SUMMARY OF TREASURY'S CAPITAL ASSISTANCE PROGRAM

On February 25, 2009, the US Department of the Treasury (Treasury), released the details of its Capital Assistance Program (CAP), one part of the Obama Administration's Financial Stability Plan aimed at boosting confidence in the US financial markets. The Financial Stability Plan is described in the Arnold & Porter LLP client advisory available at http://www.arnoldporter.com/resources/documents/CA_TreasuryAnnouncesFinancialStabilityPlan_021309.pdf. CAP consists of two core elements: (1) a forward-looking assessment of a bank's balance-sheet risks and capital needs and (2) capital investments by Treasury to help qualifying banks establish a capital buffer. The 19 largest bank holding companies with risk-weighted assets in excess of US$100 billion are required to participate in the special supervisory forward-looking assessment process before applying for CAP funds. CAP funds are immediately available to all other qualifying financial institutions. The deadline to apply for CAP funds is May 25, 2009. Institutions will have up to six months after receiving preliminary approval to close the CAP transition.

Treasury has stated that CAP is designed to give banks an incentive to redeem or replace government-provided capital with private capital as soon as possible. The capital investments by Treasury under CAP will consist of the following terms:

Eligibility

Eligibility under CAP is consistent with the criteria and process established for identifying Qualified Financial Institutions (QFI) in the Troubled Asset Relief Program's Capital Purchase Program (CPP). QFIs include the following:

- Any US bank or savings association not controlled by a holding company
- Any top-tier US bank holding company
- Any top-tier US savings and loan holding company engaging solely or predominately in activities permissible for financial holding companies

Issuance

US bank holding companies with risk-weighted assets in excess of US$100 billion must raise an amount of capital to be determined by Treasury's stress tests. The capital requirement can be fulfilled through private-sector funding. However, any institution that seeks capital from Treasury under CAP must adhere to the following issuance restrictions:

- Total amount of capital issued must be between 1% of a QFI's risk-weighted assets and the sum of 2% of risk-weighted assets plus any amount of CAP shares issued

Brussels
+32 (0)2 290 7800

Denver
+1 303.863.1000

London
+44 (0)20 7786 6100

Los Angeles
+1 213.243.4000

New York
+1 212.715.1000

Northern Virginia
+1 703.720.7000

San Francisco
+1 415.356.3000

Washington, DC
+1 202.942.5000

Market Volatility and the Changing Regulatory Landscape

For more information and access to Arnold & Porter's latest resources on this topic including client advisories, upcoming events, publications, and the Market Volatility & the Changing Regulatory Landscape Chart, which aggregates information on US government programs, please visit: http://www.arnoldporter.com/marketvolatility.

to redeem shares sold under the CPP

- Exceptional capital assistance can be provided with the approval of the primary federal bank regulator

Security Characteristics

Treasury will initially purchase senior preferred convertible stock from the QFI. This equity can be converted to common stock at the option of the QFI, subject to the approval of its primary federal bank regulator. After seven years, the security will automatically convert to common stock if not yet redeemed or converted. The characteristics of both the senior preferred convertible stock and the converted common stock are as follows:

- Senior Preferred Convertible Stock (Convertible)
  - Issued at US$1,000 per share (shares may be issued at a higher price if the amount of shares that can be issued by the QFI are restricted by its bylaws)
  - Senior to common stock and *pari passu* with existing preferred shares
  - Dividend requirement of 9% per annum (increases to 20% per annum if QFI stockholders have not authorized common stock issuance where authorization is required)
  - Converts to common stock after seven years
  - May be converted in whole or in part to common stock at anytime at QFI's discretion
  - Redeemable by the QFI in whole or in part at anytime subject to primary federal bank regulator approval
  - The QFI can redeem the stock only from (i) the proceeds of one or more issuances of common stock for cash that result in aggregate gross proceeds to the QFI of not less than 25% of the issue price of the Convertible or (ii) additions to retained earnings
  - No voting rights except on preferred-class related matters
- Converted Common Stock
  - Converts at 90% of average closing price of common stock for the 20-day trading period ending February 20, 2009
  - Conversion price reduces 15% for every six months that QFI stockholders have not authorized common stock issuance where authorization is required (maximum reduction of 45%)
  - Same voting rights as those associated with any other form of QFI common stock

Restrictions

During the period of time that Treasury owns an equity stake in a QFI through CAP, the QFI will be subject to restrictions on dividend payments and executive compensation. The American Recovery and Reinvestment Act of 2009 (ARRA), passed on February 17, 2009, expands the executive compensation provisions of the Emergency Economic Stabilization Act of 2008 (EESA). This expansion goes well beyond Treasury's guidelines on executive compensation issued on February 4, 2009. It is anticipated that Treasury will promulgate new executive compensation regulations in light of the ARRA. The executive compensation provisions of ARRA are described in the Arnold & Porter client advisory at http://www.arnoldporter.com/resources/documents/CA_StimulusBillAmendsRestrictions_021908.pdf. According to the CAP term sheet, QFIs will be subject to the following restrictions on dividend payments, and executive compensation:

- No dividends may be paid on other QFI shares while Convertible shares are outstanding (other than *pari passu* preferred stock on a *pro rata* basis)
- Until all Convertible dividends are paid, no other QFI shares can be redeemed or repurchased
- All CAP related offerings are subject to executive compensation, transparency, accountability, and monitoring guidelines as set by Treasury at the time of the investment closing

RELATIONSHIP BETWEEN THE CAPITAL ASSISTANCE PROGRAM AND THE CAPITAL PURCHASE PROGRAM

An institution does not have to be a participant of CPP to be eligible for CAP. CAP does not replace the CPP, although CPP recipients are allowed to convert previously-issued

CPP senior preferred shares into CAP convertible preferred shares with Treasury approval. The conversion counts as a "Qualified Equity Offering" that allows CPP participants to redeem their shares issued to Treasury. Also, as a result of Title VII of ARRA, CPP recipients may redeem their CPP investments under terms other than those specified in the original transaction documents.

For banks considering whether to participate in CAP or switch from CPP to CAP, the following chart compares the securities issued under both programs:

Terms	Capital Purchase Program (CPP)	Capital Assistance Program (CAP)
What type of security is issued to Treasury?	Senior Preferred Shares	Mandatorily Convertible Preferred Shares
What total value of shares may be issued?	Minimum: 1% of risk-weighted assets Maximum: 3% of risk-weighted assets or US$25 billion, whichever is less	Minimum: 1% of risk-weighted assets Maximum: 2% of risk-weighted assets plus any amount of shares used to redeem CPP or Targeted Investment Program Preferred Shares Exception: At discretion of Treasury, "exceptional assistance" can be provided on case by case basis and may be subject to additional terms and conditions
What is the priority of the shares?	Senior to common stock *Pari passu* with existing preferred shares, except preferred shares that by their terms rank junior to any existing shares	Same as CPP
How long can shares remain preferred?	Shares have perpetual life	Shares mandatorily convert to common stock after seven years
What are the cumulative dividend payout requirements of the shares?	5% per annum for five years,* 9% per annum thereafter* *Banks that are not subsidiaries of holding companies pay non-cumulative dividends at the same rate	9% per annum, 20% per annum after six months if stockholders have not provided required share issuance approval
What are the restrictions on paying dividends on all other shares?	No dividends may be declared unless (i) in the case of cumulative Senior Preferred Shares all accrued and unpaid dividends for all past dividend periods on the Senior Preferred Shares are fully paid, or (ii) in the case of noncumulative Senior Preferred Shares the full dividend for the latest completed dividend period has been declared and paid in full No common dividend increases are permitted during the first three years unless Senior Preferred Shares are redeemed in whole or transferred to third parties	No dividends may be declared unless all past dividend payouts on the Convertible Preferred Shares are fully paid Common dividends must be no greater than US$0.01 per share per quarter for as long as Convertible Preferred Shares or common stock issued under CAP is owned by Treasury

Terms	Capital Purchase Program (CPP)	Capital Assistance Program (CAP)
When can shares be redeemed?	After three years, unless redeemed with proceeds from an offering that yielded at least 25% of the issue price of the Senior Preferred Shares	Any time, solely with proceeds from (i) one or more offerings that yielded at least 25% of the issue price of the Convertible Preferred Shares or (ii) additions to retained earnings
At what price can shares be redeemed?	100% of the shares' issue price plus any accrued and unpaid dividends	100% of the shares' issue price plus any accrued/unpaid dividends, if redeemed during the first two years After two years, the greater of 100% of the share price plus any accrued/unpaid dividends Following the conversion of Convertible Preferred Shares to common stock, the shares may be repurchased at a price equal to the greater of the stock conversion price and the market price of the common stock on the date of repurchase. Such repurchases must be made with the proceeds of an issuance of common stock for cash or additions to retained earnings
What voting rights does Treasury receive with shares?	None, except class voting rights on: (i) any authorization or issuance of shares ranking senior to the preferred shares, (ii) any amendment to the rights of preferred shares, and (iii) any merger, exchange, or similar transaction that would adversely affect rights of the preferred shares Senior Preferred Shares grant Treasury the right to elect two directors if dividends are not paid in full for six dividend periods, whether or not consecutive. Right ends when full dividends have been paid for four consecutive dividend periods	Same as CPP
What are the executive compensation restrictions?	Must modify all benefit plans, arrangements, and agreements to comply with Section 111 of EESA	Must comply with executive compensation limitations in place at time of investment closing
Does Treasury have a mandatory sale plan of the shares?	No	Yes. After the date of mandatory conversion from Convertible Preferred Shares to common shares, Treasury must make reasonable efforts annually to sell at least 20% of the total common stock owned

Terms	Capital Purchase Program (CPP)	Capital Assistance Program (CAP)
The Warrants authorizes Treasury to purchase a number of shares of the QFI's common stock equal to what value?	15% of the aggregate market value of Senior Preferred Shares on the date of investment	20% of the aggregate market value of Convertible Preferred Shares on the date of investment
How and when may the Warrants be exercised?	Immediately exercisable, in whole or in part, for 10 years	Same as CPP
What voting rights will Treasury have on shares of common stock it received through the exercise of the Warrants?	None	Same as CPP

Please contact your Arnold & Porter attorney with any questions regarding CAP, CPP, or other financial stability programs.

A. Patrick Doyle
+1 212.715.1770
APatrick.Doyle@aporter.com

Richard M. Alexander
+1 202.942.5728
Richard.Alexander@aporter.com

Brian C. McCormally
+1 202.942.5141
Brian.McCormally@aporter.com

Christopher L. Allen
+1 202.942.6384
Christopher.Allen@aporter.com

Jeremy W. Hochberg
+1 202.942.5523
Jeremy.Hochberg@aporter.com

Brian Larkin*
+1 202.942.5990
Brian.Larkin@aporter.com

*Admitted only in Maryland; practicing law in the District of Columbia pending approval of application for admission to the DC Bar and under the supervision of attorneys of the firm who are members in good standing of the DC Bar.