

# Emergency Capital Investment Program

## Senior Preferred Stock Term Sheet

### *Summary of Terms*

Capitalized terms undefined in the term sheet are defined in the Definitions section of Treasury's Application Instructions and Materials for the Emergency Capital Investment Program found here: [ECIP Application Instructions and Materials link](#)

<b>Issuer</b>	<p>The term "issuer" means a financial institution that is, as of the date of submitting an application:</p> <ol style="list-style-type: none"><li>1. A Community Development Financial Institution or Minority Depository Institution; and</li><li>2. An Insured Depository Institution not controlled by a Bank Holding Company ("BHC") or Savings and Loan Holding Company ("SLHC"), a BHC, or an SLHC.</li></ol>
<b>Application</b>	<p>An institution must apply to the United States Department of the Treasury ("Treasury") to be considered for investments from the Emergency Capital Investment Program ("ECIP").</p>
<b>Security</b>	<p>Senior perpetual noncumulative preferred stock ("Senior Preferred"), liquidation preference of \$1,000 per share (unless otherwise dictated by the law of the state in the case of issuers organized under state law).</p> <p>Depending on an issuer's available authorized preferred shares, Treasury may agree to purchase Senior Preferred with a higher liquidation preference per share.</p> <p>No fractional shares will be accepted.</p>
<b>Regulatory Capital Treatment</b>	<p>Tier 1</p>
<b>Investment Amount</b>	<p><u>General limit per issuer: \$250,000,000</u></p> <p><u>Additional limit for issuers with Total Assets of an amount:</u></p> <p>&gt; <b>\$2BN</b>: 7.5% of total assets</p> <p>≤<b>\$2BN and ≥\$500MM</b>: 15% of total assets</p> <p>&lt; <b>\$500MM</b>: 22.5% of total assets</p>

	<p>“Total assets” means (i) for issuers that file reporting Form FR Y-9C, the total consolidated assets as reported in Schedule HC of the FR Y-9C, (ii) for issuers that file a Consolidated Report of Condition and Income (“Call Report”), the total assets as reported on Schedule RC of the Call Report, and (iii) for issuers that file on reporting Form FR Y-9SP, the higher of the (1) total assets reported in Schedule SC of the FR Y-9SP and (2) total assets reported in the Call Report of such issuer’s primary insured depository institution subsidiary).</p>
<b>Ranking</b>	<p>With respect to all distributions, the Senior Preferred will rank senior to all of the issuer’s common stock and <i>pari passu</i> with the most senior class or existing series of existing preferred stock (other than preferred shares that rank junior to any existing or future preferred shares), and will be subordinated to depositors, general creditors, and subordinated debt holders of the issuer in a receivership, insolvency, liquidation, or similar proceeding.</p>
<b>Target Communities</b>	<p>“Target Communities” include Minority, Rural, and Urban Low-Income and Underserved Communities and to Low- and Moderate-Income borrowers, as defined in Treasury’s Application Instructions for ECIP.</p>
<b>Qualified Lending</b>	<p>“Qualified Lending” means the following extensions of credit (including participations in such extensions of credit) to Target Communities:</p> <p>As reported to your primary federal regulator or, in the case of a holding company that files on Form FR Y-9SP, the primary federal regulator for its insured depository institution subsidiaries (numerical cross references are to Call Report items in Schedule RC-C and FR Y-9C items in Schedule HC-C (Loans and Lease Financing Receivables)):</p> <ul style="list-style-type: none"> <li>(i) all loans secured by real estate; <ul style="list-style-type: none"> <li>a. construction, land development, and other land loans (1.a.(1)–(2))</li> <li>b. loans secured by farmland (1.b.))</li> <li>c. loans secured by family and multi-family residential properties (1.c.(1), 1.c(2)(a)–(b));</li> <li>d. loans secured by multifamily (5 or more) residential properties (1.d);</li> <li>e. loans secured by nonfarm nonresidential properties (1.e.)</li> </ul> </li> </ul>

	<p>(ii) loans to finance agricultural production and other loans to farmers (3.);</p> <p>(iii) commercial and industrial loans (4.);</p> <p>(iv) loans to individuals for households, family, and other personal expenditures (6.a–d.); and</p> <p>(v) lease financing receivables (10.),</p> <p>and, within these loan categories, excluding:</p> <p>A. any loans made under the Paycheck Protection Program;</p> <p>B. the portion of any loans held by the issuer for which the risk is assumed by a third party other than the U.S. Small Business Administration, any other U.S. government agency, or a U.S. government-sponsored enterprise (for example, the portion of loans that have been participated); and</p> <p>C. any loan that is an extension or re-write of any existing loan unless it involves an increase of 20% or more in the principal amount of the loan, in which case the entire loan amount, including the increase, is eligible for inclusion in qualified lending.</p> <p><u>While, further,</u> adding to the amount determined above the cumulative amount of net loan charge-offs with respect to Qualified Lending as measured since, and including, the quarter ended September 30, 2020.</p> <p>The amount of Qualified Lending, including the exclusions listed above, shall be calculated and reported 10 business days before the date of Treasury’s investment (“Investment Date”) by the issuer in a format specified by Treasury (“Initial Supplemental Report”) and during each full quarter thereafter (“Quarterly Supplemental Report”) for the full lifetime of participation in the ECIP.</p> <p>The dividend rate will be adjusted based on the lending growth criteria listed in these terms beginning the first payment date after</p>

	the 24-month, no dividend accrual <sup>1</sup> period ends, and reported results will determine the dividend rate due for the remainder of quarterly payments in the first 10 years of investments. The first dividend due will be a partial, pro-rata amount for accrual inclusive of the day beginning on the 24-month anniversary date.
<b>Calculation of Lending Baseline</b>	<p>Not later than 10 business days prior to the Investment Date, the issuer shall submit an Initial Supplemental Report reporting Qualified Lending for the annual period ending on September 30, 2020. In calculating Qualified Lending, if any gains in Qualified Lending resulted from mergers and acquisitions or purchase of loans during any quarter during such four quarter period, the issuer shall recalculate Qualified Lending for the annual period ending on September 30, 2020 based on instructions that will be provided by Treasury in the Initial Supplemental Report. The Qualified Lending reported for the annual period ending on September 30, 2020 shall be the baseline against which subsequent Qualified Lending is measured (“Baseline”).</p> <p>When applicable, at the beginning of each quarter that begins after the Investment Date, the Baseline will be increased by the amount of any gains realized by the issuer resulting from mergers and acquisitions, or purchases of loans, as measured since, and including, the quarter ending on September 30, 2020.</p>
<b>Maturity</b>	Perpetual.
<b>Dividend</b>	The Senior Preferred will pay non-cumulative dividends. No dividends shall accrue or be due for the first 24 months following the Investment Date. Dividends will begin to accrue on the 2-year anniversary of the Investment Date. The first (partial) quarterly payment will be due on the first dividend payment date after that date.

<sup>1</sup> References to “accrue” or “accrual” in this term sheet refer only to the determination of the amount of any dividend and do not imply that any right to a dividend arises prior to the date on which a dividend is declared. Because the Senior Preferred is non-cumulative, if a dividend is not declared in respect of any dividend payment date, the holder of the Senior Preferred will not be entitled to the dividend not declared and no interest, or sum of money in lieu of interest, will be payable in respect of any dividend not declared, whether or not dividends are declared on the Senior Preferred or any other class or series of capital stock of the issuer for any future dividend period.

	<p>Thereafter, the dividend rate will adjust annually beginning with the first full quarterly period that begins after the first dividend payment date after the 2-year anniversary of the investment, to reflect the issuer’s Qualified Lending compared to the Baseline.</p> <p>See dividend table in <b>Annex A</b> attached hereto.</p> <p>Dividends will be payable quarterly in arrears on March 15, June 15, September 15 and December 15.</p> <p>“Non-cumulative”: If the Board of Directors does not declare a dividend on the Senior Preferred with respect to any Dividend Period, the holders of Senior Preferred shall have no right to receive any dividend with respect to such Dividend Period, and the Issuer shall have no obligation to pay a dividend with respect to such Dividend Period, whether or not dividends are declared for any subsequent Dividend Period with respect to the Senior Preferred.</p>
<p><b>Redemption</b></p>	<p>The Senior Preferred may be redeemed at the option of the issuer on or after the fifth anniversary of issuance (or earlier in the event of loss of regulatory capital treatment—see “<i>Change in Law</i>” below), subject to the approval of the appropriate federal banking regulator and in accordance with the federal banking agencies’ regulatory capital regulations.</p> <p>All redemptions of Senior Preferred must be made at a per share redemption price equal to 100% of the liquidation preference, plus accrued and unpaid dividends for the then-current dividend period. All redemptions must be in amounts equal to at least 20% of the number of originally issued shares, or 100% of the then-outstanding shares (if less than 20% of the number of originally issued shares).</p>
<p><b>Provisions upon Nonpayment of Dividends</b></p>	<p><u>The following applies whenever dividends payable on the Senior Preferred have not been declared and will not be paid in full for any quarterly dividend period:</u></p> <ol style="list-style-type: none"> <li>1. If the issuer chooses to not declare dividends, no later than 3 business days prior to the payment date the Chief Executive Officer and Chief Financial Officer of the issuer will be required to provide written notice, in a form reasonably satisfactory to Treasury, informing Treasury that the issuer did not declare dividends and the rationale of the issuer’s board of directors for not declaring dividends; and</li> </ol>

	<p>2. Beginning on the payment date for the unpaid dividend, restrictions described below will apply.</p> <p><u>After five quarterly dividends not paid in full:</u></p> <p>Whenever dividends on the Senior Preferred have not been declared and paid in full for five quarterly dividend periods or more, whether or not consecutive, Treasury will have the right, but not the obligation, to appoint a representative to serve as an observer on the issuer’s board of directors. This right will end when full dividends have been paid for four consecutive subsequent dividend periods.</p> <p><u>After six quarterly dividends not paid in full:</u></p> <p>Whenever dividends on the Senior Preferred have not been declared and paid in full for six quarterly dividend periods or more, whether or not consecutive, the holder of the Senior Preferred will have the right to elect two directors to the issuer’s board of directors. The right to elect directors will end when the full dividends have been paid for four consecutive subsequent dividend periods.</p>
<p><b>Restrictions on Dividends and Share Repurchases</b></p>	<p>The issuer shall agree to comply with the rules and regulations of Treasury with respect to dividends, share buybacks and other capital distributions.</p> <p><u>In general:</u></p> <p>An issuer will be prohibited from declaring or paying any dividend on, or purchasing or redeeming or making any other distribution on, any securities that are <i>pari passu</i> with, or junior to, the Senior Preferred with respect to distributions or ranking in liquidation unless the issuer has paid in full dividends on the preferred stock with respect to the last completed dividend period, subject to provisions on pro rata dividends on <i>pari passu</i> preferred stock in the case of partial dividends.</p> <p>These restrictions would not prevent an issuer from making required, non-discretionary payments, such as payments at stated maturity in accordance with an instrument’s terms or payments of interest that may not be deferred, as long as such payments are made in accordance with any regulations or limitations prescribed by the primary federal regulator.</p>

<b>Restrictions on Executive Compensation</b>	The issuer and its covered officers and employees shall agree to comply with the rules and regulations of Treasury with respect to restrictions on executive compensation.
<b>Investment and Lending Plan</b>	The issuer shall provide to Treasury, the appropriate federal banking agency, and, if applicable, state banking agency, an Investment and Lending Plan at the time it submits its application for ECIP.
<b>Voting Rights</b>	The Senior Preferred will be nonvoting, other than customary protective provisions, such as consent rights granted to Treasury with respect to (i) any authorization or issuance of shares ranking senior to the Senior Preferred, (ii) any amendments to the rights of the Senior Preferred and (iii) any merger, exchange, dissolution, or similar transaction which would adversely affect the rights of the holder of the Senior Preferred or (iv) as otherwise provided under applicable state law.
<b>Transferability</b>	<p><u>By Treasury:</u></p> <p>No contractual restrictions on transfer by Treasury (or vehicles established and used by Treasury to purchase, hold, and sell investments) to a third party<sup>2</sup>, provided that:</p> <ol style="list-style-type: none"> <li>1. Prior to any sale to a third party, issuer shall have a right of first refusal to buy back the investment under terms that do not exceed a value as determined by an independent third party, conditional upon prior approval by the issuer’s primary federal regulator, as applicable;</li> <li>2. Treasury shall not sell more than 25% of the outstanding equity interests of the issuer to a single third party without the issuer’s consent, which may not be unreasonably withheld; and</li> <li>3. With the permission of the issuer, Treasury may transfer or sell the interest in the capital investment for no consideration or for a <i>de minimis</i> amount to a mission-aligned nonprofit affiliate of an applicant that is an insured community development financial institution (“Eligible Nonprofit”).</li> <li>4. Treasury will not sell the investment (other than to an Eligible Nonprofit) before the tenth anniversary of the Investment Date without the issuer’s consent, which is not to be unreasonably withheld. In addition, Treasury will provide the issuer 18</li> </ol>

<sup>2</sup> The definition of 3<sup>rd</sup> party does not include a vehicle or entity controlled by the U.S. Department of the Treasury.

	<p>months' advance notice of intent to transfer Senior Preferred other than to an Eligible Nonprofit.</p> <p><u>By Issuer:</u></p> <p>The issuer, subject to receipt of any required regulatory approvals, may merge or sell all, or substantially all, of its assets (as well as, in the case of an issuer that is a BHC, any insured depository institution subsidiary), provided that the right of the Senior Preferred, and the obligations of the issuer relating thereto, are assumed and an equivalent Senior Preferred issued by the successor entity.</p> <p>The successor must also meet either the certified CDFI or MDI criteria to continue to participate in the ECIP unless prior Treasury approval is obtained. Treasury will issue guidance for how to account for qualified lending when two institutions merge.</p>
<p><b>Access and Information</b></p>	<p>The issuer will permit the holder of the Senior Preferred, the holder's designees, the Office of Inspector General of the Department of the Treasury, and the Comptroller General of the United States to examine the issuer's corporate books and discuss with the issuer's principal officers matters, in each case to the extent relevant to the investment, after being provided with reasonable notice, subject to applicable laws and regulations the disclosure of information.</p>
<p><b>Certifications</b></p>	<p>The issuer will provide the following certifications to Treasury:</p> <ol style="list-style-type: none"> <li>1. The issuer's Chief Executive Officer and Chief Financial Officer, as well as the directors (trustees) of the issuer who attest to the issuer's Call Report (or those of its insured depositories, in the case of a holding company), will certify to Treasury that information provided on each Supplemental Report is accurate.</li> <li>2. Following the Investment Date, within 120 days of the end of each fiscal year of the issuer during which a Supplemental Report is submitted, the issuer will receive and submit to Treasury a certification from its auditors that the processes and controls used to generate the Supplemental Reports are satisfactory.</li> <li>3. Annually, until the Redemption Date, the issuer will certify to Treasury that it is in compliance with the Customer</li> </ol>

	<p>Identification Program requirements set forth in 31 C.F.R. 103.121 (or any successor provision). Issuers must submit valid and timely certifications to be eligible for any dividend rate adjustment on the Senior Preferred.</p> <p>4. Annually, for the period required by Treasury’s rules and regulations, a certification by the issuer’s Chief Executive Officer and Chief Financial Officer that the issuer is in compliance with each of the excessive compensation, severance pay and excessive or luxury expenditures requirements and limitations on capital distributions set forth in Treasury’s rules and regulations related thereto, as published and in effect at the time of the certification.</p>
<b>Change in Law</b>	<p>If, after a capital investment has been made in an eligible institution under ECIP, there is a final change in law or regulation that results in loss of regulatory capital treatment for the investment, the eligible institution may, after consultation with the appropriate federal banking agency for the eligible institution, redeem the investment.</p>
<b>Noncompliance</b>	<p>An issuer’s noncompliance with the requirements of Treasury’s rules and regulations related to ECIP and the related ECIP investment agreement may result in (i) restrictions on capital distributions and (ii) certain governance-related remedies (e.g., observer and director rights). In addition, Treasury may inform the appropriate federal banking agency of an issuer’s apparent noncompliance.</p>
<b>Additional Information and Considerations</b>	<p>These terms and conditions are preliminary and subject to change. Final terms and conditions will be found in the definitive closing documents.</p> <p>This document does not create a binding legal obligation. A binding obligation shall only arise pursuant to duly executed definitive documentation, subject to the satisfaction of closing conditions, including the absence of any material adverse change in the condition (financial or otherwise) of the issuer.</p>

Annex A: Dividend Table for Senior Preferred

<b>Increase in Qualified Lending Compared to Baseline</b>	<b>First 8 Quarters</b>	<b>After 8 Quarters</b>	<b>After 10 Years*</b>
Increase of less than 200% of capital investment	0%	< 2.0% per annum	< 2.0% fixed
Increase between 200% and 400% of capital investment	0%	< 1.25% per annum	< 1.25% fixed
Increase greater than 400% of capital investment	0%	< 0.5% per annum	< 0.5% fixed

\* After the tenth anniversary of issuance of investment, the dividend rate will be fixed based on the average annual amount of lending in years 2 through 10 compared to the Baseline.