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# TARP Capital Purchase Program



America's Correspondent Bank

***Investment Banking Advisory Services for Community Banks***

SILVERTON  
CAPITAL  
CORPORATION

# Disclaimer

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This overview presentation is based on information made public by the U.S. Department of the Treasury on October 14, 2008. Such information may be subsequently modified or updated by the Department of the Treasury and other appropriate federal banking authorities.

# Program Overview

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- As part of the sweeping \$700 billion financial rescue package, the Treasury Department announced a voluntary \$250 billion program through which it will purchase senior preferred shares of U.S. financial institutions
  - Program is designed to help banks/thrifts build capital to increase the flow of credit
- Treasury purchases will be on standardized terms for banks/thrifts of all sizes
- Institutions have until November 14, 2008 to elect to participate
  - Treasury will determine eligibility and allocations for interested parties after consultation with the appropriate federal banking agency
  - Participating institutions may issue up to 3% of their total risk-weighted assets
- Treasury will fund the senior preferred shares purchased under the program by year-end 2008
- Institutions interested in the program should contact their primary federal regulator for specific enrollment details
- In conjunction with the purchase of senior preferred shares, Treasury will receive warrants to purchase underlying common stock with a market value equal to 15% of the senior preferred investment
- Companies participating in the program must adopt Treasury's standards for executive compensation and corporate governance
- Nine healthy institutions have already voluntarily agreed to participate in the program and have been allocated \$125 billion of the \$250 billion available under the program

# Senior Preferred Stock

## Term Sheet Summary

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<b>Issuer</b>	U.S. bank holding companies and savings & loan holding companies or U.S. banks and savings associations not controlled by a bank holding company or savings & loan holding company
<b>Initial Holder</b>	Department of the Treasury
<b>Minimum Subscription Size</b>	1% of an institution's risk-weighted assets
<b>Maximum Subscription Size</b>	Lesser of \$25 billion or 3% of an institution's risk-weighted assets
<b>Security</b>	Senior preferred stock ("Senior Preferred")
<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
<b>Term</b>	Perpetual life
<b>Dividend</b>	Cumulative dividends at 5% per annum for the first five years and thereafter at 9% per annum (bank-issued dividends are non-cumulative)

# Senior Preferred Stock

## Term Sheet Summary (continued)

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<b>Redemption</b>	May not be redeemed for 3 years except with the proceeds from an offering of common stock or Tier 1-qualifying perpetual preferred stock which results in proceeds of at least 25% of the Senior Preferred issued; after 3 years the Senior Preferred may be redeemed in whole or in part at 100% of the issue price
<b>Restrictions on Dividends</b>	No common or other preferred dividends may be declared or paid if dividends on Senior Preferred are in arrears
<b>Common Dividends</b>	Treasury's consent is required for any increase in common dividends for a three-year period
<b>Repurchases</b>	Treasury's consent will be required for any share repurchases for a three-year period
<b>Voting Rights</b>	Non-voting (if six dividends are missed, holders have the right to elect 2 directors)
<b>Transferability</b>	Not subject to any contractual restrictions on transfer; Issuer will file a shelf registration statement covering the Senior Preferred; Issuer will grant Treasury piggyback registration rights for the Senior Preferred
<b>Executive Compensation</b>	Issuer must meet certain standards: (i) senior executive compensation does not encourage unnecessary and excessive risks; (ii) required clawback of any bonus based on materially inaccurate statements of earnings; (iii) prohibition from making any golden parachute payment based on the IRS provision; and (iv) agreement not to deduct for tax purposes executive compensation in excess of \$500,000 for each senior executive



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# Warrants

## Term Sheet Summary

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<b>Warrants</b>	Treasury will receive warrants to purchase shares of common stock of the Issuer having an aggregate market value equal to 15% of the Senior Preferred investment
<b>Term</b>	10 years
<b>Exercisability</b>	Immediately exercisable, in whole or in part
<b>Transferability</b>	Not subject to any contractual restrictions on transfer; Issuer will file a shelf registration statement covering the warrants and underlying common stock; Issuer will grant Treasury piggyback registration rights for the warrants and underlying common stock
<b>Voting</b>	Treasury will agree not to exercise any voting power with respect to any shares of common stock of the Issuer issued to it upon exercise of the warrants
<b>Reduction</b>	If the Issuer repays 100% of the Senior Preferred investment from the proceeds of an offering of common equity or Tier 1-qualifying perpetual preferred stock before 12/31/09, the number of common shares underlying the warrants held by Treasury is reduced by 50%
<b>Consent</b>	If the Issuer does not have sufficient available authorized shares of common stock to reserve for issuance upon exercise of the warrants and/or shareholder approval is required for such issuance, the Issuer will promptly call a shareholders' meeting to increase the authorized shares and/or obtain shareholder approval
<b>Substitution</b>	Warrants may be exchangeable at the discretion of Treasury for senior term debt or another appropriate economic instrument



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## How Much Might Be Available at a Minimum?

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- Approximately \$125 billion remains available under the Capital Purchase Program after accounting for allocations to the nine healthy institutions which have already participated in the program (see bottom of the page for list)
- Based on an analysis of the risk-weighted assets of all U.S. institutions at June 30, 2008, the remaining \$125 billion available under the program is enough to provide every depository institution in America with an amount of capital equal to 2.12% of its risk-weighted assets

(Dollars in billions)

Remaining Funds available under Capital Purchase Program *	\$125.0
Risk-Weighted Assets of all U.S. Depository Institutions at 6/30/08 *	<u>\$5,887.5</u>
<b>Remaining Funds / Aggregate Risk-Weighted Assets</b>	<b><u><u>2.12%</u></u></b>

\* Excluding Bank of America, Bank of New York Mellon, Citigroup, Goldman Sachs, JPMorgan Chase, Merrill Lynch, Morgan Stanley, State Street, and Wells Fargo.

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