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Redwood Capital Bancorp

Special Inspector General – TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, D.C. 20220

SIGTARP.response@do.treas.gov

March 3, 2009

Mr. Barofsky:

This letter is in response to your audit request dated February 6, 2009 and addresses our use of TARP funds as well as any changes to our executive compensation plans. You will also find supporting documentation for our statements as well as a statement certifying the accuracy of these documents.

Narrative Response:

a) <u>Anticipated use of TARP</u> – Redwood Capital Bancorp ("the Corporation") was approved for $3.8 million in TARP funds on December 17, 2008 and received those funds a month later on January 16, 2009. The Corporation's primary intended use of the funds was to provide a cushion for capital levels against a rapidly deteriorating economic environment with an unknown trajectory or duration. Secondarily, the Corporation's wholly-owned subsidiary, Redwood Capital Bank, will use TARP funds to continue lending where appropriate and reasonable.

In 2008 Redwood Capital Bank experienced $1.3 million in loan charge-offs and [redacted] Despite Humboldt County's relative isolation, our customers and businesses are impacted, some severely, by the recession. [redacted]

b) <u>Whether TARP funds are segregated from other funds</u> – TARP funds are properly reflected as "Preferred Stock" on the books of the corporation.

c) <u>Actual use of TARP funds to date</u> – To date, as stated above, the Corporation has primarily used TARP funds as a cushion for capital against a deteriorating credit portfolio. When the Corporation received the TARP funds, $3.0 million of those funds were used to payoff an existing line of credit facility. The remainder of the funds increased the cash liquidity balance on the books.

Additionally, the Corporation, through its wholly-owned subsidiary Redwood Capital Bank, has continued to lend within the local marketplace.

Since January 19, 2009, Redwood Capital Bank has booked 15 loans totaling approximately $2.998 million. Of those 15, seven were consumer loans representing $869,000 of the total amount lent. One of the 15 was a mortgage loan representing $340,000. Lastly, the Bank served existing customers by renewing 20 commercial commitments totaling $5.515 million.

The bank does actively engage in residential mortgage lending; however, the vast majority of our mortgage loans are brokered without retained servicing. Since January 1, 2009 15 residential mortgage loans totaling $4.06 million were brokered and approved.

d) Expected use of unspent TARP funds – The Corporation intends to retain TARP funds and downstream the remaining proceeds to the Bank in order to enhance and preserve appropriate levels of capital to support continued lending.

e) Impact of having the funds – The impact of the TARP funds can not be underestimated. With substantial revenues being allocated into loan loss reserves to support existing credit quality as well as new loan growth, the TARP funds provide additional latitude for maintaining adequate capital levels while supporting moderate levels of lending activity for new and existing customers; lending that would not be possible without adequate capital.

f) Segregate all internally generated documents that discuss TARP, i.e. shareholder statements, earnings release, internal emails, budgets or memos regarding intended use – The Corporation will archive or earmark all relevant documentation to facilitate retrieval.

Executive Compensation:

a) Specific plans and status of implementation of plans for meeting executive compensation requirements – The Corporation has had all executive contracts reviewed by our General Counsel [redacted] (b) (6) and the necessary revisions have been made. The revised agreements will be presented to the Compensation Committee of the Board of Directors on March 4th 2009.

b) Discuss loan risks and their relationship to executive compensation – [redacted] (b) (4) (b) (4)

c) How executive compensation limits are being implemented within Department of Treasury guidelines – Executive contracts have been redrafted by the Corporation's General Counsel to ensure that each contract meets the Department of Treasury's guidelines. Treasury guidelines are currently changing and as of this writing Redwood Capital Bancorp is in compliance with the terms of TARP under which it applied. Understanding that the new American Recovery and Reinvestment Act of 2009 supersedes prior TARP rules the Corporation will make necessary adjustments as required once the new guidelines are promulgated.

d) Whether such limitations will be offset by other long-term or deferred executive compensation – No. All limitations are in place with no offsets.

Supporting documentation:

- November 2008 and December 2008 Board minutes
- CFO due diligence spreadsheets
  - Financial
  - Decision Making
- December 31, 2008 earnings release statement
- Lending report since January 17, 2009
- Loan renewals since January 17, 2009
- Real Estate Board Report
- Balance sheet showing TARP funds
- Memorandum from General Counsel regarding Executive Compensation review

As a duly authorized senior executive officer of Redwood Capital Bancorp, I hereby certify that all of the statements, representations and supporting information provided in connection with your request are accurate subject to the requirements and penalties outlined in Title 18, United States Code, Section 1001.

Please let me know if you need any additional information or clarification.

Respectfully Submitted,

Fred Moore
Chief Financial Officer

(b) (6)
[redacted]

Redwood Capital ~~Bank~~ Bancorp Minutes 12-08
Attachment 1a

Director McAuley questioned if there was anything over accrued. CFO Moore responded that anything that had been over accrued for was adjusted during November. CFO Moore stated further that the top priority now is to control erosion in the loan portfolio. He stated that $1.4 million has been allocated to the ALLL this year alone. CFO Moore stated that senior management is looking at all borrowers and containing lines of credit for borrowers that may be in trouble. Director Dalby stated that we have been very successful with this. Director Dalby stated further that CCO Hartmann is actively monitoring all borrowers. Director Dalby stated that the earlier we talk with borrowers who may be in trouble the better the chance for a positive resolution. CCO Hartmann stated that he is still involved in a complete review of the portfolio and has looked into all non-profits due to the recent [redacted] credit. CCO Hartmann stated that every day is a new month and we need to assume and plan for additional fallout in the portfolio.

Chairman Burke stated that every day he is asked how the bank is doing – he stated that we should have a straightforward answer. Director Dalby reminded the Board that we can only discuss the bank's performance as of the end of the third quarter – anything beyond Q3 2008 is considered material non-public information. Director Dalby informed the Board that it is acceptable to tell people that this is a tough economy. CCO Hartmann stated that hopefully we will be able to say at the end of Q4 that the bank is profitable. Ms. Sims stated that times are tough – we have customers who are really hurting, but we are doing okay for now. Director McAuley concluded by stating that the economy is apparent – these are challenging times.

Thereafter, it was:

Moved (Strombeck) and seconded (Britt) to approve the Financial Statements as of November 30, 2008, as presented. Director Perrone asked CFO Moore about the tax obligation he had mentioned earlier. CFO Moore responded that the major difference between book and taxable income is our ALLL, which is not tax deductible. Our accountants will want us to be conservative in order to avoid underpayment penalties. Thereafter, the motion carried unanimously.

b. TARP/CPP Risk Assessment and Recommendation Summary – Attachment

CFO Moore referred the Board to the TARP/CPP Risk Assessment and Recommendation Summary, a copy of which is attached and made a part of these minutes. CFO Moore reported that senior management, on behalf of the holding company, completed and submitted the application for TARP/CPP funds on November 12, 2008, and received formal acknowledgment of preliminary approval today. He stated that if the Board decides to accept TARP/CPP funds, we will have 30 days to gather and submit further paperwork, including issuing shares, legal review, contract reviews (CEO and CFO), etc.

CFO Moore informed the Board that historically the bank has put aside 1.25% as reserves for loan losses. [redacted] CFO Moore stated that these are small percentages, but high numbers. CFO Moore stated that senior management has to "hope for the best, but plan for the worst" by assuming further erosion to the loan portfolio. Director Dalby added that continued erosion to the portfolio increases the overall risk to the bank. He stated that we have the ability to absorb another $1.7 million in additional losses (in addition to what we have already absorbed) and we could survive; however, anything above that we would be operating outside the "well capitalized" regulatory guidelines. Director Dalby reminded the Board that $1.7 million is roughly what the bank set aside for reserves in 2008; thus, if we experienced another year like this in 2009, we would need additional capital.

Director Dalby distributed a copy of his Memorandum to the Board dated September 9, 2008, which had been provided to them at the September Board meeting, prior to the Strategic Planning Retreat, a copy of which is attached and made a part of these minutes. He stated that it is apparent that the bank will need to add to capital. Director Dalby reviewed the Strategic Capital Matrix 2008 with the Board, and discussed the advantage of a private versus public placement. Director Dalby informed the Board that the quickest and easiest way to raise capital would be through the TARP/CPP program and the sale of 3,800 of preferred shares (at $1,000.00 per share), or we could go out with a private placement to the market which would be limited to 35 accredited investors. Director Dalby stated that a private placement might trigger SOX compliance; however, one advantage of a private placement would be that the government would not be involved. Director Dalby stated that one major disadvantage of the TARP/CPP program is that the government has the ability to change the rules at any time.

Director Dalby referred the Board to the Capital Analysis TARP/CPP Proceeds information which was included within the TARP/CPP package presented to the Board. He reviewed the Capital Level Analysis, Dilution Analysis, Break Even Analysis, and Cost of Capital Assessments, including the annual dividend warrants and premium at redemption with the Board. Director Dalby pointed out that the annual dividend warrant of approximately $200,000 is similar to a back ended loan payment. Director Strombeck questioned if this could be paid off at any time. Director Dalby responded that during the first three years, the company could only retire the preferred shares by raising at least 25% (or roughly $950,000) in additional capital, as well as retiring the shares. If the company could raise approximately $1 million, we could pay off the balance with our line of credit. Director Dalby stated that the costs are dividends, and not an expense to the bank; however, it does come out of capital.

Director McAuley questioned the status of the holding company's line of credit with (b) (4) [redacted] (b) (4) [redacted] He asked about the terms and if it was a revolving line of credit – do we have immediate access to the line. CFO Moore responded that it is a revolving line of credit through July of 2009, at this point it becomes a ten-year fully amortized note. (b) (4) [redacted]

Director Dalby informed the Board that the (b) (4) [redacted]

Director Dalby informed the Board that under the TARP/CPP program, it would be expensive to redeem the shares early. He added that there would also need to be a few modifications to senior management contracts. Director Strombeck questioned the negative impact of said modifications. CFO Moore responded that there would not be a lot of changes to the contracts – the big issue is the golden parachute payment. Director Strombeck questioned how much was left on the existing LOC with [redacted] CFO Moore responded, "Approximately $685,000." Chairman Burke questioned the time line for moving forward with the TARP/CPP program. CFO Moore responded that we would have 30 days from today (December 17, 2008). Chairman Burke questioned how much time was needed to complete the due diligence. CFO Moore responded that he felt 30 days was enough time. Director Dalby stated that there was a chance for negative stigma associated with accepting TARP/CPP proceeds. Chairman Burke and Directors DeBeni and Perrone all stated that they were not concerned about any such negativity associated with accepting the proceeds. Director McAuley stated that given the uncertainty in the bank's loan portfolio and the economy, he was in agreement with senior management's recommendation to accept the TARP/CPP proceeds, pay off the existing LOC with [redacted] and pursue or renegotiate a new LOC.

Thereafter, it was:

Moved (McAuley) and seconded (DeBeni) to accept the TARP/CPP proceeds, pay off the existing LOC with [redacted] *and pursue or renegotiate a new LOC to be used as contingent capital. Director DeBeni clarified that the government could change its rules at any time. Director Dalby responded, "Correct, the government can change the rules at any time."*

CFO Moore clarified the motion by stating that there would be an expense associated with accepting the TARP/CPP proceeds on the front end; however, accepting these funds would be protecting the franchise. He added that we would be accepting the TARP/CPP proceeds and renegotiating our LOC, we would have the ability to go out with a private placement and would have the ability to take the government off the books with $1 million in capital leaving us with sufficient contingent capital.

Director DeBeni questioned if there were any additional restrictions on director stock. CFO Moore responded, "No."

Chairman Burke stated that he has not heard anything that would negatively impact the shareholders. Director McAuley agreed and added that it is clearly in the shareholders best interest to accept the TARP/CPP proceeds. He stated further that anything we can do in this environment to increase capital is in the shareholder's best interest.

CFO Moore informed the Board that we are definitely in unchartered waters and we don't know what's up ahead, but we have done a good job in protecting the franchise – every day brings a new challenge. Director Dalby agreed and stated that this economy is ugly.

Thereafter, the motion carried unanimously.

Regarding the slide entitled "RWCB $7.75," Director Dalby stated that the Book Value is actually $7.30 rather than $7.65 as indicated on the slide.

Chairman Burke informed the Board that he had requested that Director Dalby provide additional information regarding the bank's performance and history along with the market share data. He informed the Board further that there are still opportunities out there for the bank to do well.

e. **TARP Information**

Director Dalby distributed various articles (from TIB, FTN Financial, SNL Data Dispatch) regarding the Troubled Asset Relief Program (TARP), copies of which are attached and made a part of these minutes. Director Dalby informed the Board that he was providing this information to the Board so that they had the opportunity to review some of the key aspects of the TARP program.

Director Dalby reported that CFO Moore has completed the "Application for TARP Capital Purchase Program (CCP)" on behalf of the company. He stated that the application was due no later than 5:00 p.m. EST on November 14, 2008. Director Dalby informed the Board that should the company's TARP application be approved, we do not have to participate in the program – it may be in our best interest to opt out of TARP. Director Dalby stated that if we are approved, an emergency Board meeting may need to be called. Director Dalby informed the Board that if the company did decide to participate in the program, senior management would not be recommending that the Board alter its strategic direction back to growth mode. He stated that senior management would, most likely, recommend that if we take the TARP money we should pay off our existing line of credit which would net the bank an additional $1.5 million in additional contingent capital. He added that this would provide us with a safety net – especially if we were to run into more unfavorable loans. Director Dalby added that this would be discussed in greater detail and more information would be provided to the Board when the time comes for the Board to make a decision.

Director Perrone asked CFO Moore how he responded (on the application) to how the bank would utilize TARP funds should we be accepted. CFO Moore responded that the application was a one-page application which basically asked the institution's name, primary contact, secondary contact, FDIC certificate number, amount of preferred shares, etc. The application did not ask what the TARP funds would be used for. CFO Moore explained that the bank's [redacted] (b) (8) (b) (8) (b) (8) CFO Moore added that should the question be raised, he would respond that the funds would be used to enhance our capital position should the opportunity present itself.

Director Selvage pointed out that in the November issue of The Findley Reports, Gary Findley encouraged Boards to be careful about any decisions being made regarding the TARP program. He encouraged Boards to think things through and thoroughly research the program. Director Selvage continued that if the Board will be making a decision regarding accepting the funds, he would like adequate time to review and consider the bank's options prior to making such a decision. Director Dalby informed the Board that currently there is not enough information available for senior management to even make a recommendation. He stated further that it was his hope that this could be done at the December 17, 2008 Board meeting. Director Dalby informed the Board that he agreed that any decision regarding the TARP program should not be taken lightly. He pointed out that at the time the November Findley Report was published, Gary Findley did not have a lot of information regarding the program – new information is being released almost daily.

Director Dalby informed the Board that he researched how much additional capital the bank could lose through loan losses and remain well capitalized, and the response to that question is about $2 million.

CFO Moore informed the Board that at the end of 2009, the holding company's line of credit payments will increase. He stated further that if the Board decides against taking part in the TARP program and the bank becomes undercapitalized, the shareholders will definitely have issues with us opting to forego the available capital provided under the TARP program. Director McAuley questioned if we could approach the TARP decision with an Enterprise Risk Assessment. CFO Moore responded that senior management is already doing this. He stated that there is a three-week application deadline which ends December 8, 2009, and it is reasonable that we will have approximately ten (10) days to make a decision. CFO Moore added that he felt that senior management would be able to provide a risk assessment and make a recommendation to the Board at the December 17, 2008 Board meeting.

f. **Presentation of "Directors Cup"**

Director Dalby distributed the extra large, beautiful solid gold (plastic) trophies to the winners of the 2008 Strategic Planning Retreat Directors Cup, namely himself, CFO Moore and Bill McAuley. The winners were most grateful and proud. The losers, on the other hand, with no trophies to take home, whined (one or two of them were vocally distraught).

CFO REPORT – Fred Moore

a. **Financial Statements as of October 31, 2008 – Action Item**

CFO Fred Moore referred the Board to the Overview of Financial Statements as well as the Financial Statements as of October 31, 2008, copies of which are attached and made a part of these minutes. CFO Moore reported that after posting the bank's largest quarterly net income in September, October was a humbling month, largely due to the new appraisal on the (b) (4) [redacted] project. He (b) (4) [redacted]

Director Perrone questioned how the loan write-offs would be communicated. CFO Moore responded that we would be writing a transparent Earnings Release which will talk about the losses and the ALLL. Director Perrone questioned what the Board should say if shareholders ask questions regarding the loss. Director Dalby stated that at this time this information is considered material, non-public information and it cannot be discussed with any outsiders until January, after the Earnings Release is made public. He stated further that at this time the response to the question is "through Q3, the bank has had no loan loss. Director Selvage added that the Board cannot identify these loans. Director Strombeck questioned who has the authority to write loans off – the Loan Committee or senior management. Director Dalby responded that it is senior management's decision. CFO Moore added that senior management does provide an "Issue Report" to the Audit Committee with any pronouncements or accounting issues relative to FASB 114. Director Dalby added that these were not subjective write offs. Director McAuley pointed out that just because the loans have been written off doesn't mean that we won't be able to collect on them. CFO Moore informed the Board that with the exception of one loan, namely (b) (4) [redacted] Redwood Capital Bank would be one of the highest performing banks in California, as well as across the United States.

CFO due diligence
Attachment 2a

Redwood Capital Bank
Pro Forma Impact of Treasury Capital
November 18, 2008

		Pro Forma				
	Current	With Treasury Capital	Leverage To Cover Dividend Cost	Target Leverage on New Capital	OR	Target Leverage Ratio for New Balance Sheet
Total Assets	146,510	150,320	159,615	165,560		164,251
Risk Weighted Assets	126,998	130,808	140,103	146,048		144,739
Tier 1 Capital	10,740	14,550	14,550	14,550		14,550
Risk Based Capital	12,334	16,144	16,144	16,144		16,144
Net Income (Annualized)	841	948	1,032	1,085		1,074
Preferred Dividend (annual)		(190)	(190)	(190)		(190)
NI Available to Common Equity	841	758	841	895		883
Amount of Additional Assets	0	3,810	13,105	19,050		17,741
Balance Sheet Ratios:						
Tier 1 Leverage ratio	7.462%	9.849%	9.266%	8.928%		9.000%
Tier 1 Risk Based Cap Ratio	8.457%	11.123%	10.385%	9.962%		10.053%
Total Risk Based Cap Ratio	9.712%	12.342%	11.523%	11.054%		11.154%
Performance Ratios:						
Return on Assets (ROA)	0.585%	0.642%	0.657%	0.666%		0.664%
Return on Equity (ROE)	7.738%	6.458%	7.027%	7.392%		7.311%

Assumptions:

Treasury Capital:	
As % Risk Weighted Assets	3.0%
Dollar Amount	3,810
Reinvestment Rate on Proceeds	(b) (4) [redacted]
Leverage Spread	
Marginal Tax Rate	
Tier 1 Lev Target on New Capital	500.000%
Tier 1 Lev Target on New Balance Sheet	9.000%

Note 1: amounts in thousands
Note 2: ROA calculated with Average Total Assets - item 9 RC-K
Note 3: ROE calculated with Total Equity Capital - item 28 RC

TARP CPP Acceptance Risk Analysis

Risk Category	Evaluation Factors	Assessment	Risks	Controls	Inherent Risk 1,2,3 (low, medium, high) What is the risk, assuming current controls, if the Assessment Statement happens?	Probability 1, 2, 3 (low, medium, high) What is the probability of the estimated risk actually occurring?

[redacted]

(b) (4)

Redwood Capital Due Diligence Attachment 2B
Bancorp

Risk Category	Evaluation Factors	Assessment	Risks	Controls	Inherent Risk 1,2,3 (low, medium, high) What is the risk, assuming current controls, if the Assessment Statement happens?	Probability 1, 2, 3 (low, medium, high) What is the probability of the estimated risk actually occurring?

(b) (4)

[redacted]

(b) (4)

[redacted]

Attachment 3

Redwood Capital Bancorp

EARNINGS RELEASE – January 29, 2009

Redwood Capital Reports Strong Growth and Focus on Credit Quality

Company Announces Treasury Capital Purchase

EUREKA, CALIFORNIA – On January 29, 2009 REDWOOD CAPITAL BANCORP (RWCB.OB), the holding company for Redwood Capital Bank, announced unaudited financial results for the three and twelve month periods ended December 31, 2008. The company reported record growth, increasing loan loss reserves, and participation in two key government initiatives.

Founding President and CEO John Dalby stated, "2008 has certainly been a challenging year for the banking industry. During 2008, we absorbed $1.4 million in net charge offs while increasing our loan loss reserves and still posted breakeven results. This was possible due to quick, decisive and at times difficult action to contain costs and preserve capital and is a credit to the Board of Directors and management of the company. Moving into 2009, credit quality will continue to be of paramount importance to all financial institutions, and we are no exception. The company is well-capitalized, we maintain very strong liquidity and our seasoned management team understands the actions which must be taken in times like these to protect the long-term interests of our depositors, borrowers and shareholders."

Total assets as of December 31, 2008 were $161.7 million, an increase of 10% and 26% over the September 30, 2008 and December 31, 2007 reported figures, respectively. Total deposits stood at $147.9 million as of December 31, 2008, an increase of 11% and 26% over the September 30, 2008 and December 31, 2007 numbers, respectively. The company also reported solid loan growth for the quarter. Total loans as of December 31, 2008, net of unearned income, were $129.4 million, an increase of 5% over the prior quarter and 24% over the period ended December 31, 2007.

Consolidated net interest income for the three and twelve months ended December 31, 2008 totaled $1,486,000 and $5,858,000, a decrease of 7% and an increase of 15% from the three and twelve months ended September 30, 2008 and December 31, 2007, respectively. In recognition of the uncertain economic times and the overall impact on its loan portfolio, the company reported loan loss provisions of $759,000 and $1.5 million for the three and twelve month periods ended December 31, 2008, an increase of 507% and 249% from the three and twelve months ended September 30, 2008 and December 31, 2007, respectively.

The company reported a net loss before taxes for the quarter of $141,000, down $594,000 from the three months ended September 30, 2008 and down $296,000 from the three months ended December 31, 2007. Consolidated net income before taxes for the twelve months ended December 31, 2008 totaled $149,000, down $435,000 from the same period in 2007. The decrease is attributed to increased reserves mentioned above.

The company also announced that it is participating in two key government-sponsored programs – the U.S. Department of Treasury's Capital Purchase Program and the FDIC's Transaction Account Guarantee Program. Under the programs, the company has allowed the U.S. Treasury to purchase $3.8 million in preferred stock and will also offer unlimited FDIC insurance coverage on certain accounts through December 31, 2009.

John Dalby, President and Chief Executive Officer, on behalf of Board of Directors, stated, "We are extremely pleased to have been selected as one of the first California community banks found safe and strong enough to receive approval for participation in the Treasury's program, which is primarily designed to revitalize lending. While our capital position is already strong, this new equity will increase our capacity to lend within our local marketplace and support our local economy. The capital is offered at favorable market terms. As such, it will serve as relatively low-cost insurance against the uncertain economic times we all face, and give us an advantage with respect to future opportunities. Our shareholders, customers and employees should consider this opportunity to acquire capital as a compliment to our ability to successfully operate under difficult economic conditions.

Additionally, CEO Dalby announced the bank's participation in the Transaction Account Guarantee Program (TAGP) component of the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program. Under the TAGP, the FDIC will provide deposit insurance coverage for the full amount in all of the bank's customers' non-interest bearing deposit accounts through December 31, 2009. This includes traditional non-interest bearing checking accounts and certain types of attorney trust accounts, as well as negotiable order of withdrawal (NOW) accounts with interest rates of 0.50 percent or less. The TAGP insurance coverage is in addition to the increased coverage provided by the Emergency Economic Stabilization Act of 2008, which temporarily raises the basic FDIC deposit insurance coverage limits to $250,000 through December 31, 2009, from the normal coverage limit of $100,000. "We are pleased to participate in the FDIC's program for the benefit of our customers and believe the benefit of this full insurance coverage provides even greater comfort for our customers in the security of their deposits," said John Dalby, President and CEO.

For more information regarding Redwood Capital Bancorp, please visit our website at www.redwoodcapitalbank.com, contact Fred Moore, CFO, at (707) 444-9840, or stop by our headquarters and main office at 402 "G" Street, Eureka, California 95501.

This press release may contain forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to fluctuations in interest rates, inflation, government regulations and general economic conditions, and competition within the business areas in which the bank is conducting its operations, including the real estate market in California and other factors beyond the bank's control. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. Readers should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. The bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

Loans Booked Since January 16th by Redwood Capital Bank

Note Number	Primary Name	Original Note Date	Original Maturity Date	Original Note Amt/Max	Principal	City, State Zip	CRA Type Code Full Desc
1219	b(4), b(6) [redacted]	1/29/09	01/25/2034	$230,000.00	$229,584.04	EUREKA, CA 95502	SMALL BUSINESS LOANS (1)
	[redacted]			**$230,000.00**			
1217	[redacted]	1/21/09	02/01/2034	$106,000.00	$106,000.00	MCKINLEYVILLE, CA 95519	HOME EQUITY LOANS (4)
1218	[redacted]	1/26/09	01/20/2034	$148,000.00	$139,844.38	EUREKA, CA 95503	HOME EQUITY LOANS (4)
1224	[redacted]	2/9/09	02/01/2034	$65,000.00	$0.00	EUREKA, CA 95501	HOME EQUITY LOANS (4)
1226	[redacted]	2/18/09	02/15/2034	$125,000.00	$75,917.47	LEWISTON, CA 96052	HOME EQUITY LOANS (4)
1228	[redacted]	2/23/09	03/01/2026	$220,000.00	$200,000.00	EUREKA, CA 95501	HOME EQUITY LOANS (4)
24000169	[redacted]	1/28/09	02/01/2034	$190,000.00	$30,000.00	CARLOTTA, CA 95528	HOME EQUITY LOANS (4)
	[redacted]			**$854,000.00**			
1222	[redacted]	2/24/09	02/15/2012	$63,000.00	$62,604.78	EUREKA, CA 95502-6793	SMALL BUSINESS LOANS (1)
1223	[redacted]	2/24/09	02/15/2010	$318,500.00	$299,784.80	BAYSIDE, CA 95524	SMALL BUSINESS LOANS (1)
	[redacted]			**$381,500.00**			
1199	[redacted]	1/23/09	02/01/2014	$293,000.00	$14,527.63	EUREKA, CA 95501	SMALL BUSINESS LOANS (1)
1220	[redacted]	2/24/09	02/01/2012	$515,000.00	$491,523.47	EUREKA, CA 95503	SMALL BUSINESS LOANS (1)
1221	[redacted]	2/4/09	01/25/2014	$100,000.00	$100,000.00	EUREKA, CA 95501	SMALL BUSINESS LOANS (1)
	[redacted]			**$908,000.00**			
1212	[redacted]	1/23/09	02/15/2019	$270,000.00	$111,533.08	EUREKA, CA 95501	SMALL BUSINESS LOANS (1)
	[redacted]			**$270,000.00**			
1225	[redacted]	2/18/09	02/15/2014	$15,000.00	$0.00	EUREKA, CA 95501	OTHER UNSECURED CONSUMER (8)
	[redacted]			**$15,000.00**			
	[redacted]			**$2,658,500.00**			

Attachment #5

Redwood Capital BankLoan Renewals since receipt of TARP

Loan #	Borrower(s)	Amount	Type
4000000993	b(4), b(6) [redacted]	$1,800,000	Comm'l construc.
749		150,000	LOC
602		433,000	CRE
607		69,346	CRE
990		300,000	LOC
1003		70,000	LOC
996		245,000	CRE
24000063		250,000	LOC
985		50,000	LOC
345		25,000	LOC
975		350,000	CRE
1171		63,728	Ltr. of Credit
458		1,000,000	LOC
138		200,000	LOC
350		60,000	LOC
24000040		25,000	LOC
508		120,000	LOC
1133		90,000	LOC
498		138,573	Land loan
1018		75,000	LOC
	Total Renewals	**$5,514,647**	

Attachment #6

Redwood Capital Bank

Real Estate Board Report - January

2008

Loans	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# Funded:	12	10	8	13	4	6	12	12	10	12	12	9
Brokered	$2,383,000	$1,359,200	$1,214,580	$2,066,841	$782,000	$863,000	$1,563,100	$1,630,500	$140,000	$1,153,000	$100,000	$965,875
Eureka	9 80%	6 61%	4 52%	8 59%	3 39%	4 71%	5 51%	5 47%	1 4%	4 38%	1 3%	4 48%
In-House	$0	$159,960	$0	$715,000	$1,206,500	$0	$92,276	$1,004,000	$1,260,900	$511,500	$2,278,020	$795,250
Eureka	0 0%	1 7%	0 0%	1 20%	1 61%	0 0%	1 3%	4 29%	4 38%	2 17%	8 78%	4 39%
Brokered	$260,000	$707,450	$1,126,196	$519,000	$0	$360,500	$940,500	$485,600	$575,000	$1,207,100	$381,000	$263,250
Fortuna	2 9%	3 32%	4 48%	2 15%	0 0%	2 29%	4 31%	2 14%	2 17%	5 39%	2 13%	1 13%
In-House	$347,353	$0	$0	$208,000	$0	$0	$479,415	$380,000	$1,337,380	$187,500	$160,000	$0
Fortuna	1 12%	0 0%	0 0%	2 6%	0 0%	0 0%	2 16%	1 11%	3 40%	1 6%	1 5%	0 0%
Total	$2,990,353	$2,226,610	$2,340,776	$3,508,841	$1,988,500	$1,223,500	$3,075,291	$3,500,100	$3,313,280	$3,059,100	$2,919,020	$2,024,375

2009

Loans	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# Funded:	9	7	0	0	0	0	0	0	0	0	0	0
Brokered	$1,251,350	$1,635,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Eureka	5 105%	5 77%	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!
In-House	$0	$340,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Eureka	0 0%	1 16%	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!
Brokered	$1,023,150	$150,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fortuna	4 11%	1 7%	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!
In-House	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fortuna	0 15%	0 0%	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!	0 #DIV/0!
Total	$2,274,500	$2,125,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

PENDING LOANS

	JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC	
2006	62	$14,220,961	70	$15,293,411	64	$14,699,314	67	$14,241,178	80	$16,154,444	60	$12,637,919	87	$17,990,129	68	$16,242,850	73	$16,786,425	66	$14,782,572	75	$16,722,593	74	$17,533,848
2007	77	$16,952,448	94	$21,575,589	106	$22,218,763	75	$16,660,136	88	$21,074,297	83	$19,911,682	80	$20,715,004	59	$15,460,248	62	$14,746,663	59	$14,035,463	49	$12,808,057	57	$14,842,552
2008	63	$15,000,976	62	$17,117,400	68	$20,307,009	68	$18,767,020	82	$22,692,567	85	$23,809,092	73	$20,695,800	71	$19,719,835	70	$20,744,187	70	$17,706,765	75	$17,986,205	88	$22,720,378
2009	112	$27,227,339	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0

LOAN TOTALS

	2004			2005			2006		2007		2008		2009	
Brokered	46	8,028,700	Brokered	84	19,596,315	Brokered	93	$22,816,690	95	$20,745,044	54	14,221,096	10	$2,886,850
In-House	35	6,866,331	In-House	48	11,878,679	In-House	45	$12,936,659	40	$10,510,026	26	8,023,406	1	$340,000
Eureka	81	14,895,031	Eureka	132	$31,474,994	Eureka	138	$35,753,349	135	$31,255,070	80	$22,244,502	11	$3,226,850
Brokered			Brokered	54	10,597,210	Brokered	140	29,614,720	95	21,521,192	29	6,825,596	5	1,173,150
In-House			In-House	12	3,421,800	In-House	8	1,832,885	11	2,573,914	11	3,099,648	0	0
Fortuna			Fortuna	66	$14,019,010	Fortuna	148	$31,447,605	106	$24,095,106	40	$9,925,244	5	$1,173,150
TOTAL	81	14,895,031		198	$45,494,004		286	$67,200,954	241	$55,350,176	120	$32,169,746	16	$4,400,000

The biggest obstacles to success is the rapid reduction in property values and the press leading people to believe that mortgage rates could go to 4.50%. Systemically you would have to sell Treasuries at 2% or below for mortgage rates to get to %4.5% Underwriting remains tight but Fannie Mae did for the first time since the tightening began to loosen. The old requirement that investor could not own more than 4 financed single family 1 - 4 unit properties to be eligible for fixed rate financing. Now you may own up to 10 financed properties. This has stiff reserve requirements, you must have six months in reserve for each of the financed properties you own. These are the investors who will be purchasing houses out of foreclosure. So people of capacity will be able to take advantage of this market. Our pipeline is swollen with refinances and few people are taking advantage of the excellent home prices in purchasing their primary residence. We are having a difficult time procuring our share of the market as we are buffeted around by the few remaining investors in the business manipulating interest rates. A spokesperson for Fannie Mae told me that 80% of their total volume for 2008 came from four banks. Currently the Credit Unions are taking advantage of the spot they have secured for themselves as different from "big banks" offering very competitive rates. We were able to make our budget for the month, we celebrate our successes and never give up on our challenges.

Attachment 87

	CURRENT BALANCE	PREVIOUS BALANCE	NET BAL CHANGE	AVG BAL FEB'09	AVG BAL JAN'09-FEB'09
2707009999 CONSULTING ACCRUAL	21,150.00	21,150.00	.00	18,611.53	18,136.83
2709009999 OTHER ACCRUALS	23,755.87	23,755.87	.00	15,448.17	12,796.26
2710009999 ALLL ON UNDISBURSED COMMITMENT	50,000.00	50,000.00	.00	50,000.00	50,000.00
2710709999 ACCRUED SALARY CONTIN PLAN	64,165.87	64,165.87	.00	62,050.72	60,607.29
2711009999 ER 401K ACCRUAL	26,653.99	90,601.70	63,947.71-	86,026.78	82,313.14
2712009999 INCENTIVE ACCRUAL	6,000.35	6,000.35	.00	6,000.35	6,000.35
2713009999 VACATION ACCRUAL	32,886.70	32,886.70	.00	32,886.70	32,886.70
*TOTAL ACCRUED LIABILITIES	307,164.94	371,112.65	63,947.71-	343,191.77	329,560.73
2714009999 FEDERAL WITHHOLDING	160.00	160.00	.00	144.61	323.80
2715009999 STATE WITHHOLDING	40.00	40.00	.00	36.15	39.29
2716009999 DEFERRED INCOME TAX - AFS	.00	.00	.00	.00	.00
2717009999 DEFERRED INCOME TAX - FEDERAL	.00	.00	.00	.00	.00
2718009999 DEFERRED INCOME TAX - STATE	2,079.00	2,079.00	.00	2,079.00	2,079.00
*TOTAL TAX LIABILITIES	2,279.00	2,279.00	.00	2,259.76	2,442.09
2801009999 TT&L PAYMENTS PAYABLE	.00	10,172.16	10,172.16-	18,233.24	17,207.35
2802009999 ACH ORIGINATION IN PROCESS	.00	.00	.00	.00	.00
2803009999 FMS INPROCESS NONPOST GL	.00	.00	.00	.00	.00
2803509999 FMS BILL PAY SETTLEMENT ACCOUN	.00	.00	.00	.00	.00
2803609999 SDB KEY DEPOSITS	3,025.00	3,025.00	.00	2,998.07	2,973.41
2805009999 SUSPENSE LIABILITIES	355.00	.00	355.00	8,719.08	8,849.57
2901009999 INTERCOMPANY PAYABLE	800.00	800.00	.00	800.00	800.00
*TOTAL OTHER LIABILITIES	4,180.00	13,997.16	9,817.16-	30,750.39	29,830.33
*****TOTAL LIABILITIES	148,891,315.26	148,974,846.11	83,530.85-	147,797,598.68	148,206,650.89

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CAPITAL
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	CURRENT BALANCE	PREVIOUS BALANCE	NET BAL CHANGE	AVG BAL FEB'09	AVG BAL JAN'09-FEB'09
3001009999 CAPITAL STOCK	11,421,403.65	15,411,403.65	3,990,000.00-	15,257,942.11	14,341,403.65
3001309999 PREFERRED STOCK - UST	3,990,000.00	.00	3,990,000.00	153,461.53	70,000.00
3002009999 DIVIDENDS PAID	16,683.06-	16,683.06-	.00	8,983.18-	4,097.59-
3003009999 CAPITAL SURPLUS	476,393.33	476,393.33	.00	472,346.54	464,059.78
3004009999 NET UNREAL GAIN/(LOSS) ON AFS	280,566.98	280,566.98	.00	280,566.98	274,747.74
3101009999 RETAINED EARNINGS - PRIOR	1,502,339.14-	1,663,600.14-	161,261.00	1,502,339.14-	1,502,339.14-
3102009999 RETAINED EARNINGS - CURRENT YE	.00	.00	.00	.00	.00
**NET INC YTD	49,429.90	124,368.32	74,938.42-	144,445.21	109,045.64
****TOTAL CAPITAL	14,698,771.66	14,612,449.08	86,322.58	14,797,440.05	13,752,820.08
*****TOTAL LIABILITIES & CAPITAL	163,590,086.92	163,587,295.19	2,791.73	162,595,038.73	161,959,470.97
*****TOTAL ASSETS	163,590,086.92	163,747,756.19	157,669.27-	162,594,490.24	161,957,950.25
****NET DIFF (ASSETS-LIAB/CAP)	.00	160,461.00	160,461.00-	548.49-	1,520.72-

Attachment 78

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