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## TARP Capital Purchase Program Summary of Senior Securities Terms: Subchapter S Corporations

United States: Department of the Treasury

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**TARP Capital Purchase Program  
(Subchapter S Corporations)**

**Senior Securities**

**Summary of Terms**

*(January 14, 2009)*

**Issuer:** Qualifying Financial Institution (“QFI”) means a corporation that has made a valid election to be taxed under Subchapter S of Chapter 1 of the U.S. Internal Revenue Code (a “S-Corp”) and is also one of the following:

- (i) a top-tier Bank Holding Company (“BHC”), or top-tier Savings and Loan Holding Company (“SLHC”) that engages solely or predominately in activities permissible for financial holding companies under relevant law,
- (ii) a U.S. bank or U.S. savings association that is not controlled by a BHC or SLHC, or
- (iii) a U.S. bank or U.S. savings association that is a qualifying S-Corp subsidiary which is controlled by a BHC or SLHC which itself is an S-Corp and which does not engage solely or predominately in activities that are permitted for financial holding companies under relevant law.

The term QFI shall not mean any institution that is foreign controlled as defined by the institution’s appropriate Federal banking agency. For purposes of this program, “U.S. bank”, “U.S. savings association”, “BHC” and “SLHC” means a bank, savings association, BHC or SLHC organized under the laws of the United States or any State of the United States or the District of Columbia. BHCs and SLHCs are collectively referred to herein as “HCs” and each individually as an “HC”. **The United States Department of the Treasury will determine the eligibility and allocation for QFIs after consultation with the appropriate Federal banking agency.**

**Initial Holder:** United States Department of the Treasury (the “UST”).

**Size:** QFIs may sell Senior Securities (defined below) to the UST subject to the limits and terms described below.

Each QFI may issue Senior Securities with an aggregate principal amount equal to not less than 1% of its risk-weighted assets and not more than the lesser of (i) \$25 billion and (ii) 3% of its risk-weighted assets.

**Security:** Subordinated Debentures (“Senior Securities”); it being understood that the Senior Securities do not constitute a second class of stock. Each note representing a Senior Security shall be in the principal amount of \$1,000.

**Ranking:** Senior to the QFI's common stock (and any other class of equity, as applicable, such as if the QFI converted to a C corporation). Senior Securities issued by a bank or savings association must be expressly subordinated to claims of depositors and to the QFI's other debt obligations to its general and secured creditors, unless such debt obligations are explicitly made pari passu or subordinated to the Senior Securities. Senior Securities issued by an HC must be subordinated to senior indebtedness of the QFI, in accordance with applicable HC regulation, unless such debt obligations are explicitly made pari passu or subordinated to the Senior Securities.

**Regulatory  
Capital**

**Status:** Tier 2 at a bank or savings association; Tier 1 at an HC, it being understood that prior to the UST investing in Senior Securities issued by an HC, it will be necessary for the appropriate Federal banking agency to issue an interim final rule designating the Senior Securities as Tier 1 capital for HCs.

**Maturity:** 30 years

**Interest Rate:** The Senior Securities will pay interest at a rate of 7.7% per annum until the fifth anniversary of the date of this investment and thereafter at a rate of 13.8% per annum.<sup>1</sup> Interest will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year (each, an "Interest Payment Date").

**Interest Deferral  
For Bank Holding  
Companies:**

For a QFI that is an HC, interest may be deferred on the Senior Securities for up to 20 quarters; however any unpaid interest shall cumulate and compound at the then applicable interest rate in effect. For so long as any interest deferral is in effect, no dividends may be paid on shares of equity or trust preferred securities of the QFI.

**Redemption:** Senior Securities may not be redeemed for a period of three years from the date of this investment, except with and to the extent of the net proceeds from a Qualified Securities Offering (as defined below), which results in aggregate gross proceeds to the QFI of not less than 25% of the issue price of the Senior Securities. After the third anniversary of the date of this investment, the Senior Securities may be redeemed, in whole or in part, at any time and from time to time, at the option of the QFI. All redemptions of the Senior Securities shall be at 100% of their issue price, plus any accrued and unpaid Interest. All redemptions shall be subject to the approval of the QFI's appropriate federal banking agency.

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<sup>1</sup> S-corp Senior Securities have 7.7% and 13.8% interest rates which equate to after-tax effective rates (assuming a 35% tax rate) of 5% and 9%, respectively, the same rates applied to securities issued by other classes of institutions participating in the CPP.

“Qualified Securities Offering” shall mean the sale by the QFI after the date of this investment of capital which qualifies for at least the same tier or higher of regulatory capital as the Senior Securities (Tier 1 in the case of an HC and Tier 1 or 2 in the case of a bank or savings association) for cash (other than any sales made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were approved by the QFI’s board of directors or, if applicable, publicly announced, on or prior to January 15, 2009).

**Restrictions  
on Dividends:**

Subject to certain exceptions, for as long as any Senior Securities are outstanding, no dividends may be declared or paid on any shares of equity or trust preferred securities nor may the QFI repurchase or redeem any shares of equity or trust preferred securities unless all accrued and unpaid Interest for all past interest periods on the Securities is fully paid.

**Further Restrictions  
on Dividend  
Increases:**

Subject to the exception below, UST’s consent shall be required for any increase in regularly paid common dividends per share until the third anniversary of the date of this investment. After the third anniversary and prior to the tenth anniversary, the UST’s consent shall be required for any increase in aggregate common dividends per share where the resulting aggregate common dividend per share is greater than 103% of the prior year’s dividend rate per annum; provided that no increase in common dividends may be made as a result of any dividend paid in common shares, any stock split or similar transaction. The restrictions in this paragraph no longer apply if the Senior Securities and Warrant Securities (as defined below) have been redeemed in whole or the UST has transferred all of the Senior Securities and Warrant Securities to unaffiliated third parties, which for this purpose does not include a securitization vehicle or investment pool in which the UST is an initial sponsor or participant so long as UST has an economic interest in such vehicle or pool (“Third Parties”). Notwithstanding the foregoing, UST consent shall not be required for any increase in dividends where such increase is solely proportionate to the increase in taxable income of the QFI and such increased dividends are distributed to shareholders in order to fund their individual tax payments on such allocable taxable income (“Tax Distribution”). UST (and subsequent investors who purchase the Senior Securities) shall have the right to challenge the amount of the proposed Tax Distributions to the extent it believes they exceed the amount necessary for the QFI shareholders to pay their allocable share of income taxes.

**Restriction on Acceleration:**

Principal and accrued interest may only become immediately due and payable (i.e., accelerate) (i) in the case of an HC, upon the bankruptcy or liquidation of the HC, the receivership of a major bank subsidiary of the HC, or deferral of interest on the Senior Securities for more than 20 quarters or (ii) in the case of a bank or savings association, upon the receivership of the bank or savings association.

**Repurchases:**

The UST's consent shall be required for any repurchases of equity securities or trust preferred securities (other than repurchases of common shares in connection with any benefit plan in the ordinary course of business consistent with past practice or relevant income tax laws) until the tenth anniversary of the date of this investment unless prior to such tenth anniversary the Senior Securities and Warrant Securities are redeemed in whole or the UST has transferred all of the Senior Securities and Warrant Securities to Third Parties. In addition, there shall be no share repurchases of equity if prohibited as described above under "Restrictions on Dividends".

**Other Dividend and Repurchase Restrictions:**

From and after the tenth anniversary of the date of this investment, the QFI shall be prohibited from paying common dividends or repurchasing any equity securities or trust preferred securities until all Senior Securities and Warrant Securities are redeemed or repurchased in whole.

**Voting Rights:**

Senior Securities shall be non-voting, other than class voting rights on (i) any authorization or issuance of any equity securities which purport to rank senior to the Senior Securities, (ii) any amendment to the rights of Senior Securities, or (iii) any merger, exchange or similar transaction which would adversely affect the rights of the Senior Securities.

Notwithstanding any interest deferral, if Interest on the Senior Securities is not paid in full for six Interest periods, whether or not consecutive, the Senior Securities holders will have the right to elect 2 directors. The right to elect directors will end when full Interest has been paid for all prior interest periods.

**Transferability:**

Senior Securities will not be subject to any contractual restrictions on transfer or the restrictions of any stockholders' agreement or similar arrangement that may be in effect among the QFI and its stockholders at the time of the Senior Security investment or thereafter; provided that the UST and its transferees shall use its commercially reasonable efforts not to effect any transfer of the Senior Securities which would require the QFI to become subject to the periodic reporting requirements of Section 13 or 15(d) of the Exchange Act.

If the QFI otherwise becomes subject to such reporting requirements (e.g. to the extent it no longer elects to be treated as an S Corp), the QFI will file a shelf registration statement covering the Senior Securities as promptly as practicable and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. In addition, the UST and its transferees shall have piggyback registration rights for the Senior Securities. Subject to the above, the QFI shall take all steps as may be reasonably requested to facilitate the transfer of the Senior Securities.

**Executive  
Compensation:**

As a condition to the closing of this investment, the QFI and its senior executive officers covered by the EESA shall modify or terminate all benefit plans, arrangements and agreements (including golden parachute agreements) to the extent necessary to be in compliance with, and following the closing and for so long as UST holds any equity or debt securities (including the Senior Securities) of the QFI, the QFI shall agree to be bound by, the executive compensation and corporate governance requirements of Section 111 of the EESA and any guidance or regulations issued by the Secretary of the Treasury on or prior to the date of this investment to carry out the provisions of such subsection. As an additional condition to closing, the QFI and its senior executive officers covered by the EESA shall grant to the UST a waiver releasing the UST from any claims that the QFI and such senior executive officers may otherwise have as a result of the issuance of any regulations which modify the terms of benefits plans, arrangements and agreements to eliminate any provisions that would not be in compliance with the executive compensation and corporate governance requirements of Section 111 of the EESA and any guidance or regulations issued by the Secretary of the Treasury on or prior to the date of this investment to carry out the provisions of such subsection.

**Affiliate  
Transactions:**

For as long as the UST holds any debt or equity securities (including the Senior Securities) of the QFI, the QFI and its subsidiaries will not enter into a transaction with related persons (within the meaning of Item 404 under the SEC's Regulation S-K) unless such transaction is (i) on terms no less favorable to the QFI and its subsidiaries than could be obtained from an unaffiliated third party, and (ii) has been approved by the audit committee or a comparable body of independent directors of the QFI, or if there are no "independent directors," the board of directors of the QFI but only if the board of directors maintains written documentation supporting its determination that the transaction meets the requirements of (i) of this paragraph.

## Summary of Warrant Terms

**Warrant:** In consideration of the investment in Senior Securities and other consideration in connection with its investment, UST will receive warrants to purchase, upon net settlement, a number of additional Senior Securities (the “Warrant Securities”) in an amount equal to 5% of the amount of Senior Securities purchased on the date of investment. The UST intends to immediately exercise the warrants. The exercise price for the warrants shall be \$0.01 per note representing a Warrant Security.

**Term:** 10 years (it being understood the Warrant Securities themselves will have a maturity of 30 years).

**Exercisability:** Immediately exercisable, in whole or in part.

**Warrant Securities:** The Warrant Securities shall have the same rights, preferences, privileges, voting rights and other terms as the Senior Securities, except that (1) the Warrant Securities will pay Interest at a rate of 13.8% per annum and (2) the Warrant Securities may not be redeemed until all the Senior Securities have been redeemed.

**Transferability:** The warrants will not be subject to any contractual restrictions on transfer or the restrictions of any stockholders’ agreement or similar arrangement that may be in effect among the QFI and its stockholders at the time of this investment or thereafter; provided that the UST shall not effect any transfer of the warrants or underlying Warrant Securities which would require the QFI to become subject to the periodic reporting requirements of Section 13 or 15(d) of the Exchange Act.

If the QFI otherwise becomes subject to the periodic reporting requirements of Section 13 or 15(d) of the Exchange Act, the QFI will file a shelf registration statement covering the warrants and the Warrant Securities underlying the warrants as promptly as practicable and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. In addition, the UST and its transferees shall have piggyback registration rights for the warrants and the Warrant Securities underlying the warrants. Subject to the above, the QFI shall take all steps as may be reasonably requested to facilitate the transfer of the warrants or the Warrant Securities.