Olden Lane, is shown. The image is partially obscured by a semi-transparent blue rectangular overlay that contains the title text. The buildings are multi-story, brick structures with various roof colors and styles.

**What, Why, and How:
DTC-Eligible Share Certificates**

August 2022 – A concise write-up from the team at Olden Lane.

A Primer on DTC-Eligible Share Certificates

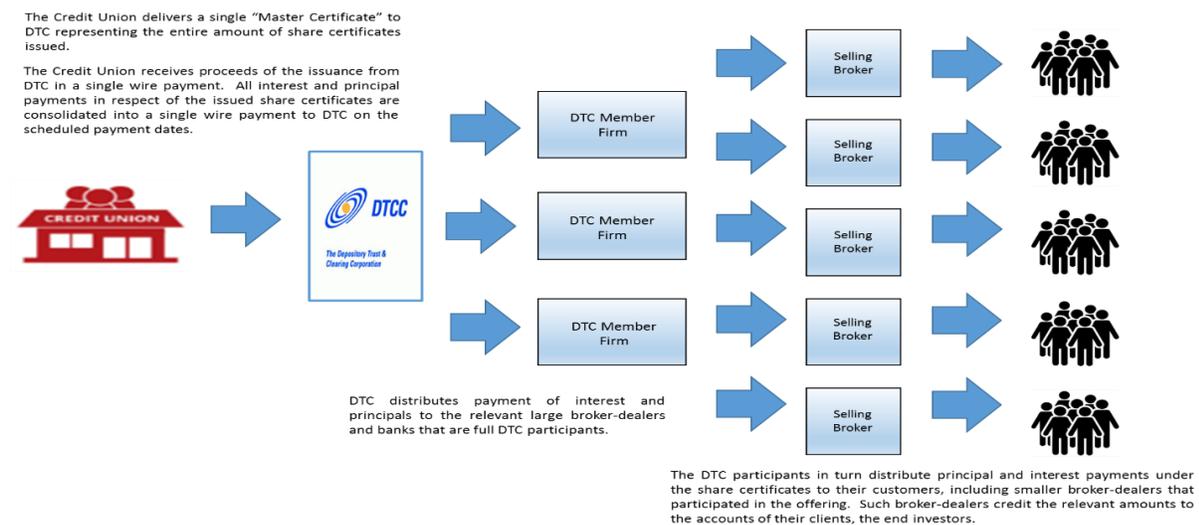
Olden Lane Securities LLC (“Olden Lane”) offers its clients access to non-member deposits through issuance of DTC-Eligible Share Certificates. This form of deposit raising is utilized by more than a thousand banks and a growing number of low-income designated credit unions (LICUs) to obtain term funding from a large universe of investors purchasing government-insured deposits in traditional brokerage channels.

What are DTC-Eligible Share Certificates?

DTC-Eligible Share Certificates are time deposits issued by federally insured LICUs and are underwritten by Financial Industry Regulatory Authority (FINRA)-registered broker-dealers like Olden Lane Securities. Also known as “brokered deposits,” this type of deposit is offered to investors by issuing institutions looking to raise liquidity and funding through the wholesale and institutional markets. Unlike traditional CDs and Share Certificates, but similar to other securities, DTC-Eligible Share Certificates are issued in book entry form and use the CUSIP system for identification and for trading in a primary and secondary market. Like traditional CDs, DTC-Eligible Share Certificates are often a preferred investment alternative for investors concerned about the safety of their principal and the continuity or predictability of cash flows.

How do DTC-Eligible Share Certificates differ from other Non-Member Deposits?

DTC-Eligible Share Certificates provide an operational and cost-effective way to raise large amounts of deposits through an issuance that involves a single certificate. A single Master Certificate (per offering) is held in safekeeping, and all ownership records are maintained (book-entry) with the Depository Trust Company (“DTC”) the world's largest securities depository. Owned by its members in the financial industry, DTC is a registered clearing agency with the U.S. Securities and Exchange Commission (SEC), a member of the Federal Reserve System and a limited purpose trust company under New York Banking Law. A CUSIP number is assigned to each offering and enables an easily managed start-to-finish process for both purchaser and issuer. The result is an instrument that is insured and supported with a secondary market, a combination that meets the needs of investors who are looking for opportunities to combine government-insured deposits with liquidity.



What documentation is involved in a DTC-Eligible Share Certificate offering?

To set up a program of DTC-Eligible Share Certificates with Olden Lane requires three documents:

1. **Brokerage Agreement with Olden Lane.** This agreement establishes policies and procedures pertaining to the issuance of DTC Eligible Share Certificates. It includes the typical representations that financial institutions make to the underwriter and representations that the underwriter customarily makes to financial institutions in such offerings.
2. **Bilateral Letter of Representations for DTC.** This short letter contains certain representations that must be made between DTC and the credit union.
3. **Disclosure Statement.** The Disclosure Statement is used for informational purposes only. It contains relevant information about the share certificates similar to an investment prospectus. All purchasers of portions of the DTC Eligible Share Certificate receive this document. Olden Lane prepares and distributes the Disclosure Statement to the members of its selling group.

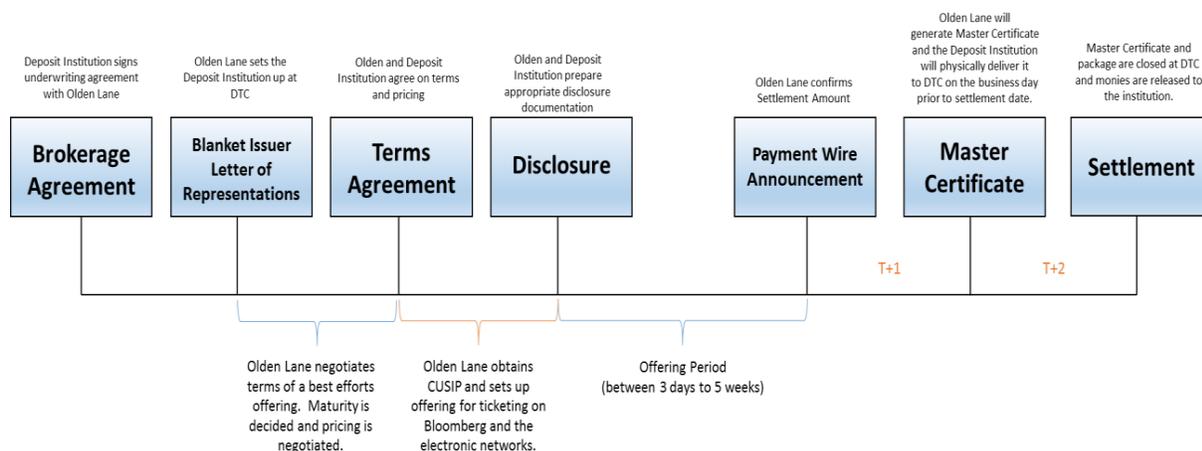
With respect to each issuance of DTC-Eligible Share Certificates, the following additional documentation is required:

- **Terms Agreement.** This agreement between Olden Lane and the credit union describes the specific terms of the offering, including maturity date, interest rate, payment dates, call provisions (if any), offering period, and maximum aggregate principal amount.
- **Master Certificate.** The Master Certificate is the definitive documentation representing the Share Certificates issued through DTC. This document contains all terms and conditions applicable to the Share Certificates.

How does the entire offering process work?

Olden Lane works with the relevant credit union to determine the desired terms of the share certificates to offer. Once the offering is initiated, the DTC-Eligible Share Certificates are placed with investors through our internal sales force and our selling group representing a community of broker dealers nationwide. The typical issuance period lasts between 7 and 21 days, and includes pricing, execution of documents, sales and settlement. The issuance process generally proceeds as illustrated below:

The DTC-Eligible Share Certificate Issuance Process



What types of Share Certificates may be offered through DTC?

DTC underwriting issuances typically range from \$1 million to \$100 million. Share certificate structures underwritten by Olden Lane include fixed rate, non-callable and callable. Share certificate maturities typically range from 1 year to 5 years. And, issuers may select an interest payment frequency of monthly, quarterly or semi-annually for any given offering.

What are the primary advantages of DTC-Eligible Share Certificates?

The primary advantages of Olden Lane's DTC-Eligible Share Certificate program include:

- Convenient access to term funding out to 5 years in duration;
- A viable funding alternative that allows institutions to avoid the marketing, personnel and administrative costs that they would otherwise incur if soliciting deposits locally;
- No collateral/pledging of assets required;
- Single block deposit per term;
- Consolidated interest and principal payments through DTC;
- Structured liquidity and funding needs;
- No early withdrawal clause except in the event of death of owner; and
- Flexible maturities and structures including call features and payment frequency to fully meet issuer requirements

What are the primary risks of DTC-Eligible Share Certificates?

DTC-Eligible Share Certificates are an interest rate sensitive source of funds. Investors in DTC-Eligible Share Certificates generally seek yield consistent with current interest rates at the time of the offering. Therefore, replacing DTC-Eligible Share Certificates as they come due with new offerings requires the credit union to offer competitive going rates relative to fixed income markets generally. Undue reliance on DTC-Eligible Share Certificates over prolonged periods of time can substantially increase a credit union's cost of funds, if the credit union is forced to roll DTC-Eligible Share Certificates in rising rate environments. A credit union must be well-capitalized to offer new DTC-Eligible Share Certificates through DTC. Therefore, a credit union will lose the ability to source new funds in this market while its net worth ratio is below 7%. Finally, a credit union's ability to source funds through DTC-Eligible Share Certificates is subject to the applicable NCUA limit on non-member deposits, which was recently raised to 50% of a credit union's paid-in and unimpaired capital and surplus.

Olden Lane encourages its clients to utilize DTC-Eligible Share Certificates with careful consideration and adherence to the credit union's Asset-Liability Management and Liquidity policies and procedures.

What are current rates for DTC-Eligible Share Certificates?

Olden Lane may provide a "Rate Sheet" indicating current rates for DTC-Eligible Share Certificates on request. Please contact Daniel Prezioso at dprezioso@oldenlane.com or (908) 907-7832 or Larry Rascio at lrascio@oldenlane.com or (917) 509-0821 to discuss our DTC-Eligible Share Certificate program.

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