

SOUTH FINANCIAL GROUP INC

Form 425

June 04, 2010

Filed by The Toronto-Dominion Bank
Pursuant to Rule 425 under the Securities Act of 1933
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Subject Company: The South Financial Group, Inc.
Commission File No.: 0-15083

This filing, which includes (i) a communication made available on the website of The Toronto-Dominion Bank on June 4, 2010 and (ii) communications made available to employees of The Toronto-Dominion Bank and/or TD Bank, America's Most Convenient Bank on June 4, 2010, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and comparable safe harbour provisions of applicable Canadian legislation, including, but not limited to, statements relating to anticipated financial and operating results, the companies' plans, objectives, expectations and intentions, cost savings and other statements, including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, and other similar expressions. Such statements are based upon the current beliefs and expectations of our management and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: the ability to obtain the approval of the transaction by The South Financial Group, Inc. shareholders; the ability to realize the expected synergies resulting from the transaction in the amounts or in the timeframe anticipated; the ability to integrate The South Financial Group, Inc.'s businesses into those of The Toronto-Dominion Bank in a timely and cost-efficient manner; and the ability to obtain governmental approvals of the transaction or to satisfy other conditions to the transaction on the proposed terms and timeframe. Additional factors that could cause The Toronto-Dominion Bank's and The South Financial Group, Inc.'s results to differ materially from those described in the forward-looking statements can be found in the 2009 Annual Report on Form 40-F for The Toronto-Dominion Bank and the 2009 Annual Report on Form 10-K of The South Financial Group, Inc. filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's Internet site (<http://www.sec.gov>).

The proposed merger transaction involving The Toronto-Dominion Bank and The South Financial Group, Inc. will be submitted to The South Financial Group, Inc.'s shareholders for their consideration. **Shareholders are encouraged to read the proxy statement/prospectus regarding the proposed transaction when it becomes available because it will contain important information.** Shareholders will be able to obtain a free copy of the proxy statement/prospectus, as well as other filings containing information about The Toronto-Dominion Bank and The South Financial Group, Inc., without charge, at the SEC's internet site (<http://www.sec.gov>). Copies of the proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the proxy statement/prospectus can also be obtained, when available, without charge, by directing a request to The Toronto-Dominion Bank, 15th Floor, 66 Wellington Street West, Toronto, ON M5K 1A2, Attention: Investor Relations, 1-866-486-4826, or to The South Financial Group, Inc., Investor Relations, 104 South Main Street, Poinsett Plaza, 6th Floor, Greenville, South Carolina 29601, 1-888-592-3001.

The Toronto-Dominion Bank, The South Financial Group, Inc., their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding The Toronto-Dominion Bank's directors and executive officers is available in its Annual Report on Form 40-F for the year ended October 31, 2009, which was filed with the Securities and Exchange Commission on December 03, 2009, and in its notice of annual meeting and proxy circular for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on February 25, 2010. Information regarding The South Financial Group, Inc.'s directors and executive officers is available in The South Financial Group, Inc.'s proxy statement for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on April 07, 2010. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

**THE FOLLOWING IS A COMMUNICATION MADE AVAILABLE ON THE WEBSITE OF THE
TORONTO-DOMINION BANK ON JUNE 4, 2010.**

















**THE FOLLOWING IS A COMMUNICATION SENT TO EMPLOYEES OF TD BANK, AMERICA S
MOST CONVENIENT BANK AND THE TORONTO-DOMINION BANK ON JUNE 4, 2010**

Daily News Brief

June 4, 2010

Compiled by Brittany Roberge, Corporate and Public Affairs

TD BANK NEWS

1. **TD Bank Financial Reaches Deal for Stock Offering**

- Philadelphia Business Journal [Article also appears in The Business Review (NY).]

TD Bank Financial Group said Thursday that it will sell \$250 million Canadian worth of stock. The Toronto-based parent to TD Bank said it has reached an agreement with a syndicate of underwriters led by TD Securities Inc. for an issue of 3.5 million common shares.

2. **Bank Promises Hires, Increased Lending, Extended Hours**

- Hometown News (FL)

Once it completes its integration of the 58 Riverside National Bank of Florida branches it purchased in April, **TD Bank** is set to add nearly 60 managerial jobs, introduce credit products and extend its hours to be open seven days a week by September. [TD Bank s **Kevin Gillen** is quoted.]

3. **TD Bank s 2010 Summer Reading Challenge For Kids** Examiner.com

Educators and parents know that it is important for children to read throughout the summer, but it is not always easy to convince them to. **TD Bank** is trying to make it easier by challenging children throughout New Hampshire by paying them to read 10 books.

4. **State Street Corridor Project Spurs Millions In Development**

- The Republican (MA)

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5. **Big Donation Will Let All Philadelphia Pools Open** Philadelphia Inquirer

With a six-figure donation from First Niagara Bank, the city has reached its goal of opening all of its pools this summer. Officials of First Niagara, which is based in Upstate New York and recently opened branches in the Philadelphia region, presented the city with a \$400,000 check Thursday at a confetti-filled news conference at Sacks Pool in the 400 block of Washington Avenue in South Philadelphia. [**TD Bank** is mentioned.]

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seems odd that Wachovia would shutter a branch in a high traffic area that also happens to be on the ground floor of a building which it completely occupies with back-office operations. [**TD Bank** is mentioned.]

7. **Bank s Impact On Five-Corner Traffic Still A Question**

- Times Beacon Record (NY)

The new **TD Bank** has been in swing at the corner of Waterside Avenue and Fort Salonga Road since May 22 and, while several modifications aim to ease crossing for pedestrians, time will tell how the bank s presence will impact vehicular traffic on the busy and often difficult-to-navigate intersection at Northport s easternmost gateway.

8. **Would Washington Let J.P. Morgan, Citi, BofA or Wells Fargo Fail?**

- Wall Street Journal

Will the government ever let Citigroup, Bank of America, J.P. Morgan or Wells Fargo fail? Allowing for failure is one of the main points of the financial reform bills currently being reconciled in Congress. [**TD Bank** mentioned in link below.]

9. **Job Hopes Rise On Flurry Of Economic Reports**

Associated Press [Article also ran in BusinessWeek, Forbes, ABCNews.com, CBSNews.com, NPR, WSLS-TV (VA), WRIC-TV (VA)]

A handful of economic reports released Thursday raised hopes for an improving job market with fewer layoffs and more hiring. Productivity slowed more than initially estimated in the first quarter of the year, a sign that employers are struggling to squeeze more work out of leaner staffs. [TD Economist **James Marple** is quoted.]

10. **Financial Literacy Program Targets Elementary Students**

- WCAX-TV (VT) [Similar article appeared in WVNY-TV (VT)]

A new statewide program designed to highlight the importance of reading and teaching children basic money management skills was kicked off Thursday in Burlington. [**TD Bank** is mentioned.]

INDUSTRY NEWS

1. **Global Bank Pact Advances** Wall Street Journal

International regulators are moving closer to an agreement that would require large multinational banks to raise vast sums to cushion any future losses. But in a concession to the banking industry and some governments, the rules are likely to take effect later than expected, according to people familiar with the matter.

2. **Metro Bank Laying Off 14 Employees** Associated Press [Article appeared in BusinessWeek.]

The owner of Metro Bank is laying off employees. Metro Bancorp Inc. spokesman Jason Kirsch said Wednesday that the bank is eliminating 14 back office jobs at its headquarters operations center in suburban Harrisburg.

3. **Bernanke Reaffirms Goal of Boosting Small-Business Lending**

- American Banker

Federal Reserve Board Chairman Ben Bernanke said Thursday that the central bank remains committed to expanding the flow of credit to small businesses, saying it has retrained its examiners to ensure they are not part of the problem.

TD BANK NEWS

1. TD Bank Financial Reaches Deal for Stock Offering

By Jeff Blumenthal

June 3, 2010 Philadelphia Business Journal [Article also appears in The Business Review (NY).]

TD Bank Financial Group said Thursday that it will sell \$250 million Canadian worth of stock.

The Toronto-based parent to TD Bank said it has reached an agreement with a syndicate of underwriters led by TD Securities Inc. for an issue of 3.5 million common shares.

On May 17, TD Bank Financial said it intended to issue about \$250 million Canadian worth of stock prior to the closing of the acquisition of The South Financial Group for prudent capital management. The South Financial deal is expected to close June 15 and TD said the proceeds will be used for general corporate purposes.

TD Bank Financial (NYSE:TD) agreed to buy struggling South Financial for \$61 million in cash or stock. TD said it would pay another \$130.6 million in cash to the U.S. Department of Treasury to buy \$347 million of South Financial preferred stock.

After the merger is completed, South Financial, which operates as Carolina First Bank in the Carolinas and Mercantile Bank in Florida, will merge into TD Bank Financial's U.S. banking subsidiary, TD Bank, and be absorbed into its operating platform in 2011. Its network of 176 stores includes Florida, South Carolina and North Carolina.

In Florida, TD acquired assets and liabilities from Riverside National Bank of Florida of Fort Pierce, First Federal Bank of North Florida of Palatka and AmericanFirst Bank of Clermont from the FDIC.

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2. Bank Promises Hires, Increased Lending, Extended Hours

By Samantha Joseph

June 4, 2010 Hometown News (FL)

Once it completes its integration of the 58 Riverside National Bank of Florida branches it purchased in April, **TD Bank** is set to add nearly 60 managerial jobs, introduce credit products and extend its hours to be open seven days a week by September.

The move reflects the company's strategy, which approaches banking as a retail business. As in retail, it refers to its branches as stores, for instance, and tailors its hours, products and services to meet customer expectations.

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By the end of September, the financial institution that markets itself as America's most convenient bank promises seven-day access to local customers, including full service on weekends.

I could never understand why Saturday happens to be the shortest service day in the banking industry, said **Kevin Gillen, TD Bank's regional president for Florida and the metro Washington, D.C. area.**

By the time the company finishes integrating the two businesses, customers will notice a slew of new benefits, including holiday service, branches that remain open later than the competition — up to 8 p.m. in some locations — and deposits that post the same day if made by closing time, officials said.

The communities will be very happy to see some of the things that might be introduced on the customer side, Mr. Gillen said.

One of its first changes will involve adding 58 assistant managers to the former Riverside locations, instead of continuing to have branch managers handle internal sales, operations and business development.

The idea is the additional staff will free managers to meet with customers and community partners to constantly network with clients and gain feedback to improve service.

The bank also plans to maintain all 58 Riverside branches, with no closures planned, Mr. Gillen said.

In fact, TD officials say they intend to strengthen the company's Florida presence.

TD Bank, a subsidiary of Toronto, Canada-based TD Bank Financial Group, also purchased Palatka-based FirstFederal Bank of North Florida, which has eight branch offices, in April and has reached an agreement to acquire South Financial Group of Greenville, S.C., which operates 66 branches of Mercantile Bank in Florida. TD Bank also bought American First Bank, based in Clermont, with three branches.

With the recent Florida acquisitions, TD Bank currently has 1,100 bank branches in the U.S. If the agreement with South Financial Group is approved by stockholders and federal regulators, TD will add another 176 branches.

TD Bank has \$152 billion in assets, and its conservative money management strategy has won it praise and high rankings in Bloomberg, Euro Money, Global Finance and Barron's magazines.

Officials say they plan to bring that strong standing to local communities, offering financial products, such as commercial mortgages, cash management, equipment leasing and working capital lines of credit, which Riverside Bank had been unable to provide.

Riverside hadn't been able to lend any money in quite a number of years, Mr. Gillen said.

They said TD Bank will seek to grow its credit business in former Riverside markets. Its plan includes offering government banking, targeting municipalities, school boards, counties, fire departments, libraries and utilities authorities, among others.

Healthcare and educational lending are high on its institutional target markets, and the bank intends to expand its staff, adding about 20 health care lenders, commercial credit analysts, portfolio managers, middle-market lenders and government bankers.

We are severely understaffed on the lending side. Mr. Gillen said. We are going to hire aggressively to go after that entire sector.

TD Bank acquired Riverside Bank, which was founded in St. Lucie County in 1982, in April.

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3. **TD Bank's 2010 Summer Reading Challenge For Kids**

By Tammy Andrew

May 28, 2010 Examiner.com

Educators and parents know that it is important for children to read throughout the summer, but it is not always easy to convince them to. **TD Bank** is trying to make it easier by challenging children throughout New Hampshire by paying them to read 10 books.

The challenge is simple: read 10 books between now and September 30, have a parent or guardian sign the official form listing which 10 books are read, and take it to a local TD Bank branch. Then TD Bank will deposit \$10 into the child's savings account (including opening a new account if needed).

The TD Bank summer reading challenge is only open to children 18 or younger, and each child may complete the challenge only once each summer.

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4. **State Street Corridor Project Spurs Millions In Development**

By Jim Kinney

June 03, 2010 The Republican (MA)

SPRINGFIELD By the end of June, 281 State St. will be open again for business with offices on the upper floors and a cafe and newsstand downstairs.

Once a mansion, the century-old building has been medical offices but had been vacant for a decade and was in rough shape when the Western Massachusetts Development Collaborative bought the property, said Donald A. Mitchell, executive director for the nonprofit development corporation.

He said the \$650,000 project could not have moved forward without the new \$70-million federal court house that opened in October 2008 across State Street and the \$17-million refurbishment of State Street itself that will be done this month.

Without that you wouldn't have the foot traffic in the neighborhood, Mitchell said. You wouldn't have the customers. With the cafe especially, we are looking to fill a niche. There is no place on lower State Street where you can come in and get a cup of coffee, maybe sit down and meet with someone.

The physical reconstruction of State Street from St. Michael's Cemetery west to the Connecticut River cost \$17 million, \$14 million in federal money and \$3 million from the state.

Throw in the work on underground cables and pipes completed by utilities when the street was open and the project cost an additional \$8 million for total of \$25 million.

That doesn't count the \$70 million courthouse project or the \$1.96 million rehabilitation of the Roosevelt Avenue Bridge on the eastern end of State Street. That project is expected to be completed by May 2011, according to the state Department of Transportation.

U.S. District Judge Michael A. Ponsor said the federal government tries to place new courthouses in urban areas where they can bring increased business activity. Having the courthouse on a rebuilt street is an enormous bonus.

It's just a lot prettier, for lack of a better word, Ponsor said in a phone interview. It just looks a lot nicer Springfield is a remarkable city with an extraordinary history.

There are other projects in progress. In late May, **TD Bank** announced that it will invest \$250,000 in improvements to the bank's plaza at 958 State Street. The work will include improvements to the facade, the parking lot and the heating and air-conditioning systems.

There is also the new \$110-million state data center planned for the former Technical High School building on Elliot Street.

John T. Short Jr., vice president for institutional advancement at American International College said. You have to work harder to let people know about the good things that are going on. It's not just us, think of MassMutual.

AIC is proposing a \$13 million rehabilitation project for the long-vacant Mason Square firehouse and an adjacent Indian Motorcycle Apartments Building and parking lot.

Short said the college is also looking to acquire more property further east on State Street in a district characterized by defunct used-car lots and barbed-wire fences. The college's athletic fields are a block north but hidden from view.

We are looking at trying to acquire some of those properties and to clean up the area, initially to clean or demolish, Short said. Then at some point look at building it back up.

A more immediate project will be the reuse of the soon-to-be vacated Springfield School Department building at 195 State St.

Maureen C. Hayes, an economic-development consultant to the city working with the State Street Alliance, said the city should issue a formal request for proposals on that project late this summer. The idea is to transform the building into market-rate apartments of condominiums aimed at middle-class residents.

It's what you need to do to have a presence on the street after 5 p.m. once all the offices close, said Nicholas A. Fyntrilakis, assistant vice president of community responsibility for MassMutual Financial Group which is headquartered on State Street.

He pointed to the Classical Condominiums and Stockbridge Court as examples of market-rate urban living in Springfield.

Another priority for the State Street neighborhood is somehow attracting a full-service supermarket.

Brian M. Connors, the city's deputy director of development, said the people who do live in the neighborhood now are stuck either relying on convenience stores or heading to Memorial Avenue in West Springfield, Liberty Heights or Boston Road. They would like to see a supermarket located nearby.

One challenge in bringing such a store to State Street is the lack of a plot of land with a single owner that is big enough. One possibility is a parking lot at State and Oak streets that's a little larger than seven acres. Supermarkets typically put 55,000 -square-foot stores on 10- to 15-acre plots, Connors said.

Hayes said the federal government is working on incentives to bring supermarkets with fresh fruit and vegetables into inner-city areas as part of a wider push to improve nutrition in urban neighborhoods.

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5. **Big Donation Will Let All Philadelphia Pools Open**

By Kia Gregory

June 4, 2010 Philadelphia Inquirer [Similar article appeared at nbcphiladelphia.com]

With a six-figure donation from First Niagara Bank, the city has reached its goal of opening all of its pools this summer.

Officials of First Niagara, which is based in Upstate New York and recently opened branches in the Philadelphia region, presented the city with a \$400,000 check Thursday at a confetti-filled news conference at Sacks Pool in the 400 block of Washington Avenue in South Philadelphia.

It was the largest donation the city had received toward its Splash and Summer Fund, a fund-raising campaign launched last year to keep more pools open.

Keeping our swimming pools open during the summer is important to maintaining a strong sense of community in which friends and neighbors can connect, Mayor Nutter said. First Niagara Bank's generosity . . . is another great example of the positive impact that public and private partnerships have on providing safe and enjoyable activities for all of our residents.

In addition to supplying a haven from the heat and a form of exercise for youths, city pools produce about 800 seasonal jobs.

Last summer, due to a budget gap, the city closed 27 of its 72 outdoor pools, leaving residents in some neighborhoods to complain why some pools were allowed to open while others remained shut.

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This summer, the city needed \$600,000 to open every pool, the amount of the shortfall in the aquatics department's \$1.7 million budget. Many neighborhood groups started fund-raising to help reach that goal. Through community-organized efforts such as a three-on-three men's basketball tournament, a talent show, and cow-chip bingo, plus donations from big companies, the city was halfway \$300,000 toward its target. First Niagara put the city over the top.

When the bank was made aware of the budget realities facing the city's pool initiative, we jumped at the chance to help, said John R. Koelmel, First Niagara's president and chief executive officer.

The additional money will be carried over to next year's pool budget, Parks and Recreation Department spokesman Alain Joinville said.

Other private donations include \$37,000 from the Lombard Swim Club, \$34,000 from Shire Pharmaceuticals, \$34,000 from the Philadelphia Parking Authority, \$30,000 from **TD Bank**, \$12,000 from Modell's Sporting Goods, and \$10,000 from Temple University.

First Niagara will also give \$250,000 in grants so that 35 YMCA branches across eastern Pennsylvania—the bank's largest regional market—can offer free swimming lessons.

City pools are scheduled to begin opening June 18.

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6. Wachovia Closing Old City Branch

By Jeff Blumenthal

June 3, 2010 Philadelphia Business Journal

Wachovia Bank will be closing its branch at the northeast corner of 5th and Market streets later this month and consolidating the deposits into another site at 601 Chestnut St. It seems odd that Wachovia would shutter a branch in a high traffic area that also happens to be on the ground floor of a building which it completely occupies with back-office operations.

But the mystery ends with one look at the low level of deposits in the branch—\$39.7 million, well below Wachovia's local average, which exceeds \$100 million, according to Federal Deposit Insurance Corp. data as of June 30, 2009.

The 601 Chestnut site has \$8.7 billion in deposits, which means that it most likely is home to corporate deposits.

When looking at all the bank branches in Old City, there are seven different banks with a total of 10 branches. Aside

from the 601 Chestnut Wachovia site and Beneficial Bank's headquarters site at 503 Walnut St., none exceed

\$100 million in deposits and most are significantly below that figure. Three of the region's six biggest depositors—**TD Bank**, Bank of America and Sovereign Bank—don't even have Old City locations.

So it brings the question, is Old City a good place for retail banking? On the surface, it would seem so with the mix of businesses and their employees, residents and tourists all needing bank services.

TD, which is second in local retail market share behind only Wachovia (soon to be Wells Fargo), seems to think there is an opening in Old City. It is scouting Market Street locations between 3rd and 5th streets, according to Ronald Matthew, TD's Greater Philadelphia market president.

We think it's a really good market with sizable deposits and with our reputation as a top retail bank, we can take market share, Matthew said. We know for us to be a player in that area, we need to have a greater presence. TD largely inherited its local footprint through its acquisition of Commerce Bank, which focused more on branching in the suburbs than the city. It has a location at 2nd and Lombard in Society Hill and another near Thomas Jefferson Hospital but had not entered Old City.

The competition will largely come from Wachovia, Citizens Bank and PNC Bank each of which has two Old City branches. Beneficial and three other community banks also have locations.

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7. Bank's Impact On Five-Corner Traffic Still A Question

By Arlene Gross

June 03, 2010 Times Beacon Record (NY)

The new **TD Bank** has been in swing at the corner of Waterside Avenue and Fort Salonga Road since May 22 and, while several modifications aim to ease crossing for pedestrians, time will tell how the bank's presence will impact vehicular traffic on the busy and often difficult-to-navigate intersection at Northport's easternmost gateway.

It's an intersection that is troublesome because it's five roads, village Planning Board Chairman Rich Boziwick said.

Any five-corner intersection is usually a little more problematic than not.

Despite the number of roads connecting there, Boziwick said there is not an inordinate amount of traffic accidents there.

But traffic studies are only hypothetical.

For Lois O'Hara, a member of the Northport Village Residents Association, making a left turn from Main Street onto Fort Salonga Road is treacherous. With no traffic light to regulate turns onto that corner, drivers are left to fend for themselves as traffic comes in a steady stream off

Waterside Avenue and Vernon Valley Road and down Route 25A.

Personally, I would think it wouldn't be a bad idea to have some kind of an easement so anybody wanting to do that doesn't have to take their life in their hands, O'Hara said.

Mimi Kail, another NVRA member, said she has avoided leaving Northport from Main Street onto Fort Salonga Road.

It's a tricky intersection anyway," Kail said. "I avoid it when I can. That's an old habit, not necessarily anything to do with the TD Bank situation. I would imagine the visibility hasn't been improved by that development.

A left-turn signal might make sense to Kail. "Anything that takes complications out of the intersection or makes it safer, that would seem like a good idea," she said.

But while TD Bank has made several modifications that could improve road crossings for people on foot, there are no imminent plans for a left-turn arrow.

The bank branch abuts the Route 25A state road, so it had to submit, as part of its site plan, a traffic plan to the state Department of Transportation, Boziwick said. The bank in this case did not request access to 25A, DOT spokeswoman Eileen Peters said, and the site plan included no alterations that would affect traffic through the intersection other than repairing the walk and don't walk signs on the corner, Boziwick said.

Work outlined in the traffic plan was simply to modify the sidewalk and sidewalk ramps and add pedestrian crossing countdown signals at the corner.

Peters said her agency sends out engineers for a final inspection to observe areas within its purview. Before issuing a permit, the DOT requires a bond to cover the cost of alterations, in the event that the applicant defaults on their promise. "There's no set amount of time but there's always a recourse to protect the public," she said, "and we wouldn't release that bond until such time that we're pleased that the modifications that were made meet our requirements.

Boziwick said, "Once we have approval from the DOT, we're OK with that. ... They are the experts on traffic; they basically take precedence on a road application like that. We would then review the entire package and it includes the DOT study.

If problems or accidents occur, the Planning Board will take another look at the intersection.

Until the real thing — when the bank has been completed and it's been in use now for a number of months — then you'll get a realistic view of what the traffic patterns are. [Then] you take a look at it. And I would think that the bank, the DOT, the Suffolk County police, Northport police — if they found out it is ill-designed or needs improvement, then they would approach it that way.

He added, "I don't think they're going to do anything until there's a bit of a track record or benchmark of what the traffic patterns will be like over the bank.

Even if DOT engineers find no problems with the intersection, anyone with concerns should contact the department, Peters said. "If in fact, the community is concerned about the safety and is requesting a left-turn arrow," she said, "then they should by all means write to us as soon as possible so that we could look at that specifically.

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8. **Would Washington Let J.P. Morgan, Citi, BofA or Wells Fargo Fail?**

By Stephen Grocer

June 3, 2010 Wall Street Journal

Will the government ever let Citigroup, Bank of America, J.P. Morgan or Wells Fargo fail?

Allowing for failure is one of the main points of the financial reform bills currently being reconciled in Congress. Few disagree that the nation needs to create an orderly process to unwind large financial institutions, so never again will it be forced to bailout failed institutions.

All that makes sense, until you look at the numbers. And they are startling.

The financial crisis has only served to expand the size and power of the four largest financial institutions. It may make good policy and good politics to say that the U.S. would never stand behind one of those banks in the event of trouble.

But when looking at their sheer size it's still hard to believe the government would stand idly by.

Citi, BofA, J.P. Morgan and Wells Fargo now control \$7.7 trillion in assets and \$3.2 trillion in deposits as of March 30. To put that in perspective: The \$7.7 trillion in assets is almost double the combined assets of the next 46 biggest banks and 37% more in deposits.

More importantly, those four banks control more assets today than they did in December 2007, when Deal Journal first wrote about too big to fail. Back then J.P. Morgan, Citigroup, BofA and Wells held \$4.95 trillion in assets.

Below is a list of the biggest banks, compiled with fresh data from SNL Financial:

<http://blogs.wsj.com/deals/2010/06/03/would-washington-let-jp-morgan-citi-bofa-or-wells-fail/>

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9. Job Hopes Rise On Flurry Of Economic Reports

June 3, 2010 Associated Press [Article also ran in BusinessWeek, Forbes, ABCNews.com, CBSNews.com, NPR, WSLN-TV (VA), WRIC-TV (VA)]

A handful of economic reports released Thursday raised hopes for an improving job market with fewer layoffs and more hiring.

Productivity slowed more than initially estimated in the first quarter of the year, a sign that employers are struggling to squeeze more work out of leaner staffs. The lower figure was expected after the government last week revised its growth estimate for the first quarter.

The number of people filing first-time jobless claims dipped for the second consecutive week but remains elevated for the year.

And an index that tracks activity in the U.S. service sector showed job growth in May the first time in 28 months.

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Economists anticipate Friday's employment report will show that 513,000 jobs were added in May. Still, many are approaching the report with caution, noting that a majority of those jobs are expected to be temporary census work. They say layoffs will continue to trickle down and companies will gradually increase hiring.

While we will see a period of job growth, it is going to take a long time to get back the jobs we lost," said Mark Zandi, chief economist at Moody's Analytics. Zandi said. He expects it will take until 2013 for the economy to create enough jobs to recoup the 8 million jobs lost during the downturn.

Jennifer Lee, an economist at BMO Capital Markets, said: "The jobs data so far this morning haven't screamed strength, but they continue to set an encouraging tone.

Adding to the picture of a slow recovery were reports Thursday showing modest increases in factory orders and retail sales.

Orders to U.S. factories climbed in April, pulled up by a surge in demand for commercial aircraft, the Commerce Department said. But the overall increase was smaller than the uptick in March orders. And when excluding transportation, orders actually fell in April 0.5 percent — the poorest showing in 13 months.

Americans spent with caution in May after a tepid April, according to the International Council of Shopping Center index released Thursday. Cool weather and a quirk in the calendar — a late Memorial Day weekend — dampened May spending. But analysts also cited high unemployment, stock market jitters and the dwindling of government-funded rebates on energy-efficient appliances.

Hiring may pick up if businesses find they've reached the limits on wringing work out of thinner ranks.

Productivity advanced at an annual rate of 2.8 percent in the January-March period, the Labor Department said Thursday. That is the slowest pace in a year and lower than the 3.6 percent rate the government initially reported last month. Labor costs declined, although slower than initially estimated.

The downward revision in productivity reflected the government's revised estimate of total output as measured by the gross domestic product. GDP was revised to show the economy growing at a 3 percent rate in the first quarter, down from an initial estimate of 3.2 percent.

Less output translated into slower productivity growth, which is a measure of the amount of output per hour of work. A separate Labor report Thursday showed layoffs fell for a second straight week. They dipped by 10,000 to 453,000 last week. Still, the declines come after a sharp increase three weeks ago and claims remain at elevated levels.

Jobless claims are closely watched by economists because they are considered a gauge of layoffs and a measure of companies' willingness to hire new workers.

After falling steadily in the second half of last year, claims have leveled off and are now only slightly below the level they were at the beginning of this year. That's raised concerns among some economists that hiring is still sluggish.

The four-week average, which smooths volatility, rose for the third straight week to 459,000. That is down by only 8,000 from its level in mid-January.

More hiring is happening in the service sector, which accounts for 80 percent of U.S. jobs excluding farmworkers. The Institute for Supply Management, a trade group of purchasing executives, said Thursday that the service sector grew for the fifth consecutive month. And the group said its jobs measure increased, reversing 28 months of contraction.

Employers are now starting to feel a bit more confidence as far as bringing back some jobs, said Anthony Nieves, a Hilton Worldwide executive who serves as chairman of ISM's non-manufacturing business survey committee.

The service sector has lagged behind the much smaller manufacturing sector in the recovery. Some economists said the level of growth last month wasn't fast enough to help the sector catch up.

This report was somewhat disappointing in that while continuing to show expansion, there is little upward momentum in the economy apart from manufacturing, wrote **James Marple, senior U.S. economist with TD Bank.**

Analysts are hoping that hiring will show stronger gains in coming months. That will provide a boost to household incomes and keep consumer spending growing at a healthy pace. Consumer spending is critical for a sustained economic recovery because it accounts for 70 percent of total economic activity.

Incomes took a battering during the recession. The report on productivity showed that unit labor costs fell at an annual rate of 1.3 percent in the first three months of the year, representing the fourth quarterly drop out of the past five quarters.

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10. Financial Literacy Program Targets Elementary Students

By Judy Simpson

June 3, 2010 WCAX-TV (VT) [Similar article appeared in WVNY-TV (VT)]

A new statewide program designed to highlight the importance of reading and teaching children basic money management skills was kicked off Thursday in Burlington.

State Treasurer Jeb Spaulding was talking money with students at the C.P. Smith School in Burlington. Spaulding is promoting a new financial literacy program for Vermont elementary schools. So far 46 have volunteered to participate.

This initiative, Reading is an Investment, is targeted to elementary students to help them read books that will teach them some important financial information and skills. It is to provide resources to elementary schools around the State of Vermont, Spaulding said.

The program will increase school book collections in personal finance. Each participating school gets two or three new books each fall. It give teachers and librarians related lesson

plans and activities. The students are also encouraged to participate in their own financial literacy program the incentive money. Kids keep track of the books they read, fill out a log and send it to the treasurers office. Ten students statewide will receive a \$250 dollar college savings account. The program is co-sponsored by **TD Bank**, the Vermont Student Assistance Corporation and the Vermont Humanities Council.

And it seems already the lessons are sinking in. Save it and save up for something that is really, really important, or something that you want and that you have been saving for a while, said Eleanor Weisman-Rowell, a student at C.P. Smith School.

Your future is unlimited but there are many important decisions you are going to have to make and how you manage your money is going to have a lot to do with what kind of opportunities you have the in the future, Spaulding said. It is a lesson Spaulding hopes the kids will share with their parents, when they get home.

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INDUSTRY NEWS

1. Global Bank Pact Advances

Regulators Discuss Bigger Cushion for Losses, but a Delayed Start to Basel Rules

By David Enrich and Damian Paletta

June 4, 2010 Wall Street Journal

International regulators are moving closer to an agreement that would require large multinational banks to raise vast sums to cushion any future losses. But in a concession to the banking industry and some governments, the rules are likely to take effect later than expected, according to people familiar with the matter.

In the aftermath of the worst banking crisis since the Great Depression, regulators and finance ministers from more than 20 nations are racing to hammer out by year end the new rules concerning bank capital and liquidity. The overhaul is expected to be a focal point of this weekend's Group of 20 meetings in South Korea. It is also expected to gain momentum at a meeting of the Basel Co