

**BNC Financial Group, Inc.  
208 Elm Street  
New Canaan, Connecticut 06840  
(203) 972-3838**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON FEBRUARY 12, 2009**

Notice is hereby given that on February 12, 2009, BNC Financial Group, Inc. (the "Company") will hold a Special Meeting of Shareholders at the New Canaan Library, 151 Main Street, New Canaan, Connecticut 06840, beginning at 8:30 AM, local time. At the Meeting, the Shareholders will consider and vote on the following matters:

1. To approve an amendment to the Company's Certificate of Incorporation to authorize a class of 100,000 shares of preferred stock, each without par value.
2. The transaction of any other business that may properly come before the Meeting.

The Board of Directors is not aware of any such other business.

Shareholders of record at the close of business on January 14, 2009 are entitled to receive notice of and to vote at the Meeting and any adjournment or postponement of the Meeting.

**BY ORDER OF THE BOARD OF  
DIRECTORS**



Merrill Jay Forgotson  
Chief Executive Officer

New Canaan, Connecticut  
January 23, 2009

**IMPORTANT: All shareholders are encouraged to attend the meeting. However, in order that there may be sufficient shareholder representation at the meeting, you are urged to sign and mail the enclosed proxy sheet even though you may plan to attend. Shares represented by proxy received prior to the time of the meeting will be voted as directed by the shareholders on their respective proxy sheets. If you are present in person you may, if you wish, revoke the proxy and vote personally on all matters brought before the meeting.**

Your prompt action in sending in your proxy will be greatly appreciated. Return the proxy to:

**BNC Financial Group, Inc.  
Attn: Mr. Peter Kirk  
208 Elm Street  
New Canaan, Connecticut 06840**

A self-addressed postage paid envelope is provided for your use. We would appreciate notice of your plan to attend the meeting in person so that we may be certain to accommodate those who come. Please so indicate on the enclosed proxy sheet if you plan to attend in person.

Printed on the following pages is a Proxy Statement in regard to the Special Meeting to which your attention is directed.

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*This is not a program sponsored by the New Canaan Library.*

**PROXY STATEMENT  
OF  
BNC FINANCIAL GROUP, INC.  
208 Elm Street  
New Canaan, Connecticut 06840  
(203) 972-3838**

**FOR SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD FEBRUARY 12, 2009**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of BNC Financial Group, Inc. (the "Company" or "we") to be used at a Special Meeting of Shareholders of the Company (the "Special Meeting"), and at any adjournment or postponement of the Special Meeting. The Special Meeting will be held at the New Canaan Library, 151 Main Street, New Canaan, Connecticut 06840, on Thursday, February 12, 2009, at 8:30 AM, local time.

We are mailing the Notice of Meeting, this Proxy Statement, and the Proxy to our Shareholders on or about January 23, 2009.

**INFORMATION ABOUT SOLICITATION AND VOTING**

**What is the purpose of the Special Meeting?**

At the Special Meeting, Shareholders will consider and vote on the following matters:

1. To approve an amendment to the Company's Certificate of Incorporation to authorize a class of 100,000 shares of preferred stock, each without par value. A copy of the proposed amendment to the Company's Certificate of Incorporation is set forth in Exhibit A to this Proxy Statement.

2. Such other business as may properly come before the Special Meeting or any adjournment thereof.

**Why does the Company desire to authorize preferred stock?**

Many, if not most, companies whose shares are not closely held, including banking companies such as we are, have authorized preferred shares of stock in addition to common stock, to facilitate capital raising opportunities. In this case, the Company has applied and been preliminarily approved for an investment of \$4,797,000 by the United States Treasury in its Capital Repurchase Program described below. The investment would be made in preferred stock of the Company, pursuant to the Treasury's standard terms for this type of investment. No common stock will be issued to the United States Treasury, including the warrants to be received by the Treasury are not exercisable for common stock of the Company.

## **What will the Company do with the additional capital?**

The additional capital will be used by the Company for general working capital purposes, and to provide additional capital if needed or desired to its subsidiary banks, The Bank of New Canaan and The Bank of Fairfield. There is not at present a regulatory need for the additional capital, as the Company and the subsidiary banks are well capitalized under applicable banking rules. The additional capital will be available to support anticipated growth and make more funds available for lending, will provide additional capital strength in this uncertain economic environment, all at a capital cost significantly lower than the cost of capital otherwise available to the Company at this time.

## **Who can vote at the Special Meeting?**

Only Shareholders of record at the close of business on January 14, 2009 (the “Record Date”) may vote at the Special Meeting. This date is the Record Date for the Special Meeting. On the Record Date, there were 2,435,349 outstanding shares of our common stock, no par value per share, which we refer to in this Proxy Statement as our common stock.

## **How many votes do I have?**

Each share of our common stock that you own on the Record Date entitles you to one vote on each matter that is voted on.

## **Is my vote important?**

Your vote is important regardless of how many shares you own. Please take the time to vote. Take a moment to read the instructions below.

## **How can I vote?**

You can vote in two ways. You can vote by mail or you can vote in person at the Meeting.

*You may vote by mail.* You may vote by completing and signing the Proxy Card that accompanies this Proxy Statement and promptly mailing it in the enclosed postage-prepaid envelope. You do not need to put a stamp on the enclosed envelope if you mail it in the United States. The shares you own will be voted according to the instructions on the Proxy Card you mail. If you return the Proxy Card, but do not give any instructions on a particular matter described in this Proxy Statement, the shares you own will be voted in accordance with the recommendations of our Board of Directors. The Board of Directors recommends that you vote **FOR** Proposal 1.

*You may vote in person.* If you attend the Meeting, you may vote by delivering your completed Proxy Card in person or you may vote by completing a ballot. Ballots will be available at the Meeting.

### **May I change my vote after I have mailed my Proxy Card?**

Yes. You can change your vote and revoke your Proxy at any time before the Proxy is exercised at the Special Meeting by doing any one of the following things:

- signing another Proxy with a later date;
- giving our Corporate Secretary a written notice before or at the Special Meeting prior to the exercise of the Proxy that you want to revoke your Proxy; or
- voting in person at the Special Meeting.

Your attendance at the Special Meeting alone will not revoke your Proxy.

### **Can I vote if my shares are held in “street name”?**

If the shares you own are held in “street name” by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone. If Internet or telephone voting is available, instructions would be provided by your bank or brokerage firm on your vote instruction form.

If your shares are held in “street name”, you must bring an account statement or letter from your brokerage firm or bank showing that you are the beneficial owner of the shares as of the Record Date in order to be admitted to the Special Meeting on the Meeting date. To be able to vote your shares held in “street name” at the Special Meeting, you will need to obtain a Proxy Card from the holder of record.

### **What will happen if I do not give my bank or brokerage firm instructions on how to vote my shares?**

With respect to the Proposal at our Special Meeting regarding the amendment to the Company’s Certificate of Incorporation, your broker does not have discretionary voting power and accordingly may not vote your shares unless it has received voting instructions from you, the beneficial owner.

### **What constitutes a quorum?**

In order for business to be conducted at the Meeting, a quorum must be present. A quorum consists of the presence, in person or by proxy, of a majority of the shares of common stock issued, outstanding and entitled to vote at the Meeting, or at least 1,217,676 shares.

Shares of common stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists.

If a quorum is not present, the Special Meeting will be adjourned until a quorum is obtained.

**What vote is required for the Proposal, and how do abstentions and broker non-votes affect such vote?**

The approval of a majority of the outstanding shares entitled to vote at the Meeting is required for approval of the Proposal to amend the Certificate of Incorporation. Based on the Company's 2008 Proxy Statement, the Directors and Executive Officers of the Company and its two subsidiary banks collectively owned 1,009,209 shares of the Company Common Stock, or 41.44% of the outstanding shares entitled to vote at the Meeting.

If a proposal is routine, a broker or other entity holding shares for an owner in "street name" may vote on the proposal without receiving voting instructions from the owner. If a proposal is not routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker or other entity is unable to vote on a proposal because the proposal is not routine and the owner does not provide any instructions. The proposed amendment to the Certificate of Incorporation is a non-routine item.

If you hold your shares in a bank or brokerage account you should be aware that if you fail to instruct your bank or broker how to vote, the bank or broker is not permitted to vote your shares in its discretion on your behalf on non-routine items such as Proposal 1. If you want to assure that your shares are voted, you should complete and return your voting instruction form to your bank or broker as soon as possible so that your vote can be recorded at the Special Meeting.

**How will votes be counted?**

Each share of common stock will be counted as one vote according to the instructions contained on a proper Proxy Card or on a ballot voted in person at the Meeting.

**Who will count the votes?**

The votes will be counted, tabulated and certified by the Company's Inspectors of Election, who were appointed by the Board as follows: Julie Turner; Mary Lynn Drake; and Heidi DeWyngaert, and who shall serve at any and all adjournments or postponements thereof until her successor is duly appointed.

**How does the Board of Directors recommend that I vote on the Proposals?**

The Board of Directors recommends that you vote **FOR** the proposed amendment to the Certificate of Incorporation.

**Will any other business be conducted at the Meeting, or will other matters be voted on?**

The Board of Directors does not know of any other matters that may come before the Special Meeting. If any matter properly comes before the Meeting, the persons named in the Proxy Card that accompanies this Proxy Statement will vote, or otherwise act, in accordance with the instructions that may be provided upon the majority vote of the Board of Directors at the Special Meeting with respect to that matter or Proposal.

**Whom should I contact if I have any questions?**

If you have any questions about the Special Meeting or your ownership of our common stock, please contact Merrill Jay Forgotson or Peter Kirk, at 208 Elm Street, New Canaan, CT 06840, (203) 972-3838.

## DISCUSSION OF PROPOSAL

**Proposal 1: To approve an amendment to the Company's Certificate of Incorporation to authorize a class of 100,000 shares of preferred stock, each without par value.**

### Description of the Proposal

The Board has adopted an amendment to the Company's Certificate of Incorporation to authorize a class of 100,000 shares of preferred stock, each without par value (the "Preferred Stock"). A copy of the proposed amendment to the Company's Certificate of Incorporation is set forth in Exhibit A to this Proxy Statement. The Company's Certificate of Incorporation currently authorizes only the issuance of common stock. The amendment will vest in the Board the authority to determine by resolution the terms of one or more series of Preferred Stock, including the preferences, rights and limitations of each series. Provisions in a company's certificate of incorporation authorizing preferred stock in this manner are often referred to as "blank check" provisions, as they give a board of directors the flexibility, at any time or from time to time, without further shareholder approval (except as may be required by applicable laws, regulatory authorities or the rules of any stock exchange on which the company's securities are then listed), to create one or more series of preferred stock and to determine by resolution the terms of each such series.

The Board plans to issue 4,797,000 shares of Preferred Stock to the U.S. Department of the Treasury (the "Treasury") in connection with the Treasury's recently announced Troubled Asset Relief Program ("TARP") Capital Purchase Program (the "Program") described below. In addition, the Board believes that authorization of the Preferred Stock in the manner proposed will provide the Company with greater flexibility in meeting future capital requirements by creating a series of Preferred Stock customized to meet the needs of particular transactions and then prevailing market conditions. Series of Preferred Stock would also be available for issuance from time to time for any other proper corporate purposes, including use in connection with strategic alliances, joint ventures, or acquisitions.

### Discussion of the Capital Purchase Program

On October 14, 2008, the Treasury announced the TARP Capital Purchase Program. The Program encourages U.S. financial institutions to build capital to improve the stability of the nation's banking institutions, to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under the Program, the Treasury has and will additionally purchase senior preferred shares from banks, bank holding companies, and other financial and non-financial companies. The senior preferred shares will qualify as Tier 1 capital for regulatory purposes and will rank senior to common stock and at an equal level in the capital structure with any existing preferred shares other than preferred shares which by their terms rank junior to any other existing preferred shares.

On December 30, 2008, the Company received preliminary approval from the Treasury for its purchase of \$4,797,000 of Company securities. Closing is conditioned upon standard procedures, including approval by Company shareholders of the amendment to the Company's Certificate of Incorporation authorizing the Preferred Stock. The Company anticipates closing the sale of securities to the Treasury on or about February 20, 2009.

The characteristics of securities issued as a part of the Program by the Company will include the following, among other things:

- The 4,797 shares of preferred stock purchased by Treasury (the "Initial Preferred Stock") will earn dividends, payable quarterly, at an annual rate of five percent (5%) until the fifth anniversary of their issuance, and thereafter at an annual rate of nine percent (9%). The Initial Preferred Stock will have a perpetual term. The dividends will be cumulative.

- Warrants (the "Warrants") for an additional number of shares of preferred stock (the "Additional Preferred Stock") equal to five percent (5%) of the shares of Initial Preferred Stock, or 240 shares will also be issued to Treasury. The Warrants will have a ten year term. The Warrants will have a nominal exercise price and are likely to be exercised immediately after their issuance (the Initial Preferred Stock and the Additional Preferred Stock are sometimes referred to herein collectively as the "Program Preferred Stock").

- The Additional Preferred Stock will earn cumulative dividends, payable quarterly, at an annual rate of nine percent (9%).

- The Program Preferred Stock will be non-voting stock, except for matters that could adversely affect the rights of the holders of the Program Preferred Stock, (these voting rights, while limited, would have a dilutive effect on the voting rights of the holders of the outstanding common stock of the Company with respect to those matters on which the holders of the Program Preferred Stock are entitled to vote). Additionally, if dividends are not paid on the Program Preferred Stock for six (6) quarters (whether or not consecutive), then the holders of the Program Preferred Stock will be entitled to elect two (2) directors to the Board. The right to elect directors will end when full dividends on the Program Preferred Stock have been paid for all prior dividend periods.

- The Program Preferred Stock cannot be redeemed for the first three year period following the issuance, except with the proceeds from a qualifying equity offering of any Tier 1 perpetual preferred or common stock offering which results in aggregate gross proceeds to the Company of not less than 25% of the issue price of the Initial Preferred Stock. All redemptions will be at 100 percent of the \$1,000 issue price plus any accrued and unpaid dividends.

- The Program Preferred Stock will not be subject to any contractual restrictions on transfer; provided, that Treasury will not effect a transfer if the transfer would require the Company to become subject to the periodic reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (e.g., filing periodic and annual reports).

- If the Company becomes subject to the periodic reporting requirements of the Exchange Act, then the Program Preferred Stock and, if not then fully exercised, the Warrants described above, will have certain registration rights.

- The payment of dividends on any stock that is junior to the Program Preferred Stock (including the Company's common stock) will be prohibited if Program Preferred Stock dividends have not been fully paid. Moreover, the Treasury's consent will be required for any increase in the common stock dividends until the third anniversary of the date of issuance of the Initial Preferred Stock and dividend increases thereafter will be limited for so long as the Treasury holds any of the Program Preferred Stock. Following the tenth (10th) anniversary of the date on which the Treasury purchases its Initial Preferred Stock, dividends on the Company's outstanding common stock would be prohibited, unless and until all of the Program Preferred Stock has been redeemed or transferred by the Treasury to one or more third parties.

The foregoing list of terms is not all-inclusive and reference is hereby made to Exhibit B for a complete copy of the Treasury's Standard Terms and Conditions as in effect on the date hereof. Please be aware that the terms described above and in Exhibit B are subject to change and that other terms could be added by the Treasury between now and the closing.

Institutions participating in the Program also must comply with the executive compensation and corporate governance requirements of the Emergency Economic Stabilization Act of 2008 and the standards established by the Treasury for the period during which the Treasury holds equity issued under this program. These standards include: (i) ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the Company; (ii) requiring a "clawback" (repayment of amounts paid) of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (iii) prohibiting the Company from making any golden parachute payment to a senior executive based on applicable Internal Revenue Code provisions; and (iv) agreeing not to deduct for tax purposes executive compensation in excess of \$500,000 for each senior executive.

The Company is currently reviewing its executive compensation arrangements. At this time, it does not anticipate that it will be necessary to modify any employee plans or contracts to comply with the applicable limits on executive compensation described above, other than adding the "claw back" provisions that are not currently in our incentive plans.

At December 31, 2008, the Company had capital ratios in excess of those required to be considered well-capitalized under banking regulations. The Board believes it is prudent for the Company to apply for and accept the \$4,797,000 in added capital available under this Program because (i) the additional capital will assist the Company and its subsidiary banks in supporting expected growth and in making more funds available for lending, (ii) despite being well-capitalized, additional capital under the Treasury's Program would provide the Company additional capital strength in this uncertain economic environment, and (iii) the Company believes that the cost of capital under this Program is significantly lower than the cost of capital otherwise available to the Company at this time.

### Discussion of Possible Future Issuances of Preferred Stock

The Board believes that the flexibility to issue Preferred Stock beyond those shares to be sold in the Program can enhance the Board's arm's-length bargaining capability on behalf of the Company's Shareholders in a takeover situation. However, under some circumstances, the ability to designate the rights of, and issue, Preferred Stock could be used by the Board to make a change in control of the Company more difficult. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. To the extent that dividends will be payable on any issued shares of Preferred Stock, the result would be to reduce the amount otherwise available for payment of dividends on outstanding shares of Common Stock and there might be restrictions placed on the Company's ability to declare dividends on the Common Stock or to repurchase shares of Common Stock. The issuance of Preferred Stock having voting rights would dilute the voting power of the holders of Common Stock. To the extent that Preferred Stock is made convertible into shares of Common Stock, the effect, upon such conversion, would also be to dilute the voting power and ownership percentage of the holders of Common Stock. In addition, holders of Preferred Stock would normally receive superior rights in the event of any dissolution, liquidation, or winding up of the Company, thereby diminishing the rights of the holders of Common Stock to distribution of the Company's assets.

### Approval Requirement and Board of Directors Recommendation

Approval of the proposed amendment to the Company's Certificate of Incorporation requires the approval of at least a majority of the outstanding shares entitled to be cast at the Meeting.

The Board of Directors recommends that Shareholders vote **FOR** the proposed amendment to the Certificate of Incorporation.

## Capital Enhancement of Company and Banks

The following tables show the capital positions of the Company at December 31, 2008 (unaudited) and, on a pro forma basis as of the same date assuming a total of \$4,500,000, the anticipated net proceeds of the preferred stock purchase by Treasury after deducting \$297,000 in anticipated expenses.

### At December 31, 2008

<u>(\$'s in 000's)</u>	<u>BNC Financial Group, Inc.</u>
Tier 1%	31,831
Tier 1 Risk Based %	13.54%
Total Risk Based %	19.54%
Core Capital \$	31,533

### Pro Forma

<u>(\$'s in 000's)</u>	<u>BNC Financial Group, Inc.</u>
Tier 1%	36,331
Tier 1 Risk Based %	15.16%
Total Risk Based %	21.70%
Core Capital \$	36,033

## **OTHER MATTERS WHICH MAY COME BEFORE THE SPECIAL MEETING**

Our Board of Directors knows of no matters other than those referred to in the accompanying Notice of Special Meeting of Shareholders which may properly come before the Special Meeting. However, if any other matter should be properly presented for consideration and voting at the Special Meeting or any adjournments thereof, it is the intention of the persons named as proxies on the enclosed form of proxy card to vote the shares represented by all valid proxy cards in accordance with instructions that may be provided upon a majority vote of the Board of Directors.

## **MISCELLANEOUS**

The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of common stock of the Company. In addition to soliciting proxies by mail, Directors, officers and regular employees of the Company may solicit proxies personally or by telephone without receiving additional compensation.

Whether or not you plan to attend the Special Meeting, please vote by marking, signing, dating and promptly returning the enclosed Proxy Card in the enclosed envelope.

**BY ORDER OF THE BOARD OF  
DIRECTORS**

A handwritten signature in blue ink, appearing to read "M. Forgotson", with a long horizontal flourish extending to the right.

Merrill Jay Forgotson  
Chief Executive Officer

**Exhibit A**

**PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION  
OF  
BNC FINANCIAL GROUP, INC.**

1. The name of the corporation is BNC Financial Group, Inc.
2. Article 3 shall be amended and restated in its entirety as follows:

**THIRD: Capital Stock.** The number of shares of capital stock of the Company hereby authorized is FIVE MILLION ONE HUNDRED THOUSAND (5,100,000) shares, which shall be divided into classes as follows:

FIVE MILLION (5,000,000) shares of common stock (the “Common Stock”), no par value per share; and

ONE HUNDRED THOUSAND (100,000) shares of preferred stock (the “Preferred Stock”), no par value per share.

The following is a statement of the preferences, limitations and relative rights of each class of capital stock of the Company.

A. Common Stock.

(1) General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be determined by the Board of Directors before the issuance of the Preferred Stock of any series.

(2) Voting. The holders of the Common Stock are entitled to one vote for each share held on all matters submitted to the shareholders for action.

(3) Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

(4) Liquidation. Upon the dissolution or liquidation of the Company, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Company available for distribution to its shareholders, subject to any preferential rights of any then outstanding Preferred Stock.

B. Preferred Stock.

(1) General. Preferred Stock may be issued from time to time in one or more series, each to have such terms as are set forth herein and in the resolutions of the Board of

Directors authorizing the issue of such series. Any shares of Preferred Stock which may be redeemed, purchased or otherwise acquired by the Company may be reissued. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly so provided.

(2) Authority of Board of Directors. The Board of Directors may from time to time issue the Preferred Stock in one or more series. The Board of Directors may, in connection with the creation of any such series, determine the preferences, limitations and relative rights of each such series before the issuance of such series. Without limiting the foregoing, the Board of Directors may fix the voting powers, dividend rights, conversion rights, redemption privileges and liquidation preferences, all as the Board of Directors deems appropriate, to the full extent now or hereafter permitted by the Connecticut Business Corporations Act (the "Act"). The resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law. Except as otherwise provided in this Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of shares of any series of the Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation and the Act.

3. The date of this Amendment is February \_\_\_\_, 2009.

4. This amendment was approved by the shareholders of the Company in the manner required by sections 33-600 to 33-998 of the Connecticut General Statutes, and by the Certificate of Incorporation.

## Exhibit B

### **TARP Capital Purchase Program (Non-Public QFIs, excluding S Corps and Mutual Organizations) Preferred Securities Summary of Preferred Terms**

**Issuer:** Qualifying Financial Institution (“QFI”) means any (i) top-tier Bank Holding Company (“BHC”), or top-tier Savings and Loan Holding Company (“SLHC”) that engages solely or predominately in activities permissible for financial holding companies under relevant law, that in either case is not publicly traded<sup>1</sup> (ii) U.S. bank or U.S. savings association organized in a stock form that are neither publicly traded nor controlled by a BHC or SLHC, or (iii) U.S. bank or U.S. savings association that is not publicly traded and is controlled by a SLHC that is not publicly traded and does not engage solely or predominately in activities that are permitted for financial holding companies under relevant law, other than S Corporations and Mutual Depository Institutions. The term QFI shall not mean any institution that is controlled by a foreign bank or company. For purposes of this program, “U.S. bank”, “U.S. savings association”, “BHC” and “SLHC” means a bank, savings association, BHC or SLHC organized under the laws of the United States or any State of the United States, the District of Columbia, any territory or possession of the United States, Puerto Rico, Northern Mariana Islands, Guam, American Samoa, or the Virgin Islands. **The United States Department of the Treasury will determine the eligibility and allocation for QFIs after consultation with the appropriate Federal banking agency.**

“S Corporation” means any U.S. bank, U.S. savings association, BHC or SLHC organized as a corporation that has made a valid election to be taxed under Subchapter S of the U.S. Internal Revenue Code.

“Mutual Depository Institution” means any U.S. bank, U.S. savings association, BHC or SLHC organized in a mutual form.

**Initial Holder:** United States Department of the Treasury (the “UST”).

**Size:** QFIs may sell preferred to the UST subject to the limits and terms described below.

Each QFI may issue an amount of Preferred equal to not less than 1% of its risk-weighted assets and not more than the lesser of (i) \$25 billion and (ii) 3% of its risk-weighted assets.

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<sup>1</sup> 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.

**Security:** Preferred, liquidation preference \$1,000 per share. (Depending upon the QFI's available authorized preferred shares, the UST may agree to purchase Preferred with a higher liquidation preference per share, in which case the UST may require the QFI to appoint a depository to hold the Preferred and issue depository receipts.)

**Ranking:** 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.

**Regulatory Capital Status:** Tier 1.

**Term:** Perpetual life.

**Dividend:** The Preferred will pay cumulative dividends at a rate of 5% per annum until the fifth anniversary of the date of this investment and thereafter at a rate of 9% per annum. For Preferred issued by banks which are not subsidiaries of holding companies, the Preferred will pay non-cumulative dividends at a rate of 5% per annum until the fifth anniversary of the date of this investment and thereafter at a rate of 9% per annum. Dividends will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year.

**Redemption:** Preferred may not be redeemed for a period of three years from the date of this investment, except with the proceeds from a Qualified Equity Offering (as defined below), which results in aggregate gross proceeds to the QFI of not less than 25% of the issue price of the Preferred. After the third anniversary of the date of this investment, the Preferred may be redeemed, in whole or in part, at any time and from time to time, at the option of the QFI. All redemptions of the Preferred shall be at 100% of its issue price, plus (i) in the case of cumulative Preferred, any accrued and unpaid dividends and (ii) in the case of non-cumulative Preferred, accrued and unpaid dividends for the then current dividend period (regardless of whether any dividends are actually declared for such dividend period). All redemptions shall be subject to the approval of the QFI's primary federal bank regulator.

“Qualified Equity Offering” shall mean the sale by the QFI after the date of this investment of Tier 1 qualifying perpetual preferred stock or common stock for cash (other than any sales made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to November 17, 2008).

**Restrictions on Dividends:** Subject to certain exceptions, for as long as any Preferred is outstanding, no dividends may be declared or paid on junior preferred shares, preferred shares ranking pari passu with the Preferred, or common shares (other than in the case of pari passu preferred shares, dividends on a pro rata basis with the Preferred), nor may the QFI repurchase or redeem any junior preferred shares, preferred shares ranking pari passu with the Preferred or common shares, unless (i) in the case of cumulative Preferred all accrued and unpaid dividends for all past dividend periods on the Preferred are fully paid or (ii) in the case of non-cumulative Preferred the full dividend for the latest completed dividend period has been declared and paid in full.

**Common dividends:** The UST's consent shall be required for any increase in common dividends per share until the third anniversary of the date of this investment. After the third anniversary and prior to the tenth anniversary, the UST's consent shall be required for any increase in aggregate common dividends per share greater than 3% per annum; provided that no increase in common dividends may be made as a result of any dividend paid in common shares, any stock split or similar transaction. The restrictions in this paragraph no longer apply if the Preferred and Warrant Preferred are redeemed in whole or the UST has transferred all of the Preferred and Warrant Preferred to third parties.

**Repurchases:** The UST's consent shall be required for any repurchases of equity securities or trust preferred securities (other than (i) repurchases of the Preferred and (ii) repurchases of junior preferred shares or common shares in connection with any benefit plan in the ordinary course of business consistent with past practice) until the tenth anniversary of the date of this investment unless prior to such tenth anniversary the Preferred and the Warrant Preferred are redeemed in whole or the UST has transferred all of the Preferred and the Warrant Preferred to third parties. In addition, there shall be no share repurchases of junior preferred shares, preferred shares ranking pari passu with the Preferred, or common shares if prohibited as described above under "Restrictions on Dividends".

**Other Dividend and Repurchase Restrictions:** From and after the tenth anniversary of the date of this investment, the QFI shall be prohibited from paying common dividends or repurchasing any equity securities or trust preferred securities until all equity securities held by the UST are redeemed in whole or the UST has transferred all of such equity securities to third parties.

**Voting rights:** The Preferred shall be non-voting, other than class voting rights on (i) any authorization or issuance of shares ranking senior to the Preferred, (ii) any amendment to the rights of Preferred, or (iii) any merger, exchange or similar transaction which would adversely affect the rights of the Preferred. If dividends on the Preferred are not paid in full for six dividend periods, whether or not consecutive, the Preferred will have the right to elect 2 directors. The right to elect directors will end when full dividends have been paid for (i) all prior dividend periods in the case of cumulative Preferred or (ii) four consecutive dividend periods in the case of noncumulative Preferred.

**Transferability:** The Preferred will not be subject to any contractual restrictions on transfer or the restrictions of any stockholders' agreement or similar arrangement that may be in effect among the QFI and its stockholders at the time of the Preferred investment or thereafter; provided that the UST and its transferees shall not effect any transfer of the Preferred which would require the QFI to become subject to the periodic reporting requirements of Section 13 or 15(d) of the Exchange Act. If the QFI otherwise becomes subject to such reporting requirements, the QFI will file a shelf registration statement covering the Preferred as promptly as practicable and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. In addition, the UST and its transferees shall have piggyback registration rights for the Preferred. Subject to the above, the QFI shall take all steps as may be reasonably requested to facilitate the transfer of the Preferred.

**Executive Compensation:** As a condition to the closing of this investment, the QFI and its senior executive officers covered by the EESA shall modify or terminate all benefit plans, arrangements and agreements (including golden parachute agreements) to the extent necessary to be in compliance with, and following the closing and for so long as UST holds any equity or debt securities of the QFI, the QFI shall agree to be bound by, the executive compensation and corporate governance requirements of Section 111 of the EESA and any guidance or regulations issued by the Secretary of the Treasury on or prior to the date of this investment to carry out the provisions of such subsection. As an additional condition to closing, the QFI and its senior executive officers covered by the EESA shall grant to the UST a waiver releasing the UST from any claims that the QFI and such senior executive officers may otherwise have as a result of the issuance of any regulations which modify the terms of benefits plans, arrangements and agreements to eliminate any provisions that would not be in compliance with the executive compensation and corporate governance requirements of Section 111 of the EESA and any guidance or regulations issued by the Secretary of the Treasury on or prior to the date of this investment to carry out the provisions of such subsection.

**Related Party Transactions:** For as long as the UST holds any equity securities of the QFI, the QFI and its subsidiaries will not enter into transactions with related persons (within the meaning of Item 404 under the SEC's Regulation S-K) unless (i) such transactions are on terms no less favorable to the QFI and its subsidiaries than could be obtained from an unaffiliated third party, and (ii) have been approved by the audit committee or comparable body of independent directors of the QFI.

### **Summary of Warrant Terms**

**Warrant:** The UST will receive warrants to purchase, upon net settlement, a number of net shares of preferred stock of the QFI (the "Warrant Preferred") having an aggregate liquidation preference equal to 5% of the Preferred amount on the date of investment. The initial exercise price for the warrants shall be \$0.01 per share or such greater amount as the charter may require as the par value per share of Warrant Preferred. The UST intends to immediately exercise the warrants.

**Term:** 10 years

**Exercisability:** Immediately exercisable, in whole or in part.

**Warrant Preferred:** The Warrant Preferred shall have the same rights, preferences, privileges, voting rights and other terms as the Preferred, except that (1) the Warrant Preferred will pay dividends at a rate of 9% per annum and (2) the Warrant Preferred may not be redeemed until all the Preferred has been redeemed.

**Transferability:** The warrants will not be subject to any contractual restrictions on transfer or the restrictions of any stockholders' agreement or similar arrangement that may be in effect among the QFI and its stockholders at the time of this investment or thereafter; provided that the UST shall not effect any transfer of the warrants or underlying Warrant Preferred which would

require the QFI to become subject to the periodic reporting requirements of Section 13 or 15(d) of the Exchange Act.

If the QFI otherwise becomes subject to the periodic reporting requirements of Section 13 or 15(d) of the Exchange Act, the QFI will file a shelf registration statement covering the warrants and the Warrant Preferred underlying the warrants as promptly as practicable and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. In addition, the UST and its transferees shall have piggyback registration rights for the warrants and the Warrant Preferred underlying the warrants. Subject to the above, the QFI shall take all steps as may be reasonably requested to facilitate the transfer of the warrants or the Warrant Preferred.