

## Capital Assistance Program

### Mandatorily Convertible Preferred Stock and Warrants

#### **Summary of Mandatorily Convertible Preferred Stock (“Convertible Preferred”) Terms**

**Issuer:** Qualifying Financial Institution (“QFI”) means (i) any U.S. bank or U.S savings association not controlled by a Bank Holding Company (“BHC”) or Savings and Loan Company (“SLHC”), (ii) any top-tier U.S. BHC, and (iii) any top-tier U.S. SLHC which engages solely or predominately in activities that are permitted for financial holding companies under relevant law. QFI shall not mean any BHC, SLHC, bank or savings association controlled by a foreign bank or company. For purposes of this program, “U.S. bank”, “U.S. savings association”, “U.S. BHC” and “U.S. SLHC” means a bank, savings association, BHC or SLHC organized under the laws of the United States or any State of the United States, the District of Columbia, any territory or possession of the United States, Puerto Rico, Northern Mariana Islands, Guam, American Samoa, or the Virgin Islands. **The United States Department of the Treasury will determine eligibility and allocation for QFIs after consultation with the appropriate Federal banking agency.**

**Application Process:** The Capital Assistance Program is available only to publicly traded<sup>1</sup> QFIs that meet eligibility requirements, which will be substantially similar to those used for the Capital Purchase Program. QFIs must apply to their appropriate Federal banking agency for participation in the Capital Assistance Program. The appropriate Federal banking agency will make a recommendation to the Department of the Treasury regarding an applicant’s viability.

Separate term sheets are expected to be made available for participation in the Capital Assistance Program for QFIs

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<sup>1</sup> For the purposes of this term sheet “publicly traded” means a company (1) whose securities are traded on a national securities exchange and (2) required to file, under the federal securities laws, periodic reports such as the annual (Form 10-K) and quarterly (Form 10-Q) reports with either the Securities and Exchange Commission or its appropriate Federal banking agency.

which are not publicly traded or are organized as subchapter S corporations or in mutual form.

**Qualified Equity  
Offering for  
Capital Purchase**

**Program Preferred Stock:** The issuance by the QFI of the Convertible Preferred to the UST will be a “Qualified Equity Offering” under the Capital Purchase Program to the extent the proceeds from the sale of the Convertible Preferred are used to redeem the Preferred Shares sold to the UST under the Capital Purchase Program in whole or in part in accordance with their terms (thus effecting an “exchange” of the Convertible Preferred for the Preferred Shares sold under the Capital Purchase Program). Proceeds that are used to redeem the Preferred Shares sold to the UST under the Capital Purchase Program will count towards the Qualified Equity Offering proceeds that are required to be raised in order to reduce the number of shares of common stock underlying the warrant issued to the UST under the Capital Purchase Program. If applicable, the proceeds from the sale of the Convertible Preferred may also be used to redeem the Preferred Shares sold to the UST under the Targeted Investment Program in whole or in part in accordance with their terms.

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

**Size:** QFIs may sell Convertible Preferred to the UST subject to the limits and terms described below.

Each QFI may issue an amount of Convertible Preferred equal to not less than 1% of its risk-weighted assets and not more than 2% of its risk-weighted assets plus any amount of Convertible Preferred to the extent the proceeds of such additional Convertible Preferred are used to redeem Preferred Shares sold under the Capital Purchase Program and, if applicable, the Targeted Investment Program.

A QFI must receive the approval of the appropriate Federal banking agency to issue Convertible Preferred in excess of the amount set forth in the paragraph above and will be deemed as needing “exceptional assistance.” The determination to provide such exceptional assistance will be solely in the discretion of the UST in consultation with the appropriate Federal banking agency and will be made

on a case by case basis in order to ensure or promote financial market stability. QFIs receiving exceptional assistance may be subject to additional terms and conditions.

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| <b>Security:</b>                  | Mandatorily Convertible Preferred, liquidation preference \$1,000 per share. (Depending upon the QFI's available authorized preferred shares, the UST may agree to purchase Convertible Preferred with a higher liquidation preference per share, in which case the UST may require the QFI to appoint a depositary to hold the Convertible Preferred and issue depositary receipts.)                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Term/Mandatory Conversion:</b> | Mandatorily converts to common stock after 7 years at the Conversion Price.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Optional Conversion:</b>       | <p>Convertible in whole or from time to time in part at the Conversion Price at the option of the QFI at any time, subject to the approval of the QFI's primary Federal banking agency.</p> <p>Convertible at the Conversion Price at the option of the holder upon specified corporate events, including certain sales, mergers or changes of control of the QFI.</p>                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Conversion Price:</b>          | <p>Conversion price is 90% of the average closing price for the common stock for the 20 trading day period ending February 9, 2009, subject to customary anti-dilution adjustments. If applicable, the conversion price shall be reduced by 15% of the original conversion price on each six-month anniversary of the issue date of the Convertible Preferred if the consent of the QFI stockholders described below has not been received, subject to a maximum reduction of 45% of the original conversion price.</p> <p>Upon any conversion, the QFI shall also pay any accrued and unpaid dividends at its option in either cash or shares of common stock, which shares shall be valued for this purpose at the closing price on the second preceding trading day.</p> |
| <b>Ranking:</b>                   | Senior to common stock and pari passu with existing preferred shares other than preferred shares which by their terms rank junior to any existing preferred shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Regulatory Capital Status:</b> | Tier 1, for holding companies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

**Dividend:**

The Convertible Preferred will pay cumulative dividends at a rate of 9% per annum, compounding quarterly. Notwithstanding the foregoing, if applicable, the dividend rate on the Convertible Preferred shall increase to 20% per annum on the sixth month anniversary of the issue date of the Convertible Preferred if the consent of the QFI stockholders described below has not been received by such date, and shall remain at such level until the date on which such stockholder approval is received.

**Redemption of  
Convertible Preferred:**

Convertible Preferred may be redeemed, subject to the approval of the QFI's primary Federal banking agency, in whole or in part at any time solely with the proceeds of one or more issuances of common stock for cash which results in aggregate gross proceeds to the QFI of not less than 25% of the issue price of the Convertible Preferred, or additions to retained earnings.

Convertible Preferred redeemed within the first two years of issuance will be redeemable at par, plus any accrued and unpaid dividends. After the first two years of issuance, Convertible Preferred will be redeemable at the greater of par plus accrued and unpaid dividends and the as-converted value.

Following the redemption in whole of the Convertible Preferred held by the UST, the QFI shall have the right to repurchase the Warrant and any common stock then held by the UST under the Capital Assistance Program at fair market value.

**Dividend Stopper:**

For as long as any Convertible Preferred is outstanding, no dividends may be declared or paid on junior preferred shares, preferred shares ranking pari passu with the Convertible Preferred, or common shares (other than in the case of pari passu preferred shares, dividends on a pro rata basis with the Convertible Preferred), nor may the QFI repurchase or redeem any junior preferred shares, preferred shares ranking pari passu with the Convertible Preferred or common shares, unless all accrued and unpaid dividends for all past dividend periods on the Convertible Preferred are fully paid.

**Common Dividends:**

For so long as any Convertible Preferred is outstanding and owned by the UST or the UST owns any common stock of the QFI issued under the Capital Assistance Program, dividends declared and paid on the common

stock must be no greater than \$0.01 per share per quarter unless the UST consents to a higher amount.

**Restrictions on Repurchases:**

For so long as any Convertible Preferred is outstanding and owned by the UST or the UST owns any common stock of the QFI, the UST's consent shall be required for any repurchases of equity securities or trust preferred securities, subject to certain exceptions similar to those in Section 4.8 of the Securities Purchase Agreement -- Standard Terms of the UST's Capital Purchase Program. In addition, there shall be no share repurchases of junior preferred shares, preferred shares ranking pari passu with the Convertible Preferred, or common shares, if prohibited as described above under "Dividend Stopper".

**Voting rights:**

The Convertible Preferred shall have no voting rights prior to conversion to common stock, other than class voting rights on (i) any authorization or issuance of shares ranking senior to the Convertible Preferred, (ii) any amendment to the rights of the Convertible Preferred, or (iii) any merger, exchange or similar transaction which would adversely affect the rights of the Convertible Preferred.

If dividends on the Convertible Preferred are not paid in full for six dividend periods, whether or not consecutive, the Convertible Preferred will have the right to elect 2 directors. The right to elect directors will end when full dividends have been paid for four consecutive dividend periods.

Upon conversion of the Convertible Preferred, the UST will have the voting rights associated with the QFI's common stock. UST will publish a set of principles governing its use of these rights prior to closing any transactions.

**Transferability:**

The Convertible Preferred and the underlying shares of common stock will not be subject to any contractual restrictions on transfer. The QFI will file a shelf registration statement covering the Convertible Preferred and the underlying shares of common stock as promptly as practicable after the date of this investment and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. The QFI will also grant to the UST piggyback registration rights for the Convertible Preferred and the

underlying shares of common stock and will take such other steps as may be reasonably requested to facilitate the transfer of the Convertible Preferred and the underlying shares of common stock including, if requested by the UST, using reasonable efforts to list the Convertible Preferred on a national securities exchange. The QFI will apply for the listing on the national exchange on which the QFI's common stock is traded of the common stock underlying the Convertible Preferred. If requested by the UST, the QFI will appoint a depositary to hold the Convertible Preferred and issue depositary receipts.

**Mandatory Sale:**

After the mandatory conversion date, the UST shall make reasonable efforts to sell on an annual basis an amount of common stock equal to at least 20% of the total common stock owned by the UST on the mandatory conversion date until the UST owns 0% of the QFI's common stock.

Following the conversion of the Convertible Preferred into the QFI's common stock, the QFI will have the right, subject to the approval of the QFI's primary Federal banking agency, to repurchase any of such shares of common stock held by the UST at a price equal to the greater of the Conversion Price and the market price of the common stock on the date of repurchase (calculated based on the average closing price during the 20 trading day period beginning on the day after notice of repurchase is given). Any such repurchases must be made with the proceeds of an issuance of common stock for cash or additions to retained earnings.

Following the repurchase in whole of the common stock held by the UST as provided above, the QFI shall have the right to repurchase the Warrant issued to the UST under the Capital Assistance Program (and any common stock issued upon its exercise) and then held by the UST at fair market value.

**Executive Compensation,  
Transparency,  
Accountability,  
Monitoring:**

The QFI and its covered officers and employees shall agree to comply with the rules, regulations and guidance of the UST with respect to executive compensation, transparency, accountability and monitoring, as published and in effect at the time of the investment closing.

**Summary of Warrant Terms**

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| <b>Warrant:</b>         | The UST will receive warrants to purchase a number of shares of common stock of the QFI having an aggregate market value (based on the Conversion Price) equal to 20% of the Convertible Preferred amount on the date of investment. The initial exercise price for the warrants, and the market price for determining the number of shares of common stock subject to the warrants, shall be the Conversion Price, subject to customary anti-dilution adjustments. If applicable, the exercise price shall be reduced by 15% of the original exercise price on each six-month anniversary of the issue date of the warrants if the consent of the QFI stockholders described below has not been received, subject to a maximum reduction of 45% of the original exercise price.                                                                                                                                                                                                |
| <b>Term:</b>            | 10 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Exercisability:</b>  | Immediately exercisable, in whole or in part                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Transferability:</b> | The warrants will not be subject to any contractual restrictions on transfer. The QFI will file a shelf registration statement covering the warrants and the common stock underlying the warrants as promptly as practicable after the date of this investment and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. The QFI will also grant to the UST piggyback registration rights for the warrants and the common stock underlying the warrants and will take such other steps as may be reasonably requested to facilitate the transfer of the warrants and the common stock underlying the warrants. The QFI will apply for the listing on the national exchange on which the QFI's common stock is traded of the common stock underlying the warrants and will take such other steps as may be reasonably requested to facilitate the transfer of the warrants or the common stock. |
| <b>Voting:</b>          | The UST will agree not to exercise voting power with respect to any shares of common stock of the QFI issued to it upon exercise of the warrants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Substitution:</b>    | In the event the common stock of the QFI is no longer listed or traded on a national securities exchange or securities association, or the consent of the QFI stockholders described below has not been received within                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

18 months after the issuance date of the warrants, the warrants will be exchangeable, at the option of the UST, for senior term debt or another economic instrument or security of the QFI such that the UST is appropriately compensated for the value of the warrant, as determined by the UST.

### **Stockholder Consent**

In the event that the QFI does not have sufficient available authorized shares of common stock to reserve for issuance upon conversion of the Convertible Preferred and exercise of the warrants and/or stockholder approval is required for such issuance under applicable stock exchange rules, the QFI will call a meeting of its stockholders as soon as practicable after the date of this investment to increase the number of authorized shares of common stock and/or comply with such exchange rules, and to take any other measures deemed by the UST to be necessary to allow the conversion of the Convertible Preferred and exercise of warrants into common stock.