



**Small Business Lending Fund
Senior Preferred Stock**

Summary of Terms

- Issuer:** The term “Issuer” means:
- (i) an insured depository institution with total consolidated assets of less than \$10 billion that is not controlled by a bank holding company or savings and loan holding company and is not directly or indirectly controlled by any company or other entity that has total consolidated assets of \$10 billion or more; or
 - (ii) a bank holding company or savings and loan holding company with total consolidated assets of less than \$10 billion.¹
- Application:** Institutions must apply to the United States Department of the Treasury (“Treasury”) to be considered for investments from the Small Business Lending Fund (the “Fund”).
- Financial Instrument:** Senior perpetual noncumulative preferred stock (“Senior Preferred”), liquidation preference of \$1,000 per share.
- Regulatory Capital Treatment:** Tier 1.
- Investment Amount:**
- Issuers with \$1 billion or less in total assets – 5% of risk-weighted assets:
An Issuer that is not controlled by a bank holding company or savings and loan holding company and has total assets of \$1 billion or less, or that is a bank holding company or savings and loan holding company that has total assets of \$1 billion or less may issue a total amount of Senior Preferred equal to not less than 1% and not more than 5% of its risk-weighted assets (“RWA”).
- Issuers with \$1 billion to \$10 billion in total assets – 3% of RWA:
An Issuer that is not controlled by a bank holding company or savings and loan holding company and has total assets of more than \$1 billion and less than \$10 billion, or that is a

¹ Issuers that participated in the Community Development Capital Initiative (“CDCI”) or the Capital Purchase Program (“CPP”) and redeemed, or applied to redeem, the CDCI or CPP investment after December 16, 2010 may only receive investments from the Small Business Lending Fund pursuant to the refinancing terms available online at www.treasury.gov/SBLF.



bank holding company or savings and loan holding company that has total assets of more than \$1 billion and less than \$10 billion may issue a total amount of Senior Preferred equal to not less than 1% and not more than 3% of its RWA.

Issuers requiring a matching private investment – 3% RWA:

An Issuer that qualifies for an investment from the Fund in conjunction with a matching private investment (“Private Investment”) shall receive from one or more private, non-government investors an amount of Private Investment equal to at least the amount to be invested by the Fund (or such greater amount as may be specified by Treasury). For such Issuers, the Fund’s investment will not exceed 3% of the Issuer’s RWA. Private Investment shall be subordinate to the Senior Preferred and carry terms satisfactory to Treasury. The source of such capital shall not be any other institution that has received or applied to receive an investment from the Fund. Private Investment shall include any qualifying capital raised after September 27, 2010, net of subsequent dividends, repurchases, and redemptions.

Total assets are measured as reported in the call reports (or in the case of savings associations, Thrift Financial Reports) of the Issuer or, for holding companies, the combined total assets reported in the call reports of the Issuer’s insured depository institution subsidiaries, as of the end of the fourth quarter of calendar year 2009, and RWA are measured as reported in the most recent call reports as of the date of application.

Ranking: With respect to all distributions, the Senior Preferred will rank senior to common stock and *pari passu* with all existing preferred stock other than preferred shares that rank junior to any existing preferred shares.

**Calculation of
Qualified Small
Business Lending:**

Qualified Small Business Lending, as measured for the purpose of calculating the dividend rate for the Senior Preferred, is defined as the sum of all lending by the Issuer of the following types, as reported in the Issuer’s most recent quarterly call report:

- (i) commercial and industrial loans;
- (ii) owner-occupied nonfarm, nonresidential real estate loans;
- (iii) loans to finance agricultural production and other loans to farmers; and
- (iv) loans secured by farmland;

and, within these loan categories, excluding:

- (A) any loan or group of loans to the same borrower and its affiliates with an original principal or commitment amount greater than \$10 million or that is made to a borrower that had (or whose ultimate parent company had) more than \$50 million in revenues during the most recent fiscal year ended as of the date of origination;
- (B) to the extent not included in (A) or (C), the portion of any loans guaranteed by the U.S. Small Business Administration, any other U.S. Government agency, or a U.S. Government-sponsored enterprise; and



(C) to the extent not included in (A) or (B), the portion of any loans held by the Issuer for which the risk is assumed by a third party (for example, the portion of loans that have been participated),

while, further, adding to the amount determined above, the cumulative amount of net loan charge-offs with respect to Qualified Small Business Lending as measured since, and including, the quarter ending September 30, 2010.

The amount of Qualified Small Business Lending, including the exclusions listed above, shall be calculated and reported on the date of Treasury’s investment (the “Investment Date”) by the Issuer in a format specified by Treasury (the “Initial Supplemental Report”) and during the first nine calendar quarters thereafter (each, a “Quarterly Supplemental Report”), concurrent with the Issuer’s publication of its call report.

Calculation of Lending Baseline:

Not later than three business days prior to the Investment Date, the Issuer shall submit an Initial Supplemental Report reporting Qualified Small Business Lending as of the Investment Date and for the each of the four full quarters ending on June 30, 2010. In calculating such Qualified Small Business Lending, if any gains in Qualified Small Business Lending resulted from mergers and acquisitions, or purchases of loans during any quarter during such four quarter period, the Issuer shall recalculate Qualified Small Business Lending for all earlier quarters in such four quarter period to include such gains on a pro forma combined basis. The average of Qualified Small Business Lending reported for these four quarters shall be the baseline against which subsequent lending is measured (the “Baseline”).

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, 2010.

Dividend Rate:

The Senior Preferred will pay noncumulative dividends. The dividend rate will be adjusted to reflect the amount of an Issuer’s change in Qualified Small Business Lending from the Baseline, based on the following schedule:

Increase in Qualified Small Business Lending from the Baseline	Dividend Rate Following Investment Date		
	First 9 Quarters	Quarter 10 to Year 4.5	After Year 4.5
0% or less	5%	7%	9%
more than 0%, but less than 2.5%	5%	5%	9%
2.5% or more, but less than 5%	4%	4%	9%
5% or more, but less than 7.5%	3%	3%	9%
7.5% or more, but less than 10%	2%	2%	9%
10% or more	1%	1%	9%

*For the first nine quarters, the dividend rate will be adjusted quarterly



Initial rate and adjustments in the first ten quarters:

On the Investment Date, and at the beginning of each of the next ten calendar quarters thereafter, the amount of Qualified Small Business Lending reported by the Issuer in the most recent Supplemental Report will be compared to the Baseline amount of Qualified Small Business Lending. The dividend rate will be adjusted to reflect the amount of an Issuer's change in Qualified Small Business Lending from the Baseline, as reflected in the table above.

Rate adjustments following the first ten quarters:

The rate in effect at the beginning of the tenth full calendar quarter after the Investment Date will be payable until the expiration of the four-and-one-half-year period beginning on the Investment Date.

If, at the beginning of the tenth full calendar quarter after the Investment Date, the Issuer's most recent Quarterly Supplemental Report shows that the amount of Qualified Small Business Lending has not increased relative to the Baseline, the dividend rate will increase to 7% per annum until the four-and-one-half-year period that started on the Investment Date expires.

Limitation on rate reductions:

The reduction in the dividend rate will not apply to a dollar amount of the investment that is greater than the dollar amount of the increase in Qualified Small Business Lending since the Baseline. Dividends on any amount that is in excess of the increase in the amount of Qualified Small Business Lending will be payable at a rate of 5% per annum until the expiration of the four-and-one-half-year period that begins on the Investment Date, and 9% per annum thereafter.

Rate adjustment 4.5 years after the Investment Date:

At the expiration of the four-and-one-half-year period that begins on the Investment Date, the dividend rate will increase to 9% per annum.

Timing:

Dividends will be payable quarterly on January 1, April 1, July 1, and October 1 of each year.

Redemption:

The Senior Preferred may be redeemed at any time at the option of the Issuer, subject to the approval of the appropriate federal banking agency. 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 as of the date of redemption ("Redemption Date") for the quarter that includes the Redemption Date, and a *pro rata* portion of any lending incentive fee. All redemptions must be in amounts equal to at least 25% of the number of originally issued shares, or 100% of the then-outstanding shares (if less than 25% of the number of originally issued shares).

**Right to Pay
Dividends and**

Repurchase Shares:

Unless otherwise restricted by the appropriate federal or state banking agency, the Issuer may pay dividends on preferred shares ranking *pari passu* with the Senior Preferred, junior preferred shares, or other junior securities (including common stock), or redeem or repurchase equity securities, subject to the limitations listed under "Provisions upon Nonpayment of Dividends," if after giving effect to the dividend payment or share



repurchase, the dollar amount of the Issuer's Tier 1 capital would be at least 90% of the amount existing at the time immediately following the Investment Date (the "Tier 1 Dividend Threshold"), excluding any subsequent net charge-offs and redemptions of the Senior Preferred since the Investment Date, subject to (i) and (ii) below:

- (i) During the period beginning on the second anniversary of the Investment Date and ending on the day before the tenth anniversary of the Investment Date, for every 1% increase in Qualified Small Business Lending the Issuer has achieved above the Baseline, the Tier 1 Dividend Threshold will be decreased by a dollar amount equal to 10% of the amount of the Senior Preferred investment; and
- (ii) For Issuers that are not publicly traded,² during the period beginning on the tenth anniversary of the Investment Date and ending on the Redemption Date, the Issuer may not effect any repurchases or declare or pay any dividends on preferred shares ranking *pari passu* with the Senior Preferred, junior preferred shares, or other junior securities (including common stock).

**Provisions upon
Nonpayment of
Dividends:**

For any missed payment:

The following restrictions will apply whenever dividends payable on the Senior Preferred have not been declared and paid for any quarterly dividend period:

- (i) 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, which is to include the rationale of the Issuer's board of directors for not declaring dividends; and
- (ii) No repurchases may be effected and no dividends may be declared or paid on preferred shares ranking *pari passu* with the Senior Preferred, junior preferred shares, or other junior securities (including common stock) during the current quarter and for the next three quarters following the failure to declare and pay dividends on the Senior Preferred (provided, however, that, in any such quarter in which Treasury's dividend is paid, dividend payments on shares ranking *pari passu* may be paid to the extent necessary to avoid any resulting material covenant breach).

After four missed payments:

Whenever dividends on the Senior Preferred have not been declared and paid for four quarterly dividends or more, whether or not consecutive, and during such time the Issuer was not subject to a regulatory determination that prohibits the declaration and payment of dividends, the board of directors of the Issuer must certify, in writing, that the Issuer used

² 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 primary federal bank regulator. A company may be required to do so by virtue of having securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which applies to all companies that are traded on an exchange or that have \$10 million in assets and 500 shareholders of record or Section 15(d) of the Exchange Act which requires companies that have filed a registration statement under the Securities Act of 1933, as amended, and have 300 or more securityholders of record of the registered class to file reports required under Section 13 of the Exchange Act, e.g., periodic reports.



best efforts to declare and pay such quarterly dividends in a manner consistent with safe and sound banking practices and the directors' fiduciary obligation.

After five missed payments:

Whenever dividends on the Senior Preferred have not been declared and paid for five quarterly dividends 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.

After six missed payments:

Whenever dividends on the Senior Preferred have not been declared and paid for six quarterly dividend periods or more, whether or not consecutive, if the liquidation preference of the Senior Preferred is \$25 million or more, 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 full dividends have been paid for four consecutive subsequent dividend periods.

Small Business Lending Plan:

The Issuer shall provide to the appropriate federal banking agency, and, if applicable, state banking agency, a small business lending plan at the time it submits its application for this program. The plan will be confidential supervisory information.

Downstreaming of Investment:

The Issuer, if it is a holding company, shall contribute not less than 90% of the amount of Treasury's investment to its insured depository institution subsidiaries; provided, that no insured depository institution may receive more than 5% of its RWA (if the Issuer has total assets of \$1 billion or less), or 3% of its RWA (if the Issuer has total assets of more than \$1 billion and less than \$10 billion).

Voting Rights:

The Senior Preferred will be nonvoting, other than for consent rights granted to Treasury with respect to (i) any authorization or issuance of shares ranking senior to the Senior Preferred, (ii) any amendment to the rights of the Senior Preferred, and (iii) any merger, exchange, dissolution, or similar transaction which would affect the rights of the Senior Preferred.

Transferability:

The Senior Preferred will not be subject to any restrictions on transfer. The Issuer may merge or sell all, or substantially all, of its assets (as well as, in the case of an Issuer that is a bank holding company, any insured depository institution subsidiary), provided that the rights of the Senior Preferred and the obligations of the Issuer relating thereto are assumed and an equivalent Senior Preferred is issued by the successor entity.

Access and Information:

The Issuer will permit the holder of the Senior Preferred, the holder's designees, the 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 matters relevant to the investment with principal officers, after being provided with reasonable notice.



Certifications: The Issuer will provide the following certifications to Treasury:

- (i) 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.
- (ii) Following the Investment Date, within 90 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.
- (iii) Annually, until the Redemption Date, the Issuer will certify to Treasury that (A) businesses that received loans from the Issuer following the Investment Date have certified to the Issuer that their principals have not been convicted of, or pleaded *nolo contendere* to a sex offense against a minor, as required by Section 3011(c) of the Small Business Jobs Act of 2010, and (B) these certifications will be retained in accordance with standard recordkeeping practices established by the appropriate federal banking agency.
- (iv) Annually, until the Redemption Date, the Issuer will certify to Treasury that it is in compliance with the Customer Identification Program requirements set forth in 31 C.F.R. § 103.121.

Issuers must submit valid and timely certifications to be eligible for any dividend rate adjustment on the Senior Preferred. Issuers must also complete a short annual lending survey.

No Relationship to TARP:

The Fund was established by Congress as a separate and distinct Treasury program and is not related to the Troubled Asset Relief Program (“TARP”). An institution will not be considered a TARP recipient by virtue of receiving a capital investment from the Fund.

Change in Law:

If, after a capital investment has been made in an eligible institution under the Program, there is a change in law that modifies the terms of the investment or program in a materially adverse respect for the eligible institution, the eligible institution may, after consultation with the appropriate federal banking agency for the eligible institution, redeem the investment without impediment.

Additional Information and Considerations:

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.

Institutions that participated in the Capital Purchase Program (“CPP”) or Community Development Capital Initiative (“CDCI”), and redeemed Treasury’s investment, but missed more than one dividend payment due to Treasury while participating in CPP or CDCI, are ineligible to participate in the program. A missed payment is defined as a payment submitted more than 60 days after the due date.



Institutions on the Federal Deposit Insurance Corporation (“FDIC”) problem bank list, or that have been on the FDIC problem bank list within the last 90 days (the FDIC problem bank list means the list of institutions that have a current rating of 4 or 5 under the Uniform Financial Institutions Rating System, or similar list designated by the FDIC) are ineligible to receive investments from the Fund.

