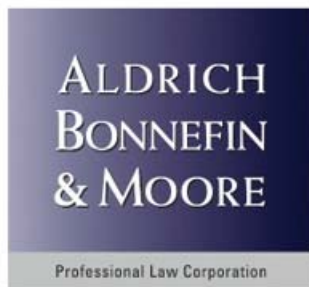


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Treasury Releases Terms and Application Documents for Small Business Lending Fund

The U.S. Treasury has now announced the terms for the Small Business Lending Fund (SBLF) capital program. Most notably, Treasury released application and other program information in the form of a detailed "Getting Started Guide for Community Banks." Treasury also issued the following documents:

- Fact sheet summarizing the SBLF program
- Program term sheet
- Program term sheet for institutions refinancing their CPP investment
- Application form
- Guidelines for drafting a small business lending plan (a plan must be submitted in order to apply)
- Frequently asked questions

To access these documents and other program information, see <http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx>.

Program Eligibility

Under the \$30 billion SBLF program, institutions not currently (or within the last 90 days) on the FDIC's problem bank list (the list generally includes 4- and 5-CAMELS-rated institutions) and their holding companies with consolidated assets of less than \$10 billion will be eligible to apply for a capital investment in the following amounts:

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- Institutions with less than \$1 billion in assets, as reported in their Q4 2009 Call Report, may apply for up to 5% of risk-weighted assets (less the amount of any prior Capital Purchase Program investment) based on the Call Report immediately preceding the date of application.
- Institutions with between \$1 billion and \$10 billion in assets, as reported in their Q4 2009 Call Report, may apply for up to 3% of risk-weighted assets (less the amount of any prior Capital Purchase Program investment) based on the Call Report immediately preceding the date of application.

Institutions controlled by holding companies must apply at the holding company level. Also, Treasury may in some circumstances require a matching private capital investment or limit SBLF funding to 3% of risk-weighted assets.

In addition, Capital Purchase Program (CPP) participants will be able to “refinance” their TARP investment into the SBLF program, which will not be subject to the executive compensation restrictions of TARP recipients. However institutions will not be permitted to simultaneously participate in the CPP and the SBLF program. Unlike the CPP, the SBLF program will not require participating institutions to issue warrants to Treasury.

Dividend Rates

The SBLF program establishes a system of varying dividend rates designed to encourage increases in "qualified small business lending." The initial dividend rate will be at most 5% and will vary from there based upon the percentage increase in an institution's qualified small business lending. For example, if an institution's level of qualified small business lending increases by between 5% and 7.5%, then the applicable dividend rate will decrease to 3%. If qualified small business lending has not increased at the end of the eighth quarter after funding, the rate will increase to 7%. For all applicants, the rate also increases to 9% after four and a half years if funding has not yet been repaid by then. The amount of an institution's increase in small business lending will be measured each quarter against the average amount of qualified loans outstanding for the four quarters ending June 30, 2010.

Application Process

To apply, eligible institutions should submit an application to Treasury by March 31, 2011 and provide a small business lending plan of approximately two pages in length to the institution's regulator(s). Note that S-corporations, mutuals and community development loan funds will be subject to a modified application process, the terms of which have not yet been announced. Since the funds available under the program are limited (\$30 billion), interested institutions are encouraged to apply early.

Our Corporate Practice Group has experience assisting institutions applying for similar programs (including TARP) and will be happy to answer any questions or assist your institution in applying for the SBLF program. Please contact Mark E. Aldrich, Esq. or Michael N. Delune, Esq. of Aldrich Bonnefin & Moore, PLC at (949) 474-1944.