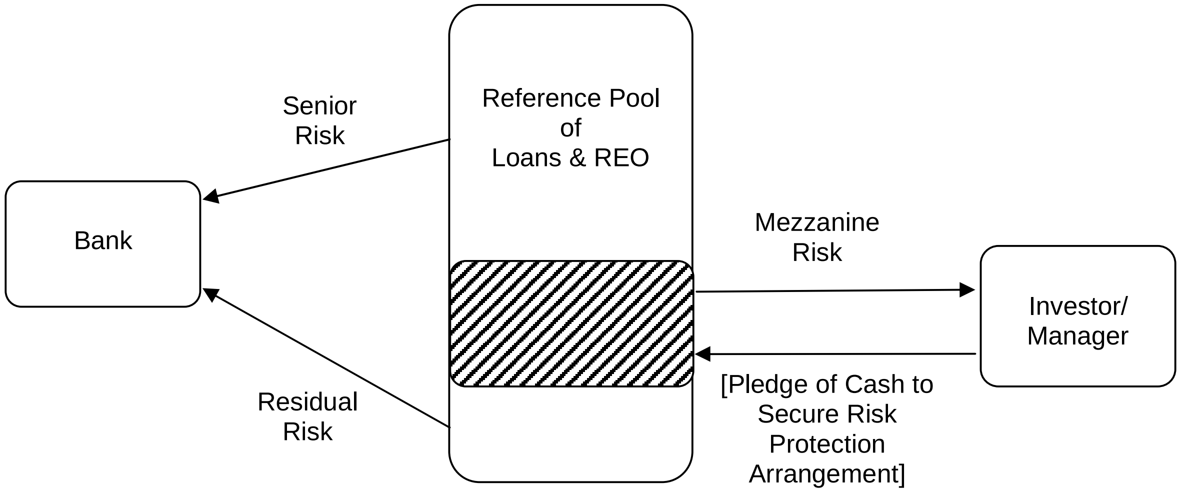
Synthetic Risk Transfer



Notes:

I. **Bank will divide risk on a portfolio of loans and REO into senior, mezzanine and residual tranches. The outstanding balance of loans and the acquisition cost of REO included in the reference pool will be equal to the sum of the tranches.**

II. **Bank will retain the risk on the senior and residual tranches. It will sell the mezzanine risk pursuant to a credit derivative to the Investor/Manager. The credit derivative will be documented on standard IDSA forms. Investor/Manager will cover losses on the reference pool of loans and REO in excess of the amount of the residual credit tranches, up to an amount equal to the notional amount of the mezzanine credit derivative.**

III. **Under the mezzanine credit derivative, Bank will pay Investor/Manager a periodic (monthly) fixed payment and Investor/Manager will make periodic floating loss payments to Bank when losses covered by the mezzanine credit derivative are realized on the reference pool. [Investor/Manager will secure its obligations under the mezzanine credit derivative by pledging cash/cash equivalent securities to Bank.]**

IV. **By buying credit protection through the mezzanine credit derivative, Bank has effectively capped its probable losses on the reference pool without selling or securitizing the related loans and REO or giving up the potential for upside gain. With certain reference pools, risk based capital relief may also be available if the mezzanine credit derivative is rated.**

V. **So long as the mezzanine credit derivative is outstanding, Investor/Manager will act as the manger/servicer of the reference pool. This frees up Bank management to focus on revenue building activities while deploying the asset expertise of Investor/Manager to maximize returns and recoveries on the reference pool.**

VI. **Asset are not sold, de-consolidated or marked-to-market, so no impairment or losses on the reference pool are required to be recognized by Bank in connection with the transaction. Also, reference pool loans and REO continue to be funded by Bank at its lower cost of funding.**

VII. **The credit derivative transaction is very flexible. Reference pool loans and REO may continue to be owned by Bank. Loans and REO can be freely refinanced or sold and the mezzanine credit derivative can be terminated at Bank's election in whole or in part as the market for loans and REO or the bank's capital position improves.**