

MEMORANDUM TO CDCI PARTICIPANTS

September 16, 2010

Thank you for participating in the Troubled Asset Relief Program (TARP) Community Development Capital Initiative (CDCI). This memorandum is intended to ensure that you are aware of certain key terms of this program, which offers low-cost capital to Community Development Financial Institutions (CDFIs) as a means of helping them fulfill their mission of providing credit to small businesses and individuals in underserved communities. With the continuing strains of the economic crisis still being felt by small businesses, job-seekers, and the housing sector, today more than ever the work of CDFIs in economically distressed communities is especially critical.

As you know, the CDCI term sheets, application documents, and frequently asked questions are available on Treasury's website <http://www.financialstability.gov/roadtostability/comdev.html>. You should carefully read the entire Securities Purchase Agreement and the accompanying documents, including the appropriate form of Letter Agreement, form of Certificate of Designation and form of Senior Subordinated Security, as applicable, as it is those documents and not these brief summaries that govern your rights and obligations under the CDCI.¹

Executive Compensation and Corporate Governance Requirements

CDCI was created using authority under the Emergency Economic Stabilization Act of 2008 (EESA) and, accordingly, participating institutions are required to comply with the executive compensation and corporate governance provisions of the EESA and Treasury's interim final rule implementing these provisions at 31 CFR Part 30. The following is a brief summary of certain key TARP executive compensation and corporate governance requirements.

1. Bonuses cannot be accrued or paid to a group of employees ranging in size from a single employee to a group of approximately 25 employees, depending on the amount of TARP assistance. There is an exception for certain grandfathered bonuses. There is also a limited exception for certain bonuses that are payable in stock (or in cash- or stock-settled units that are based on the value of the institution or, in some cases, a division of the institution); these bonuses may only be paid out, however, in proportion to the repayment of TARP assistance, in 25-percent increments.
2. Golden parachute or severance payments cannot be paid to the senior executive officers or the next five most highly compensated employees with respect to a termination or change in control that occurs while TARP obligations are outstanding. (Among other payments, certain payments under a 457(f) plan may be prohibited under this provision.)
3. Bonuses paid to the senior executive officers and the next twenty most highly compensated employees must be subject to a clawback provision if it turns out they were based on inaccurate metrics.
4. Tax gross-ups cannot be paid to the senior executive officers or the next twenty most highly compensated employees.

¹ Neither this memorandum nor any other oral or written statement or representation by Treasury constitutes a binding obligation to make a capital purchase or otherwise. A binding obligation shall only arise pursuant to a duly executed Letter Agreement incorporating the terms of the Securities Purchase Agreement.

5. The board must adopt an excessive or luxury expenditures policy and post the policy on the institution's website.
6. The board's compensation committee must be composed of independent directors who must review and evaluate compensation plans every six months to ensure that they do not pose unnecessary risks to the institution, and the committee must file annual certifications and disclosures (including disclosures as to certain perquisites and compensation consultants). For certain institutions, the board as a whole may perform the functions of an independent compensation committee.
7. The CEO and CFO must file annual certifications covering compliance with the executive compensation and corporate governance requirements.
8. If the institution has securities registered with the SEC, then shareholders must be provided with an annual advisory vote on executive compensation (say on pay).

Net Operating Losses

Institutions that have net operating losses and receive TARP funds solely under CDCI, which is a TARP program established for the stated purpose of increasing the availability of credit to small businesses, may be eligible to carry back losses from one tax year up to five tax years pursuant to Section 13 of the Worker, Homeownership, and Business Assistance Act of 2009. Participants should consult their tax advisers on the applicability of this provision.

Affirmative and Negative Covenants

The following is a brief overview of certain key provisions of the affirmative and negative covenants (other than the executive compensation covenants described above) of the Securities Purchase Agreement that governs the CDCI program.

1. Affirmative Covenants

A. Access, Information and Confidentiality

- Until Treasury holds less than 10% of the original purchase price of its investment, Treasury and its agents will have reasonable access to the books and records of your Company.
- While the investment is outstanding, your Company will have certain reporting obligations including the obligation to deliver financial statements, assessments on internal controls and other investor information.

B. CDFI Requirements

- While the investment is outstanding, your Company will be obligated to maintain its status as a certified CDFI and shall provide Treasury with certifications and other documents sufficient to evidence such status.

C. HAMP Modifications

- While the investment is outstanding, your Company shall consent to any Making Home Affordable (MHA) modification made by any non-affiliated mortgage servicer and, to the extent such programs are open for participation, participate in Treasury's MHA program under certain circumstances.

2. Negative Covenants

A. Certain Transactions

- While the investment is outstanding, neither your Company nor any of your subsidiaries shall engage in certain significant corporate transactions such as mergers or the sale of all or substantially all of your Company's assets subject to certain exceptions.

B. Restrictions on Dividends and Repurchases

- While the investment is outstanding, your Company will be subject to significant restrictions on repurchases of and dividends on your Company's common stock including a restriction on any increase in the aggregate per share dividend or distribution over the immediately prior fiscal year.
- Furthermore, should the investment be outstanding past the eighth (8th) anniversary of the closing, your Company will generally be prohibited from making any dividend payments on or repurchases of your Company's common stock.
- For participating credit unions, no special dividends may be declared or paid on any share accounts or other capital instruments.

C. Related Party Transactions

- While the investment is outstanding, your Company shall not enter into any transactions with affiliates unless certain exceptions are met.

Again, you are strongly encouraged to consult with your legal counsel and read the entirety of the legal documentation governing CDCI as those documents, and not these brief summaries, govern your rights and obligations under the program.