DTC Eligible CD Underwriting:

U.S. Sterling Securities, Inc.

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U.S. STERLING SECURITIES

U.S. Sterling Securities, Inc.

The Firm

U.S. Sterling Securities, Inc. (USSI), a FINRA/SIPC member Broker/Dealer, has been serving the needs of financial institutions since 1994 with offices in New York, Connecticut and Illinois. The firm is dedicated to supporting issuers, broker-dealers, and institutional investors in fixed income products. USSI has relations with over 4,000 depository institutions with placement of funds in excess of $8 billion per annum.

U.S. STERLING SECURITIES

Brokered Deposits

Brokered Deposits

There has been an increase in competition for funds among depository institutions forcing local deposits to no longer satisfy the needs of funding. As a result, brokered certificates of deposits have been a viable alternative for funding.

Brokered deposits allow banks to acquire new funds and use these funds to issue loans. By these means, institutions avoid the marketing, personnel and administrative costs that they would otherwise incur if only soliciting deposits locally.

Overview

- DTC eligible CDs provide efficient and inexpensive means to raise large amounts of brokered deposits through issuance involving a single certificate.
- One master certificate represents each issue.
- DTC eligible CDs are held by the Depository Trust Company (DTC) and are part of a national book-entry market in which rates are set and transactions are settled regularly.
- The Depository Trust Company is a member of the Federal Reserve.

Overview

- Delivery – Issued in book entry form and are held by the Depository Trust Company (DTC). One master certificate represents each issue symbolized by a single CUSIP.
- Underwriting issuance ranging from $1 million upwards of $100 million
- Structures available are, but not limited to, fixed rate, non-callable and callable.
- Distribution – CDs are placed with investors through the underwriters sales desk as well as an external selling group consisting of broker/dealers nationwide.
- FDIC insured depository institutions are eligible for deposit insurance coverage as dictated by part 330 of Title 12 CFR.

DTC Eligible CDs

DTC Eligibility

Securities eligible for DTC's Book-Entry delivery services:

Generally, the only securities that can be made eligible for DTC's book-entry delivery services are those that:

- Have been registered with the Securities and Exchange Commission (SEC) pursuant to the Securities Act of 1933 (the Securities Act, as amended, or
- Are exempt from registration pursuant to a Securities Act exemption that does not involve transfer or ownership restrictions, or
- Are eligible for resale pursuant to Rule 144A or Regulation S (and otherwise meet DTC's eligibility criteria).

U.S. STERLING SECURITIES

Eligibility

In order to issue DTC Brokered CDs, the FDIC requires the issuer's capital category be:

- **Well capitalized**

  or
- Adequately capitalized with a waiver from the FDIC

as defined under the requirements of 12 CFR section 337.6, with respect to the acceptance of deposits from a deposit broker, where:

Well Capitalized:

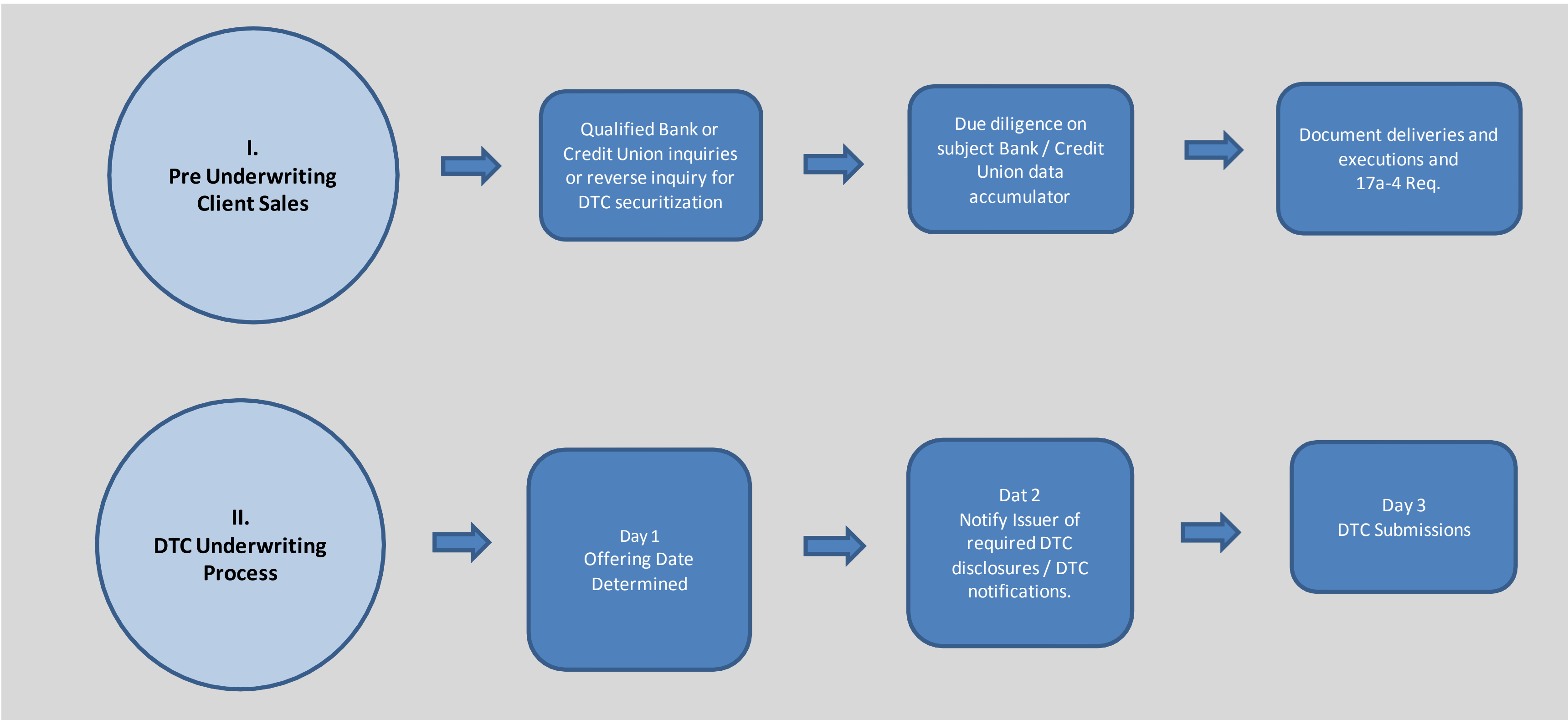
- *Leverage Ratio +5%*
- *Tier One +6%*
- *Total Cap Ratio +10%*

Advantages to DTC Brokered CDs

- Negotiable terms and competitive rates
- Reduction in administrative costs
- Collateral / pledging is not required
- Brokered deposits allows funding from the national market without the disruption of local branch deposit-taking activities
- One Master Certificate per term of issuance
- Single block deposit per term
- Consolidated interest and principal payments through the Depository Trust Corporation
- Structured liquidity and funding needs
- No early withdrawal clause except in the event of death of owner
- Flexible maturities and structures including interest rates and payment frequency to fully meet client's requirements

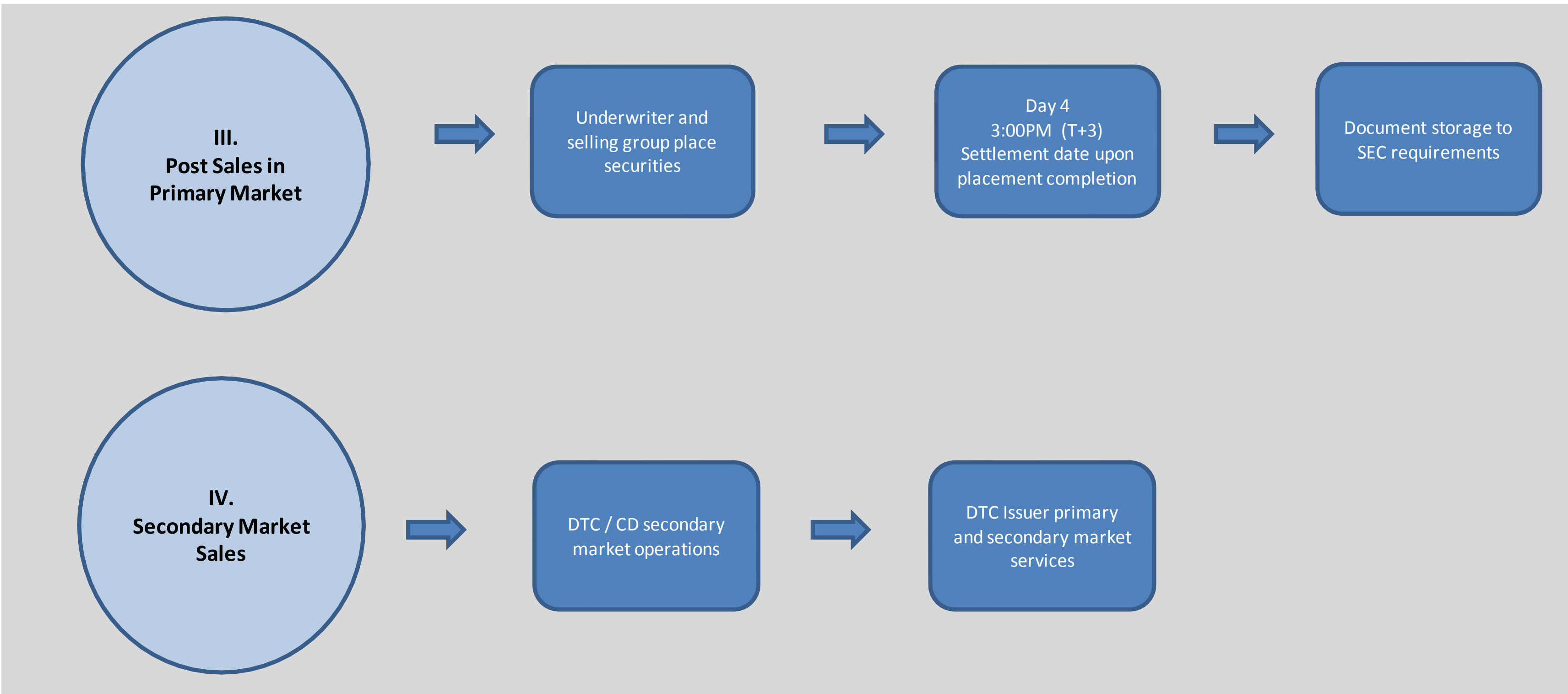
Issuance Process

DTC Underwriting Flow-Chart
Primary Market



U.S. STERLING SECURITIES

DTC Underwriting Flow-Chart
Secondary Market



Terms

- **Pricing Day** – Price discussions between underwriting and the issuer hold price discussions and the sign terms agreement. The sales period begins and the underwriter applies for a CUSIP.

- **Sales Period** – typically 5 business days.

- **Sales Closed** – Sales period ends and the underwriter provides the Settlement Letter with financial quantity and the Master CD to the issuer. The issuer sends the Master Certificate to DTC via next day mail.

- **Settlement Day / Issue Date** – Receipt of the Master Certificate at DTC is confirmed and the funds are wired to the issuer.

- **Interest Payments** – Interest is calculated on an Actual/365 day basis. Payments frequency can be monthly, quarterly, semi-annually, or at maturity. Interest payments are made on the anniversary of the issue date. The current interest payment is to be wired to DTC on each due date.

- **Maturity Date** – A wire is to be made from the issuer to DTC for the total principal amount specified.

- **Fees** – Negotiated on the pricing day and are reflected in detail in the Terms Agreement. Fees are paid by the issuer in the form of a discount from the proceeds at the time of issuance.

Interest

- Interest on Demand Accounts will be payable at a stated simple rate of interest per annum
- Calculated on the basis of Actual/365 days
- Interest shall be paid by the Issuer on each stated payment frequency anniversary (semiannual, monthly, or quarterly)
- Deposit Accounts with a stated maturity of one year or less will generally be payable at maturity
- Any interest payment due on an Interest Payment Date, which is a non business day, will be paid on the next succeeding business day.
- Business day shall be defined as a trading day where bond markets are open
- No interest will be earned after the stated Maturity Date

U.S. STERLING SECURITIES

No Early Withdrawal

- No withdrawal may be made from any Deposit Account prior to the Maturity Date unless stated otherwise.
- Early withdrawal will be permissible following the death or adjudication of incompetence of the owner thereof.
- In such event, the Issuer shall pay the sum of:
  - The full amount on deposit in such Deposit Account and
  - The amount of unpaid interest which has accrued on the Deposit Account from the Issue Date to, but not including, the date of early withdrawal

U.S. STERLING SECURITIES

Termination of Deposit Insurance:

- If the Issuer's deposit insurance is terminated by the Federal Deposit Insurance Corporation (FDIC) or the Issuer, the Deposit Accounts will be redeemed by the Issuer on the last business day on which the Issuer's deposits would be insured by the FDIC.
- In such event, the Issuer shall pay the sum of:
  - The full amount on deposit in such deposit Account and
  - The amount of unpaid interest which has accrued on the Deposit Account from the Issue Date to, but not including, the date of redemption.

U.S. STERLING SECURITIES

Affirmation of Deposit Insurance

- Pursuant to 12 CFR 330.14(h)(2), the Issuer represents and warrants that as of the Issue Date:
  - The Issuer's current capital category, as determined pursuant to 12CFR 337.6(a)(3), is well capitalized and
  - Deposits currently made by employee benefit plans are eligible for "pass-through" deposit insurance

Book-Entry-Only Security

- **Book-Entry-Only Security (BEO):**
  - An issue authorized for deposit at DTC in the form of one or more global certificates for each tranche of an issue.
  - Ownership positions and transactions in each security are reflected in DTC's records and in the records of participating banks and brokers.
  - Transaction confirmations and periodic investors identify securities the investor owns and report on activity in the investors account.

CUSIP Number

CUSIP:

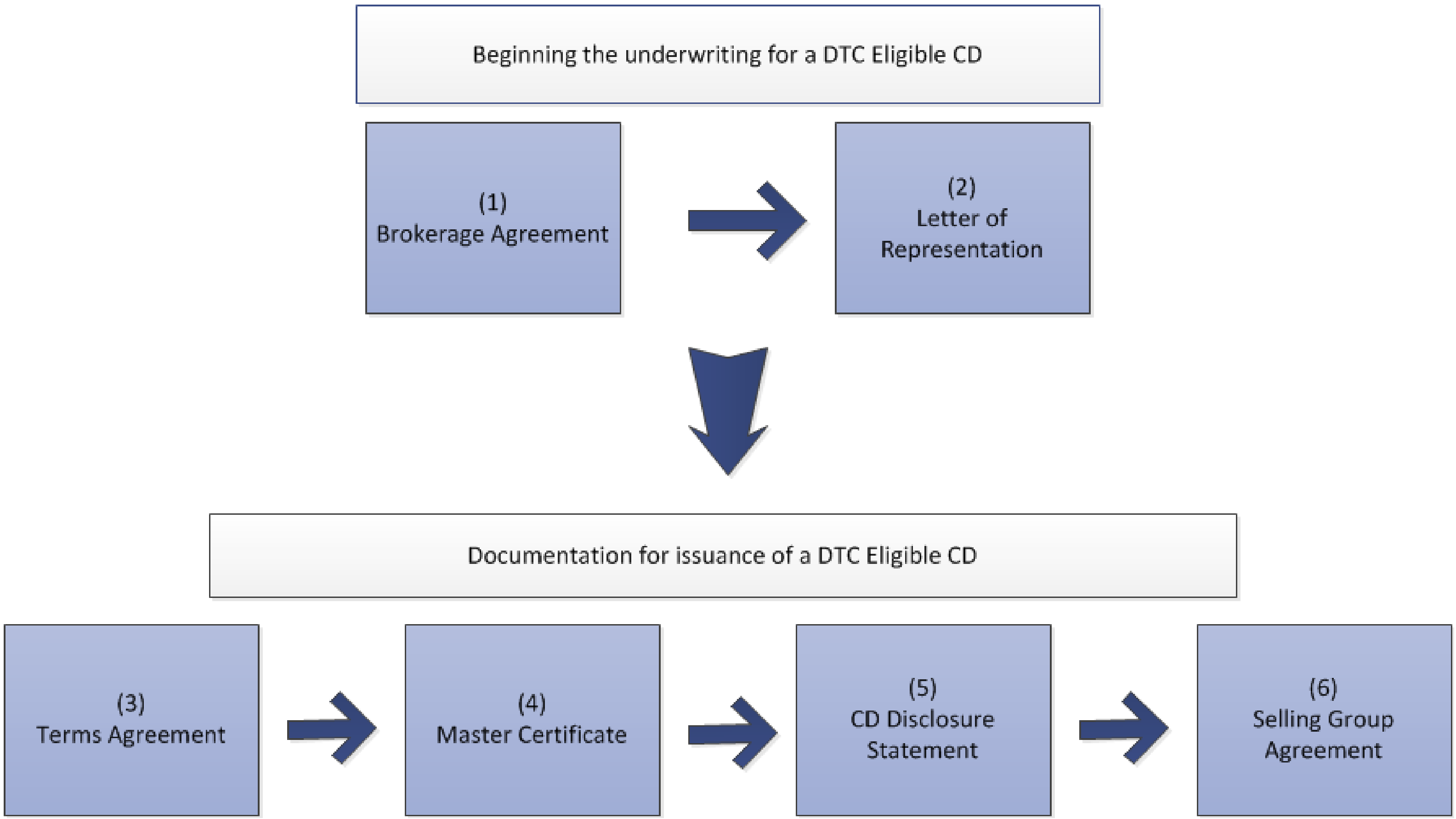
- The identification number created by the American Banking Associations Committee on Uniform Security Identification Procedures (CUSIP) to uniquely identify issuers and issues of securities and financial instruments.
- The CUSIP number consists of nine digits’
  - The first six digits identify the issuer and have been assigned to issuers in alphabetic sequence.
  - The next two characters (alphabetic or numeric) identify the issue.
  - The ninth digit is the check digit.

Documentation

Offering Documents

A formal written offer to sell securities that sets forth the plan for the proposed business enterprise (or the facts concerning the existing one) that an investor needs in order to make an informed investment decisions.

Documentation Process



Brokerage Agreement (1)

- Establishes policies and procedures pertaining to the issuance of a DTC Eligible CD.
- Warrants and representations that financial institutions make to the underwriter and warrants and representations that the underwriter make to financial institutions.
- Brokerage Agreement must be signed and returned to the underwriter.
- The Brokerage Agreement consists of the following subjects:
  - *Conditions of the CD Offerings*
  - *Operating Procedures*
  - *Arrangements with DTC and Payments on Master Certificates*
  - *Payment Errors*
  - *Recordkeeping*
  - *Fees including Court Fees and Damages*
  - *Confirmations and Disclosure Statement*
  - *Conditions of Closing*
  - *Withdrawals, Redemptions and Transfers*
  - *Termination of Deposit Insurance*
  - *Secondary Market*
  - *Representations, Warranties and Agreements of the Issuer & the underwriter*
  - *Confidentiality*
  - *Sales of Other Deposits*
  - *Litigation and State Banking Laws*
  - *Performance by Subsidiaries and Affiliates*
  - *Indemnification*
  - *Exclusivity*
  - *Invalidity*
  - *Successors*
  - *Term and Survival*
  - *Advertising*
  - *References to Statutes Rules or Regulations*
  - *Notices*
  - *Applicable Law and Venue*
  - *Counterparts*

Letter of Representation (2)

- An agreement that contains certain representations that must be made to DTC by the issuer and other before various issue types (ex. Book-entry-only issues, Rule 144A issues, and Regulation S issues) that an investor needs in order to make an informed investment decision.
- References DTC’s operational arrangements.
- Letter of Representation must also be signed.
- Document is submitted to DTC where DTC counter signs the Letter of Representation and the underwriter delivers the Letter of Representation to the issuing financial institution.

Terms Agreement (3)

- Created for each individual DTC Eligible CD.
- The underwriter proposes to offer the CDs in accordance with the terms of the Agreement and further in accordance with the following terms:
  - Term of CDs
  - Maturity Date
  - Interest Rate, Payment Frequency, Payment Date, Calculation
  - Call Provisions
  - Offering Period / Commencement Date of Offering
  - Maximum Aggregate Principal Amount of CDs offered
  - Placement Fee
  - Settlement Fee
- The underwriter will use its best efforts to place the CDs but is not obligated to lace any amount of the CD.
- The Terms Agreement may be executed in counterparts, each of which shall be deemed an original.

U.S. STERLING SECURITIES

Selling Group Agreement (6)

- Any registered brokerage firm that participates with the underwriter in the DTC CD issuance and sells portions of the CD to their clients must complete a Selling Group Agreement.

- Signing a Selling Group Agreement binds these brokerage firms to comply with policies, procedures, and regulations including all anti-money laundering statuettes as they pertain to the sale of DTC CDs by FINRA and the SEC.

The Selling Group Agreement includes the following:

- Participation of dealer
- Terms of CDs
- Procedures for effecting sales of CDs
- Disclosure, confirmation and advertising
- Conditions of closing
- Record keeping
- Establishment of direct depository relationships with the issuer
- Fees & Expenses
- Arrangements with the Depository Trust Company
- Representations and warranties for each party / the underwriter / the dealer
- Secondary market
- Indemnification
- Confidentiality
- Litigation
- Restrictions on offering CDs in certain market areas
- Survival
- Performance through subsidiaries or affiliates
- Effectiveness of this agreement
- Applicable law and venue
- References to statutes, rules and regulations
- Counterparts & Notices

U.S. STERLING SECURITIES

Disclosure Statement (5)

- The Disclosure Statement is used primarily for informational purposes only.
- Similar to an investment's prospectus.
- Describes the FDIC insured DTC Eligible CD in detail.
- All purchasers of portions of the DTC Eligible CD receive this document to be saved for filing.

Investment and Risk Considerations

Buy and Hold

- CDs are most suitable for purchasing and holding to maturity. If your CD is callable by the Issuer, you should be prepared to hold it according to its terms. Though not obligated to do so, the Firm may maintain a secondary market in CDs after their Settlement Date. If you are able to sell your CD, the price you receive will reflect prevailing market conditions and your sales proceeds may be less than the amount you paid for your CD. If you wish to dispose of your CD prior to maturity, you should read with special care the sections headed "Additions or Withdrawals" and "Secondary Market."

Compare Features

- You should compare the rates of return and other features of the CDs to other available investments before deciding to purchase a CD. The rates paid with respect to the CDs may be higher or lower than the rates on deposits or other instruments available directly from the Issuer or through the Firm.

Liquidity Risk

- As with other types of fixed income securities, secondary market prices for negotiable CDs are subject to market conditions which affect liquidity and can render the CD worth more or less than the initial investment if redeemed prior to maturity. However, CDs held to maturity or call (redeemed) by the issuer will furnish the full principal amount. Callable CD holders receive the return of original principal along with earned interest when the CDs are called. In the case of Structured CDs, interest paid in the event of call follows a predetermined schedule which is disclosed at the time of issuance.

Call Risk

- Some CDs may be subject to redemption on a specified date or dates at the sole discretion of the Issuer (a "call"). These types of CDs are referred to as “Callable CDs”. If the CD is called, the issuer will pay down the outstanding principal amount (including accrued interest, up to but not including the call date) and cancel the remaining term of the CD. The dates on which the CD may be called will be specified in the trade confirmation, as a supplement to trade confirmation, or in the Term Sheet. Generally, the issuing institution will call your CD when interest rates have decline, particularly when they fall below the rate on the CD you purchased because the bank can obtain new deposits at a lower rates. Call provisions are usually attached to CDs with longer maturities and may or may not offer step-ups to the stated rate. A call provision only gives the issue the right to redeem; it does not give you the investor the right to redeem the CD. CDs with call provisions may be less favorable than traditional CDs without these features.

Reinvestment Risk

- In the event that your CD is called, as a result of the Issuer’s insolvency, exercise by the Issuer of its right to call the CD, or a voluntary early withdraw by you the investor, you may not be able to reinvest your money at the same rate as the CD that was called. This risk is termed "reinvestment risk." If it is not called, investors should be prepared to hold the CD until maturity.

(Continued)

Investment and Risk Considerations (Con’t)

Early Withdrawal

- Issuers are not required to allow the investor to withdraw (redeem) their funds from a purchased CD prior to maturity; this is referred to as an “early withdrawal”. It is up to the investor to determine whether early withdrawal is permitted and, if so, the amount of the penalty that the issuer will impose if you withdraw your funds early. It is the investor’s responsibility to decide if the early withdraw penalty is a reasonable amount for their purposes before purchasing such CD. Though not required to do so, banks may permit early withdrawal without penalty in certain circumstances, such as your death or incapacity. Redeeming a CD prior to maturity may result in loss of principal due to fluctuations in the market interest rates, lack of liquidity, or transaction costs.

Deposit Insurance

- Your CDs are insured by the FDIC, an independent agency of the U.S. Government, to the Maximum Applicable Deposit Insurance Amount (including principal and accrued interest) for all deposits held in the same insurable capacity at any one Issuer Issuer. Generally, any accounts or deposits that you may maintain directly with a particular Issuer, or through any other intermediary in the same insurable capacity in which the CDs are maintained, would be aggregated with the CDs for purposes of the Maximum Applicable Deposit Insurance Amount. In the event an Issuer fails, interest-bearing CDs are insured, up to the Maximum Applicable Deposit Insurance Amount, for principal and interest accrued to the date the Issuer is closed.

- Under certain circumstances, if you become the owner of CDs or other deposits at an Issuer because another depositor dies, beginning six months after the death of the depositor the FDIC will aggregate those deposits for purposes of the Maximum Applicable Deposit Insurance Amount with any other CDs or deposits that you own in the same insurable capacity at the Issuer. Examples of accounts that may be subject to this FDIC policy include joint accounts, “payable on death” accounts and certain trust accounts. The FDIC provides the six month “grace period” to permit you to restructure your deposits to obtain the maximum amount of deposit insurance for which you are eligible.

- You are responsible for monitoring the total amount of deposits that you hold with any one Issuer, directly or through an intermediary, in order for you to determine the extent of deposit insurance coverage available to you on your deposits, including the CDs. The Firm is not responsible for any insured or uninsured portion of the CDs or any other deposits.

Insolvency of the Issuer

- In the event the Issuer approaches insolvency or becomes insolvent, the Issuer may be placed in regulatory conservatorship or receivership with the FDIC typically appointed the conservator or receiver. The FDIC may thereafter pay off the CDs prior to maturity or transfer the CDs to another depository institution. If the CDs are transferred to another institution, you may be offered a choice of retaining the CDs at a lower interest rate or having the CDs paid off.

(Continued)

Investment and Risk Considerations (Con't)

Payments Under Adverse Circumstances

- As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

- As explained above, the Maximum Applicable Deposit Insurance Amount applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you at the Issuer in the same insurable capacity. The records maintained by the Issuer and the Firm, or the Firm's Clearing Broker, regarding ownership of CDs would be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to the Firm before insurance payments are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect; you may be required to furnish other affidavits and provide indemnities regarding an insurance payment.

- In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original par amount plus accrued interest (or the accreted value in the case of zero coupon CDs) to the date of the closing of the relevant Issuer, as prescribed by law, and subject to the Maximum Applicable Deposit Insurance Amount. No interest or accreted value is earned on deposits from the time an Issuer is closed until insurance payments are received.

- In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original par amount plus accrued interest (or the accreted value in the case of zero coupon CDs) to the date of the closing of the relevant Issuer, as prescribed by law, and subject to the Maximum Applicable Deposit Insurance Amount. No interest or accreted value is earned on deposits from the time an Issuer is closed until insurance payments are received.

- As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the CDs under the original terms or offer you a choice between paying the CD off and maintaining the deposit at a different rate. The Firm will advise you of your options in the event of a deposit transfer.

(Continued)

Investment and Risk Considerations (Con’t)

- The Firm will not be obligated to you for amounts not covered by deposit insurance nor will the Firm be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, (ii) your receipt of a decreased interest rate on an investment replacing your CD as a result of the payment of the principal and accrued interest or the accreted value of a CD prior to its scheduled maturity or (iii) payment in cash of the principal and accrued interest or the accreted value of your CDs prior to maturity in connection with the liquidation of an Issuer or the assumption of all or a portion of its deposit liabilities. In connection with the latter, the amount of a payment on a CD which had been purchased at a premium in the secondary market is based on the original par amount (or, in the case of a zero-coupon CD, its accreted value) and not on any premium amount. Therefore, you can lose up to the full amount of the premium as a result of such a payment. Also, the Firm will not be obligated to credit your account with funds in advance of payments received from the FDIC.

Questions About FDIC Deposit Insurance Coverage

If you have questions about basic FDIC insurance coverage, please contact the Firm. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one insurable capacity. You may also obtain information by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342 or 800-925-4618 (TDD)) or by e-mail (dcainternet@fdic.gov) or visiting the FDIC website at www.fdic.gov.

Depository Trust Corporation

All negotiable CDs purchased through U.S. Sterling Securities Inc. and its Clearing Corporation (First Southwest Company) are registered with the Depository Trust Company (“DTC”).

Contact Information

U.S. Sterling Securities, Inc.

Underwriting Desk

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