



## **Notice to Customers Regarding Registered Warrants**

Beginning on or about July 2, 2009, California will begin to issue Registered Warrants. These instruments are state IOUs and will not be paid by the state until they mature or are called for redemption (in California, by the State Treasurer). At this time the maturity date is scheduled to be October 1, 2009.

Redwood Capital Bank will, in most instances, provide you with immediate credit for the face amount of the registered warrants, upon deposit to us. If we do accept warrants from you, we may accept some or a portion of your registered warrants; and may at any time stop accepting warrants, with or without cause or prior notice. We may change our practices at any time and at our discretion, even if we have previously accepted registered warrants from you. If we refuse to accept a registered warrant, we may return to you either the original registered warrant or a paper image of the original registered warrant conforming to the technical requirements applicable to a substitute check in lieu of the original registered warrant.

Registered warrants are not subject to our funds availability policy, unless they have matured or have been called for redemption. If you present a warrant that has not matured or been called, you agree that we may place a hold on the warrants, including on funds in other accounts of yours, that extends longer than our normal availability policy. The hold may be for all or a portion of the amount of warrants you have provided to us.

You agree that we will keep any interest paid to us on the warrants from the date of their issuance, regardless of the time you may have held the registered warrant prior to its transfer to us. You assign to us all your rights in the warrant and agree to execute any instrument or writing reasonably requested by us to further payment to us. If the State Treasurer honors the redemption of a registered warrant by issuing a new registered warrant to us as holder, we may similarly keep any interest paid to us by the State Treasurer for the new registered warrant.

We may delay presentment (or representation) of warrants for payment until they are called (for example, the State Treasurer publishes a notice of redemption or authorizing payment) or mature, and may hold the warrants until that time, even though preliminary verification efforts may have occurred. You waive notice of dishonor or presentment, and we may provide you with notice of nonpayment at any time after dishonor.

Prior to notice of redemption or any maturity date, we may validate (or seek to validate) with the State any registered warrant we have received from you. We may charge the amount of any warrant back to your account at any time if we are unable to validate it or payment to us is refused by any person and for any reason. If we are unable to validate a registered warrant, or if we are unable to obtain payment on it, we may return to you the original registered warrant or a paper image of the original registered warrant conforming to the technical requirements applicable to a substitute check in lieu of the original registered warrant.

Redwood Capital Bank will not be accepting registered warrants via remote deposit or other remote banking services. You understand that registered warrants should not be destroyed and must be delivered to us directly. You agree not to present warrants to us on which you are not the original payee. You agree to all obligations of an endorser on the warrant, even if your endorsement is not on the instrument.

We reserve the right to charge the amount of any dishonored registered warrant back against your deposit account, regardless of the reason for dishonor, and you agree to pay us that amount. If you have insufficient funds to cover the amount of the chargeback, we may overdraw your account and you agree to pay back this overdraft obligation and related costs and expenses in accordance with the applicable account agreement.

You agree to indemnify, defend, and hold us harmless from and against any and all losses, damages, claims, costs or expenses (including attorneys' fees and costs) incurred by us as a result of our handling a warrant or purported warrant from you.

This notice supplements the terms and conditions of the applicable account agreement.