

CITY OF OAKLAND

INFORMATIONAL AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 DEC -1 PM 1:00
Office of the City Administrator
ATTN: Deanna Santana, City Administrator
FROM: Arturo M. Sanchez, Assistant to the City Administrator
DATE: December 13, 2011

Re: **OPTIONS FOR IMPLMENTING THE MUNICIPAL IDENTIFICATION AND DEBIT CARD PROGRAM**

SUMMARY

The Municipal Identification Program Ordinance No. 12937 C.M.S. was adopted by the City Council on June 4, 2009 to develop and implement a municipal identification card. Staff has provided Council with periodic reports and updates on the status of developing the program. On September 13, 2011 staff presented the Finance & Management Committee with an update on the status of developing an agreement with SF Global for the provision of a Municipal Identification/Debit Card (the "program"). At that time, staff advised the Committee that a due diligence assessment was currently underway and the interim report appeared to present a favorable accounting of the identified partner bank, Central National Bank and Trust of Enid, Oklahoma (CNB). The Committee decided to hold the report and directed staff to return upon completion of the due diligence assessment with a report, recommendation, and resolution designed to move the program forward.

During the due diligence assessment SF Global advised the City that it was considering switching banking partners from CNB to an alternate bank later identified as University National Bank (UNB), in St. Paul Minnesota. SF Global's banking partner switch concerned Bretton Woods, the company charged with conducting the due diligence assessment of SF Global and its partner bank. This change delayed the final due diligence report by approximately two weeks.

Attached to this report, please find Bretton Wood's final due diligence assessment and the interim reports provided by Mr. Michael Flores. Below, staff discusses the most pressing, unique, and innovative aspects of the program. Of particular note is the debit card component, which, while laudable, present a significant risk to the City's business reputation and name, as UNB, the bank currently identified by SF Global to provide the debit card service, is a relatively small, undercapitalized bank. As pointed out in the Bretton Woods report, in today's banking environment many small and medium sized banks are failing and their failures happen relatively quickly. SF Global's most recent selection, of UNB as a partner bank, is relatively small, with net capital (assets minus liabilities) at approximately \$24.9 million. Bretton Woods does not recommend partnering with UNB as the debit card provider as the bank does not have a previous record of providing these specific services or a broader net asset base upon which to rely upon for future capital needs of the program.

Staff has discussed the due diligence results with the City Administrator and recommends that the City direct SF Global to negotiate with a local community bank, preferably in Oakland, or

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the Corporate Social Responsibility (CSR) arm of a major bank, preferably with offices in Oakland, to issue the debit card component of this program.

Staff's recommendation requiring SF Global to partner with a local community bank or a major bank with a CSR department will ensure greater benefit to Oakland residents, such as guaranteed level of customer service via their local presence, and will demonstrate the City's commitment to local business and banking interests. Once a bank has been identified, any agreement between SF Global and its partnering bank should contain the following requirements:

1. Require that the City have right of refusal on SF Global's selected partner bank.
2. Require that the debit card fee structure be competitive with those banks that charge the lowest fees in the industry;
3. Require a performance bond of at least \$250,000
4. Require a payment of "X" cents per debit card transaction charges to help defray the minimal oversight costs of the City. Assuming 5,000 total cards with a fee of "X" cents (to be determined by costs analysis) should generate enough revenue without being burdensome on consumer. Amount to be determined by cost assessment to be conducted by the City Administrator's Office). Such payment should not in any way increase the base charges that the City and SF Global agree to in their contract.
5. Include language that protects, to the extent possible, the identity and private information of the individuals who apply for cards.
6. Require cross company/affiliate financial guarantees should the operation of the SF USA company require additional funding.
7. Require that SF USA agreement between SF USA and Selected Partner Bank complies with the FDIC's New General Counsel's Opinion No. 81 that assures FDIC insurance is passed to individual card holders.
8. Require guarantees/indemnifications from SF Global Holdings, SF Global and SF Systems to financially support SF USA as it starts up.
9. SF Global will include in their contract with the bank a provision that allows them to cancel the contract if at any point during the contract, if it appears as though the bank is becoming insolvent. Solvency will be determined by the level of net assets available to bank in millions. Should the banks net capital (assets less liabilities) dip below a specific preset dollar amount, to be established by the City, the City will have the right to ask provider to put the bank on notice and immediately begin to negotiate with an alternative bank.
10. Provider and Selected Partner Bank will provide a report on the bank holdings, net assets, and net capital once every thirty days for the purposes of the City monitoring their financial stability and indicators pointing to potential bank failure.
11. Alternative banks will be selected from a pre-approved list of partner banks as determined by the working group (City staff group) and the provider (SF Global).
12. Selected Partner Bank will be given a three (3) month notice of City's request and opportunity to show cause as to why they are not becoming insolvent or their plan to remain solvent. If such evidence does not provide City with sufficient surety of solvency, provider will continue to seek alternative City approved Partner Bank. City

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- will make a good faith effort to work with Selected Partner Bank to determine solvency.
13. Selected Partner Bank will provide guarantees in their contract to continue to provide debit card banking services to all individuals for whom debit cards have been provided until such time as the individual opts to either transfer or cancel account. If individual opts to transfer to new Partner Bank for City, the Selected Partner Bank will immediately honor such request and within 10 days have provided card holder with funds and or transferred funds to new Partner Bank.
 14. Selected Partner Bank will provide guarantees that should the Selected Partner Bank be taken over, merged, and/or subsumed by an acquiring bank they will negotiate in good faith to honor the accounts of all individuals issued debit cards pursuant to the municipal identification card program.
 15. City will have the right, at least one month (30 days) in advance of execution, to review and approve contract between provider and the alternative bank selected in order to assure City that all relevant provisions intended to protect recipients of cards are included.
 16. Any new provider and/or bank will provide a report on the bank holdings and liquid assets once every thirty days for the purposes of the City monitoring their financial stability and indicators pointing to potential bank failure.
 17. At least 6 months prior to renewal of the agreement, the City reserves the right to put the bank and provider on notice of their intent to request a new partner bank regardless of whether the bank remains solvent or not. Such decision may be based on number of complaints logged against bank by card holders, failure to comply with all provisions of service to the satisfaction of the city required of bank for cardholders, inability to provide adequate or sufficient information and or reports to monitor, failure to meet timelines and/or any other concern that the City deems warrants the finding of a new bank issuer for the card.
 18. Include all other restrictions/protections as advised by counsel.

BACKGROUND

On June 4, 2009, the Oakland City Council adopted Ordinance No. 12937 C.M.S. amending Chapter 2.34 and authorizing the development of a municipal identification card program to be administered by the City Clerk. On November 9, 2010, the Oakland City Council approved staff's recommendation to select SF Mexico as the Muni ID program provider and directed staff to proceed with contract negotiations to establish a cost neutral program to issue the municipal identification card with the option for cardholders to have debit card, account-to-account and international funds transfer services from SF Mexico's partner, Central National Bank and Trust of Enid, Oklahoma (CNB).

Subsequently it was determined that the City did not have subject matter experts to inform the negotiations and contract requirements for the debit card, international fund transfers and account-to-account transfers. These functions could involve complex rules and regulations that require someone with expertise. The committee decided to hold the report and directed staff to

return upon completion of the due diligence report with a report, recommendation, and resolution designed to move the program forward.

During the due diligence assessment SF global advised the City that it was considering switching banking partners from CNB to an alternate bank later identified as University National Bank (UNB), in St Paul Minnesota. These changed circumstances caused concern for City staff and Bretton Woods, the company charged with conducting the due diligence assessment of SF Global and their partner bank, and delayed the final due diligence report by approximately two weeks.

DISCUSSION

Bretton Woods, Inc. was charged by the City to conduct a due diligence of University National Bank, Central National Bank and Trust of Enid, Oklahoma (CNB) and SF Global Services, LLC for the municipal identification/debit card. Bretton Woods, Inc. is a specialty management consulting firm serving financial institutions which conducted the due diligence assessment of SF Global Holdings, LLC. The assessment was conducted by G. Michael Flores, President and CEO of Bretton Woods, Inc. SF Global, Inc. is headquartered in Sunrise, Florida, and is the holding company for the entity that is proposed to do business with the City of Oakland. SF USA Services, LLC, a subsidiary of SF Global, will be the entity to contract with the City of Oakland.

Change in Program Provider and Partner Bank

When the due diligence contract was executed with Bretton Woods, the City had selected SF Mexico and their proposed partner Bank CNB as the vendors to develop and provide a municipal identification and debit card program. During the due diligence assessment, SF Mexico was changed to SF Global LLC, by the parent company SF Global Holdings, LLC. SF Global Holdings was organized on January 3, 2011 while SF Global, LLC was organized on January 18, 2011.

Bretton Woods' report notes: "These are obviously new companies built on SF SYSTEMS that was created in mid-2010 from the merger of SF Tech, the original Transfercel Mobile Money and prepaid debit card processor, with Subteeh, SA, a provider of bank merchant acquisition services and core banking solution for credit unions and microfinance institutions, changing its name to SF SYSTEMS ("Subteeh Financial Systems"). "

On September 13, 2011 SF Global informed the City and Bretton Woods that SF Global was researching credit unions to issue debit cards to replace Central National Bank in Enid, Oklahoma. SF Global indicated that the purpose of this change was to use SF Systems technology to lower SF Global's costs in order to be the lowest cost provider as possible. Per SF Global, SF Systems provides similar services for customers in Latin America. Bretton Woods' report notes that "until a replacement issuing financial institution is chosen, it is not possible to ascertain which functions the issuing financial institution will provide and which functions SF

Systems will assume.” This will be an important fact that will need to be addressed in the City’s negotiations with SF Global.

Bretton Woods’ Findings and Risk Analysis

Bretton Woods has not found another company to offer the specific Municipal ID/Debit card program that the City of Oakland desires to offer its citizens. New Haven, CT and San Francisco, CA offer municipal ID cards, but do not include prepaid debit card functionality.

There are options currently available to the consumers in Oakland to acquire a branded prepaid card with pass through FDIC insurance coverage and Regulation E protections at costs similar or lower to the proposed Municipal ID/Debit program. Some of the offering companies include Green Dot, AccountNow and NetSpend. The City could also offer a Municipal ID card; but that option would cost the City to either outsource or bring that capability in house. The Bretton Woods’ Due Diligence Report states there is no other viable option to offer a combined municipal ID/Debit card at no cost to the City.

Bretton Woods’ Recommendation

“It would be prudent for the City to initially use a pilot program to test the concept with SF Global. This could be limited to selected city workers and managers to use the card for sixty days to test the ease of usage, the costs and the level of customer service. Performance benchmarks should also be set for customer service and costs to the consumer (unanticipated fees not clearly disclosed to the consumer), among others, to allow the City to cancel the contract if any breach of these metrics are not corrected is an established timeframe.

The City also needs to require that the agreement between SF USA and University National Bank complies with the FDIC’s New General Counsel’s Opinion No. 81 that assures FDIC insurance is passed to individual card holders.

Additionally, the City should require guarantees/indemnifications from SF Global Holdings, SF Global and SF Systems to financially support SF USA as it starts up. Bretton Woods believes that the financial pro-formas are aggressive and that it is optimistic for a start up company to reach profitability in the second year of operation.

Bretton Woods’ report indicates that “[t]he choice of University National Bank in St. Paul, Minnesota is interesting. The bank is part of a three bank holding company, University Financial Corp, Inc. DBA Sunrise Community Banks. All the banks are Community Development Financial Institutions (CDFI’s) whose missions focus on financial services in the urban core, including specific initiatives targeted to the unbanked and under-banked. University National Bank is a small bank with \$258 million in total assets as of June 30, 2011.

The three bank holding company has \$672 million in total assets as of the same period. Both entities’ capital has trended down. The core capital (leverage) level of the bank of 7.05% (June 30, 2011) is down from 13.03% as of December 31, 2010. The bank’s holding company has

9.35% (June 30, 2011), down from 12.14% as of December 31, 2010. The bank's experience in issuing General Purpose Reloadable (GPR) cards is undetermined at this time.

SF Global processing model (see Exhibit V, in the attached final report from Bretton Woods, Inc) indicates that it processes all the transactions and University National Bank is the repository for the pooled custodial account. Basically the bank holds the custodial account and SF USA processes all transactions. The daily processing must be reconciled against the custodial account."

Risk Assessment

The due diligence report was completed at the end of September, the report indicated that the program as described by the city and proposed by Operator SF Global should be lauded but was fraught with potential harm to the City's reputation. The primary reason for recommending a partnership between the City and SF USA Services, LLC is that the company has selected University National Bank, a Community Development Financial Institution (CDFI), as a financial services provider. This bank is part of a larger, three-bank holding company: University Financial Corp, Inc. DBA Sunrise Community Banks.

Their collective mission is to focus on financial services in the urban core, including specific initiatives targeted to the unbanked and under-banked. All of the individual banks are small, community banks that target lower-income markets. All three banks received Bank Enterprise Awards (BEA) of \$600,000 each from the U.S. Treasury in 2010 in order to fund community development initiatives, this funding accounted for 26% of University National Bank's net income for 2010. In 2011, University National Bank reported \$258 million in total assets. In addition to this; SF Global (Holdings), LLC, as the bank's partner, has the stated mission of becoming "the lowest cost provider of mobile payment services to the un-banked immigrant population in the U.S."

Additionally, according to the pro-forma financial analysis, the company has a capital position of \$455,830 or 40% of total assets. Bretton Woods identified concerns revolving around the potential pressure the Oakland Municipal Identification Card Program could place on the banks capital position. 8% is considered a minimal capital level and University National Bank is currently at 7.05%; though its risk-based capital is considered very strong given that a significant amount of the assets are cash or cash equivalents. None of the financial information mentioned in the report reflect the financial condition of SF USA, specifically.

The capital position of SF Global Holdings, according to pro-forma audit results from January 1, 2011 to June 30, 2011 shows a 20.5% profit margin; which does show that the company itself has a stable and growing financial position in the market.

Although this will be the first time SF Global Holdings, LLC will work with a municipality to offer an identification card with debit functionality; the company, as well as its affiliates, has a wealth of experience in selling and servicing reloadable prepaid cards with the majority of their business in Latin America. Additionally, the firm has already offered the Transfercel prepaid

card through its issuing bank (Central National Bank in Enid, OK) at eight locations in the Los Angeles, CA area.

The bureaucratic structure of SF Global Holdings, LLC's subsidiaries is highly integrated through SF Systems, LLC. The result is that the Board of Directors of SF Systems also serves as the board for each firm in the group; providing all of the firms with the advantage of having active directors with long records of identifying markets, evaluating opportunities, and building a thriving business. Further, each operating company associated with SF Global is created as a joint-venture with local partners like high-profile ex-government officials. Additionally, long-term processing agreements cement the relationship of SF Systems with SF Global operating companies.

"The primary risk to the City of Oakland is reputation risk. Although, the City would incur no direct cost in the issuance and maintenance of the Municipal ID/Debit card, if the program was unsuccessful or if the bank became insolvent, the negative association with the City could be damaging to the City's reputation. However, it should be noted that this program is designed to be at no cost to the City. Therefore, all costs are placed on the consumer in the form of transactions fees for using the debit card. As noted in the interim report on the cost comparison, the Transfercel card ranks just above the average costs for other branded prepaid cards issued in the United States using a standard transaction pattern. SF Global is a start up operation in the United States. Comments include:

- The company financial information provided shows a reasonable capital structure, albeit the financials depicts a small business. It should be noted that these financials do not reflect the financial condition for SF USA, the operating entity for The City of Oakland project.
- There do not appear to be any cross company/affiliate financial guarantees should the operation of the SF USA company require additional funding. This should be a negotiating requirement for the City to proceed.
- Changing the issuing financial institution from CNB, Enid, Oklahoma to University National Bank, St. Paul, Minnesota raises the following questions:
 - Why was the change needed? SF Global stated they were looking for a lower cost alternative. The inability to talk to CNB about their relationship with SF Global leaves the question open.
 - The capital levels of both University National Bank and its holding company are problematic.
- SF Global has experience in prepaid debit cards but has never offered the specific Municipal ID/Prepaid Debit Card program the City desires.
- All of the technology platforms are resident in Mexico and SF USA would contract with SF Systems for technology services. According to an analysis of The International Bank for Reconstruction and Development / The World Bank8,

enforcing contracts entails 38 procedures over an elapsed time of 415 days with a cost as a percent of the claim of 32%.”

The potential harm to the City, and the Program was directly related to the lack of proven track record of the newly formed entities that were pursuing the program, SF Global, and the rather small and questionable selection of their partner banks. Should either entity fail, there will be an immensely difficult process necessary to change the Partner bank or the Provider, or to cease issuance of the card.

In today’s banking environment, many small and medium sized banks are failing and their failures happen relatively quickly. With that in mind, the results of the due diligence establish that the selected Partner Bank is relatively small and have net assets that do not provide a sense of surety to Bretton Woods to recommend full deployment in the program without any previous track record of providing these specific services or a broader net asset base upon which to rely upon for the program. In order to address these concerns, staff recommends that if Council chooses to move forward with the contract with SF Global’s selected partner Bank, that the agreement include provisions as outlined in the Summary above.

Staff believes if we can craft these conditions strongly and effectively we can address the major concerns of the due diligence, and provide ourselves with a transition plan that will allow a smoother transition from one provider bank to another in the agreement.

In light of the unique and potentially risky business endeavor as outlined above, an alternative Council may wish to consider, and one staff recommends, is to require the Provider to select a local community bank or a major bank with a CSR department as the Partner Bank. If the City were to continue pursuing this joint municipal identification/debit card program, and select a local community bank as the Partner Bank, the program would meet the policy goals of the Oakland City Council to promote local business, provide local and effective banking services to Oakland under-banked residents, and promote a local economy that will keep local dollars in Oakland.

FISCAL IMPACT

The fiscal impact of the program as proposed by the selected provider will be minimal. Staffing will be required only for management of the agreement by the City Administrator’s Office and participation by six (6) City staff in an oversight working group. At present staff estimates that the working group will meet twice monthly, for the first six months of the program and then approximately once a month to oversee the program, discuss problems, and/or approve marketing materials. Depending upon the success of the Program, the oversight working group meetings would be reduced to a frequency of once every quarter for the life of the agreement.

Since the program will not require additional staff, staff believes that cost recovery can be achieved by the municipal identification fee and by implementing a small licensing fee with the provider to be taken from the debit card fee structure; as an example, if the provider were to charge 25 cents per debit card load then the City could ask for a portion of that charge as a

method of cost recovery. The amount(s) and frequency of recovery will be negotiated as a part of the agreement. As a result, the fiscal impact to the city should be negligible as the cost of staff time will be recovered through the debit card program.

Alternative Options for Municipal identification

As staff has previously described to Council, if we are unwilling to proceed with this innovative way of providing the municipal identification cards with a debit component, it will be unlikely that the City will be able to provide a City Identification without incurring significant start up and operating costs. The City will need to re-assess and determine whether it wishes to pursue a new method for delivering identifications or abandon the program completely. The options, should the Council decided not to pursue the municipal identification with a local community bank or a CSR program, remain as follows:

1. Issue Municipal identifications in-house, with a start up cost previously estimated at approximately \$1.3 million and annual staffing costs that are not likely to be recovered without a significant cost to the applicant.
2. Proceed with the Minnesota provider bank selected by SF Global.
3. Postpone implementation of the Municipal Identification program until resources can be identified to adequately implement the program in house.

SUSTAINABLE OPPORTUNITIES

Economic: This program provides card holders access to local and regional services, promoting local economic activity.

Environmental: There are no environmental opportunities from this program.

Social Equity: The Municipal Identification Cards will be made available to all eligible residents to provide proof of residency which will increase public safety, civic participation, and facilitate support of local commerce.

DISABILITY AND SENIOR CITIZEN ACCESS

Access to and availability of one identification and debit card can help provide an additional money management tool to seniors and disabled members of Oakland, and reduce the number of items that they travel with which can increase their ability to be mobile.

RECOMMENDATION

Given the concerns expressed by the due diligence report notwithstanding the policy direction of the City Council and the Mayor, which has been to pursue this unique venture and implement a dual card as quickly as possible, staff recommends that the provider be directed to negotiate with a local community bank or the CSR department of a major bank which will provide greater

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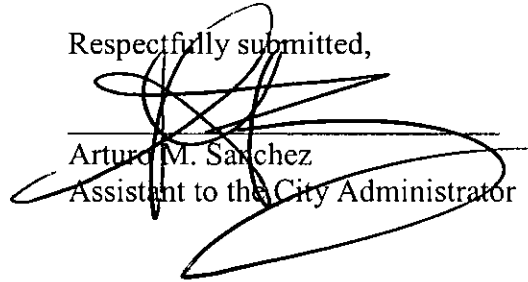
benefit to Oakland residents, guarantee enhanced customer service via their local presence, and show the city's commitment to local business and banking interests. Once a bank has been identified by the provider (subject to City Administrator approval), for Staff then to proceed with negotiating an agreement, however any agreement must include the conditions summarized above and as outlined in the Bretton Woods report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council:


- 1) Accept this report
- 2) Ask SF Global to negotiate with a local community bank or a major bank with a CSR department, subject to City Administrator approval
- 3) Direct staff to negotiate and execute a contract with SF Global

Respectfully submitted,



Arturo M. Sanchez
Assistant to the City Administrator

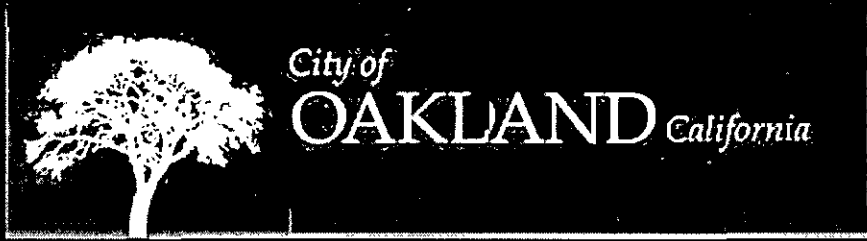
**APPROVED AND FORWARDED TO
FINANCE AND MANAGEMENT COMMITTEE:**



Deanna Santana
Office of the City Administrator

Attachments:

- City of Oakland Final Report - Due Diligence for Municipal Identification & Debit Card Program
- City of Oakland Interim Report - SF Global Holdings
- City of Oakland Interim Report - CNB



DUE DILIGENCE ASSESSMENT

Final Report

*SF Global Holdings, LLC
Corporate Analysis*

September 30, 2011

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PURPOSE AND SCOPE

Bretton Woods, Inc. is charged by the City of Oakland, California to conduct a due diligence of University National Bank and SF Global Services, LLC for the municipal identification/debit card. This report recaps previous interim reports as well adding data and analyses for the replacement bank for Central National Bank and updated financial analysis for SF Global, LLC.

SF Global Holdings, LLC, headquartered in Sunrise, Florida is the holding company for the entity that is proposed to do business with The City of Oakland. It has been reported that SF USA Services, LLC will be the entity to contract with The City of Oakland.

EXECUTIVE SUMMARY

Bretton Woods has not found another company to offer the specific Municipal ID/Debit card program that The City of Oakland desires to offer its citizens.

New Haven, CT and San Francisco, CA offer municipal ID cards but do not include a prepaid debit card capability.

There are options currently available to the consumers in Oakland to acquire a branded prepaid card with pass through FDIC insurance coverage and Regulation E protections at costs similar or lower to the proposed Municipal ID/Debit program. Some of the offering companies include Green Dot, AccountNow and NetSpend.

The City could also offer a Municipal ID card; but that option would cost the City to either outsource or bring that capability in house.

At this time, Bretton Woods sees no other viable option to offer a combined municipal ID/Debit card at no cost to the City.

Recommendation

It would be prudent for the City to initially use a pilot program to test the concept with SF Global. This could be limited to selected city workers and managers to use the card for sixty days to test the ease of usage, the costs and the level of customer service.

Performance benchmarks should also be set for customer service and costs to the consumer (unanticipated fees not clearly disclosed to the consumer), among others, to allow the City to cancel the contract if any breach of these metrics are not corrected in an established timeframe.

The City also needs to require SF USA that the agreement between SF USA and University National Bank complies with the FDIC's New General Counsel's Opinion No. 8¹ that assures FDIC insurance is passed to individual card holders.

¹ <http://www.fdic.gov/news/news/financial/2008/fi108129.html>

Additionally, the City should require guarantees/indemnifications from SF Global Holdings, SF Global and SF Systems to financially support SF USA as it starts up. Bretton Woods believes that the financial pro-formas are aggressive. It is optimistic for a start up company to reach profitability in the second year of operation.

The current balance sheet of the core business depicts a relatively small business with a strong capital base.

The choice of University National Bank in St. Paul, Minnesota is interesting. The bank is part of a three bank holding company, University Financial Corp, Inc. DBA Sunrise Community Banks. All the banks are Community Development Financial Institutions (CDFI's) whose missions focus on financial services in the urban core, including specific initiatives targeted to the unbanked and underbanked.

University National Bank is a small bank with \$258 million in assets as of June 30, 2011. The three bank holding company has \$672 million in assets as of the same period.

Both entities' capital has trended down. The core capital (leverage) level of the bank of 7.05% (June 30, 2011) is down from 13.03% as of December 31, 2010. The bank's holding company has 9.35% (June 30, 2011), down from 12.14% as of December 31, 2010.

The bank's experience in issuing General Purpose Reloadable (GPR) cards is undetermined at this time. SF Global processing model (see Exhibit V) indicates that it processes all the transactions and University National Bank is the repository for the pooled custodial account. Basically the bank holds the custodial account and SF USA processes all transactions. The daily processing must be reconciled against the custodial account.

ANALYSIS OF SF GLOBAL

According to documents supplied by SF Global,
“SF GLOBAL (HOLDINGS), LLC is a mobile financial services and technology company with the stated mission of becoming the lowest cost provider of mobile payment services to the un-banked immigrant population in the U.S. and their home countries in Latin America, Asia and Africa. The SF GLOBAL group includes SF SYSTEMS, the technology and systems company, and SF Global, LLC, the marketing and services group of companies operating with affiliates in various countries.”

SF Global Holdings, LLC was organized on January 3, 2011 while SF Global, LLC was organized on January 18, 2011.

These are obviously new companies built on SF SYSTEMS that was created in mid-2010 from the merger of SF Tech, the original Transfercel Mobile Money and prepaid debit card processor, with Subtech, SA, a provider of bank merchant acquisition services and core banking solution for credit unions and microfinance institutions, changing its name to SF SYSTEMS (“Subtech Financial Systems”).

The financials provided are pro-forma. There are no historic audited financial statements due to the recent organization of these entities.

Based on the 2011 pro-forma², the company will operate at a loss. The increased revenue projected for 2012 and 2013 (959% and 53% respectively) and net income after taxes (40% and 53% respectively) are quite aggressive.

INCOME STATEMENT SUMMARY	2011	2012	2013
INCOME IN USA AND EL SALVADOR	\$ 610,498	\$ 6,462,442	\$ 9,908,879
TOTAL INCOME FROM SALES	\$ 610,498	\$ 6,462,442	\$ 9,908,879
Growth Rate		959%	53%
NET PROFIT AFTER TAX	-\$ 790,128	\$ 2,599,654	\$ 5,244,154
Percent	-129%	40%	53%
PROFIT BEFORE TAX P / INVESTOR PARTICIPATION 50%		\$ 1,733,103	\$ 3,496,103

² See Exhibit i

Financial Analysis

A current balance sheet and income statement dated June 30, 2011 was provided in an Excel spreadsheet. Bretton Woods provided the translation and currency conversion. This is not an audited statement and, as such, should be viewed accordingly.

Balance Sheet
SUBTECH DE MÉXICO, S.A. DE C.V.
ESTADO DE SITUACIÓN FINANCIERA
AL 30 DE JUNIO DE 2011

As of September 30, 2011		Exchange Rate =		0.074446							
ACTIVO	Assets				PASIVO	LIABILITIES					
CIRCULANTE	CURRENT	PESO	\$	%	A CORTO PLAZO	SHORT TERM	PESO	\$	%		
CASH	CASH	4,055	\$	365	0.03%	ACREEDORES DIVERSOS	Steady creditors	1,544,533	\$	115,293	10.23%
BANCOS	BANKS	2,100,314	\$	156,780	13.91%	IMPUESTOS POR PAGAR	TAXES PAYABLE	9,615	\$	733	0.07%
CLIENTES	CLIENTS	9,336,563	\$	701,416	62.23%	IVA POR PAGAR	VAT payable	1,300,297	\$	83,567	7.55%
DEUDOS DIVERSOS	Steady debtors	1,476,929	\$	109,298	9.74%	SUMA EL PASIVO A CORTO PLAZO	AMOUNT SHORT-TERM LIABILITIES	2,754,444	\$	204,423	18.24%
CONTRIBUCIONES A FAVOR	CONTRIBUTIONS FOR	1,663,055	\$	125,633	11.15%						
SUMA EL ACTIVO CIRCULANTE	Total current assets	14,644,916	\$	1,081,914	97.86%						
						A LARGO PLAZO	LONG TERM				
						CRUPLING	CRUPLING	788,000	\$	57,476	4.65%
FLUJO	CURRENT					CREDITO BANAMEX	Banamer Credit	187,000	\$	13,959	1.24%
EQUIPO DE COMPUTO	COMPUTER EQUIPMENT	299,664	\$	22,369	1.98%	CREDITO SANTANDER	SANTANDER CREDIT	5,343,779	\$	399,265	35.42%
MUEBLES Y EQUIPO DE OFICINA	OFFICE FURNISHINGS	74,438	\$	5,561	0.49%	SUMA EL PASIVO A LARGO PLAZO	AMOUNT LONG-TERM LIABILITIES	6,218,779	\$	466,700	41.32%
SUMA EL ACTIVO FLUJO	FIXED ASSETS AMOUNT	374,102	\$	27,930	2.48%						
						CAPITAL CONTABLE	EQUITY				
						CAPTIV SOCIAL	SOCIAL CAPITAL	50,000	\$	3,732	0.33%
DEFERIDO	DEFERRED					APORT FUTUROS ALM CAPITAL	CONTRIBUTION P/FUTURE CAPITAL ALM	1,246,783	\$	93,068	8.25%
DEPOSITOS EN GARANTIA	ESCROW	68,000	\$	5,151	0.46%	RESERVA EJERCICIOS ANTERES	ANTERS EJERCIS RESULT	907,324	\$	67,238	6.01%
GASTOS DE INSTALACION	INSTALLATION COSTS	1,863	\$	139	0.01%	RESERVA DEL EJERCICIO	PROFIT	3,902,434	\$	291,301	25.64%
SUMA EL ACTIVO DEFERIDO	AMOUNT DEFERRED ASSETS	70,863	\$	5,290	0.47%	SUMA EL CAPITAL CONTABLE	Total stockholders' equity	6,146,551	\$	455,830	40.84%
SUMA EL ACTIVO TOTAL	TOTAL ASSETS	16,019,878	\$	1,227,154	100.00%	SUMA PASIVO Y CAPITAL CONTABLE	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	16,019,878	\$	1,227,154	100.00%

The company has a capital of \$455,830 or 40% of total assets.

Income Statement

SUBTECH DE MÉXICO, S.A. DE C.V.				
ESTADO DE RESULTADOS				
DEL 01 DE ENERO AL 30 DE JUNIO DE 2011				
OF 01 JANUARY TO 30 JUNE 2011				
As of September 28, 2011				
Exchange Rate =	0.074646	PESO	\$	%
SERVICIOS FACTURADOS	BILLED SERVICES			
INTERRED	SWITCH	4,095,011	\$ 305,676	21.7%
HSBC	HSBC	9,666,895	\$ 721,595	51.1%
ADMINISTRACION	ADMINISTRATION	73	\$ 5	0.0%
ORION	ORION	2,164,510	\$ 161,572	11.4%
TARJETAS	CARDS	2,980,245	\$ 222,463	15.8%
INGRESO TOTAL	TOTAL INCOME	18,906,734	\$ 1,411,312	100.0%
COSTOS	COSTS	0	\$ -	0.0%
UTILIDAD BRUTA	GROSS PROFIT	18,906,734	\$ 1,411,312	100.0%
GASTOS DE OPERACION	OPERATING EXPENSES	5,654,267	\$ 422,068	29.9%
GASTOS DE ADMINISTRACION	ADMINISTRATIVE EXPENSES	5,654,267	\$ 422,068	29.9%
LINEAS DE NEGOCIO	BUSINESS LINES			
INTERRED	SWITCH	447,852	\$ 33,430	2.4%
HSBC	HSBC	7,603,769	\$ 567,591	40.2%
TARJETAS	CARDS	124,649	\$ 9,305	0.7%
ORION	ORION	695,133	\$ 51,964	3.7%
POSTILLION	Postillion	74,938	\$ 5,594	0.4%
MICROFINANCIERAS	MICROFINANCE	256,766	\$ 19,167	1.4%
GASTOS DE VENTA	SELLING EXPENSES	9,204,107	\$ 687,050	48.7%
UTILIDAD DE LA OPERACION	OPERATING PROFIT	4,048,360	\$ 302,194	21.4%
GASTOS FINANCIEROS	EXPENSE	199,617.00	\$ 14,901	1.1%
PRODUCTOS FINANCIEROS	FINANCIAL PRODUCTS	22,344.00	\$ 1,668	0.1%
		177,273.00	\$ 13,233	0.9%
UTILIDAD ANTES DE IMPUESTOS	INCOME BEFORE TAXES	3,871,086.87	\$ 288,961	20.5%

Income before taxes for the period from January 1, 2011 through June 30, 2011 is \$288,961 for a 20.5% profit margin.

The initial capital contributions by the members³ of SF Global Holding, LLC, SF Global LLC and SF Systems LLC are listed below. Once current balance sheets are reviewed, then any additional paid in capital will be documented.

³ The listed managing members are Raul Hinojosa, Eugenio Lascrain and Miguel Kelly

SF Global Organization

Each Operating Agreement includes the following language about Capital:

ARTICLE II

CAPITAL CONTRIBUTIONS

2.1 INITIAL CONTRIBUTIONS. The Members initially shall contribute to the Company capital as described in Exhibit 3 attached to this Agreement. The agreed value of such property and cash is \$ 1,000.00.

2.2 ADDITIONAL CONTRIBUTIONS. Except as provided in ARTICLE 6.2, no Member shall be obligated to make any additional contribution to the Company's capital.

SF Global Holdings, LLC

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR: SF GLOBAL HOLDINGS, LLC

Pursuant to ARTICLE 2, the Members' initial contribution to the Company capital is stated to be \$ 1,000.00. The description and each individual portion of this initial contribution are as follows:

Members:

Raul Hinojosa	(44.12%)
Miguel Kelly	(41.67%)
Juan Samaniego	(8.33%)
Eugenio Lascurian	(1.5%)
Flolat	(4.37%)

SIGNED AND AGREED this 3 day of January, 2011.

SF Global, LLC

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR: SF GLOBAL, LLC

Pursuant to ARTICLE 2, the Members' initial contribution to the Company capital is stated to be \$ 1,000.00. The description and each individual portion of this initial contribution are as follows:

Members:

SF Global Holdings, LLC (71%)
Jorge Hinojosa (19%)
Raul Hinojosa (10%).

SIGNED AND AGREED this 18 day of January, 2011.

SF SYSTEMS, LLC

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR: SF Systems, LLC

Pursuant to ARTICLE 2, the Members' initial contribution to the Company capital is stated to be \$ 1,000.00. The description and each individual portion of this initial contribution are as follows:

Juan Carlos Lozada, Mexico City, DF, Mexico	\$333.33 usd
Juan Samaniego, Miramar, FL, USA 33305	\$333.33 usd
Michael C. Kelley, Los Angeles, CA, USA 90045	\$333.34 usd

SIGNED AND AGREED this 1 day of July, 2011.

Evaluation

The stated goals of SF Global are laudable. The service proposed to The City of Oakland will be the first offered by SF Global. The company and its various affiliates have experience in selling and servicing reloadable prepaid cards with the majority of their business in Latin America.

In the Unites States, the firm has offered the Transfercel prepaid card through its issuing bank, Central National Bank, Enid, Oklahoma at eight locations in the Los Angeles, Ca area⁴. U.S. based customers include Summer Youth Employment

⁴ http://www.transfercel.com/index.php?option=com_content&view=article&id=52&Itemid=127&lang=en

Payroll VISA debit card program, Southwest Voter Registration and Education Project, el Rincon Oaxaqueno Restaurant and Suzy's Market.

The company is funded with approximately 41% capital, 41% long term debt with a remaining 18% short-term debt funding, primarily vendor and taxes payable.

ASSESSMENT OF UNIVERSITY NATIONAL BANK

Key Performance Ratios

Areas highlighted in green indicate positive points of the analysis while yellow highlighted items require further discussion for clarification.

FDIC Certificate # 18561
 OCC Charter # 14991
 Public Report

	6/30/2011			12/31/2010			12/31/2009			12/31/2008		
	BANK	PG 3	PCT	BANK	PG 6	POT	BANK	PG 6	PCT	BANK	PG 6	PCT
Earnings and Profitability												
Percent of Average Assets:												
Interest Income (TE)	2.54	4.53	1	4.55	4.73	38	5.96	5.06	90	6.37	5.93	76
- Interest Expense	0.24	0.96	2	0.54	1.27	6	1.21	1.76	20	1.91	2.51	20
Net Interest Income (TE)	2.3	3.57	3	4.01	3.43	81	4.75	3.3	96	4.47	3.4	93
+ Noninterest Income	8.35	0.69	97	0.27	0.45	90	1.47	0.5	82	0.27	0.54	68
- Noninterest Expense	1.89	3.93	6	2.69	2.98	42	3.83	2.94	85	3.81	2.88	83
- Provision: Loan & Lease Losses	0.47	0.47	60	1.19	0.89	73	0.7	1.21	44	0.6	0.66	62
Pretax Operating Income (TE)	9.52	0.91	98	1.41	0.81	80	1.62	-0.23	85	1.33	0.65	67
+ Realized Gains/Losses Sec	0	0.03	50	0	0.06	46	0	0.04	56	0	0	64
Pretax Net Operating Income (TE)	3.62	0.95	98	1.41	0.18	79	1.64	-0.23	84	1.33	0.52	68
Net Operating Income	3.58	0.68	98	1.33	0.06	87	1.57	-0.35	91	1.39	0.38	62
Adjusted Net Operating Income	3.63	0.69	98	1.74	0.16	90	1.8	0.09	92	1	0.68	59
Net Inc Attrib to Min Ints	0	0	98	0	0	98	0	0.01	98	N/A	0	N/A
Net Income Adjusted Sub S	2.35	0.61	98	0.93	-0.01	79	1.09	-0.32	85	0.88	0.29	69
Net Income	3.58	0.68	98	1.33	0.05	87	1.57	-0.36	91	1.29	0.38	62
Margin Analysis:												
Avg Earning Assets to Avg Assets	84.49	83.23	2	77.44	93.61	1	91.9	93.87	26	91.97	94.59	19
Avg Int-Bearing Funds to Avg Assets	89.53	60.27	0	65.97	78.21	3	69.59	78.2	14	74	77.89	28
Int Inc (TE) to Avg Earn Assets	3.01	4.87	1	5.88	5.07	68	6.49	5.42	92	6.93	6.28	83
Int Expense to Avg Earn Assets	0.29	1.03	3	0.69	1.36	10	1.32	1.88	31	2.08	2.66	21
Net Inc-TE to Avg Earn Assets	2.72	3.83	4	5.18	3.68	96	5.17	3.53	97	4.86	3.62	92
Loan & Lease Analysis:												
Net Loss to Average Total LN&LS	1.2	0.72	75	1.21	1.12	65	0.58	1.22	43	1.13	0.56	81
Earnings Coverage of Net Losses (X)	9.66	9.13	71	3.25	5.33	61	4.85	4.86	70	2.13	15	30
LN&SL Allowance to LN&LS Not HFS	1.95	1.97	57	1.95	2.14	52	1.39	1.98	33	1.27	1.5	43
LN&LS Allowance to Net Losses (X)	1.67	6.53	25	1.65	4.25	35	2.54	3.79	57	1.17	9.64	13
LN&LS Allowance to Total LN&LS	1.95	1.96	58	1.95	2.11	53	1.39	1.95	34	1.27	1.48	45
Total LN&LS-90+ Days Past Due	0	0.1	37	0	0.14	56	0	0.19	48	0.12	0.16	67
-Nonaccrual	1.96	2.97	47	4	3.3	66	2.42	3.22	52	4.8	1.94	82
-Total	1.96	3.14	43	4	3.55	64	2.42	3.54	48	4.93	2.27	79
Liquidity												
Net Non Core Fund Dep New \$250M	-55.49	7.58	0	30.99	5.83	89	47.49	26.25	85	66.66	31.33	92
Net Loans & Leases to Assets	45.27	54.05	9	57.76	55.48	39	61.41	67.62	29	79.33	70.47	68
Capitalization												
Tier One Leverage Capital	7.05	9.31	9	13.23	9.53	88	11.87	9.41	78	11.35	9.97	75
Cash Dividends to Net Income	116.34	23.66	96	47.76	21.3	74	83.46	21.97	89	120.56	39.36	88
Retained Earnings to Avg Total Equity	-7.27	3.33	10	6.62	-3.92	81	2.19	-6.98	59	-3.39	-0.96	29
Rest+Nonac+RE Acq to Eqcap+ALLL	18.42	33.67	40	20.56	39.92	41	25.6	39.55	51	33.53	19.18	73
Growth Rates												
Total Assets	51.3	1.92	98	10.59	0.63	85	46.39	4.78	97	2.36	8.63	28
Tier One Capital	51.67	3.88	97	58.57	0.07	97	17.41	-1.07	89	-2.3	3.53	23
Net Loans & Leases	6.91	-2.46	63	4.06	-3.93	75	13.32	-0.49	66	6.85	8.72	45
Short Term Investments	7238.32	24.07	99	1249.86	38.67	97	323.03	152.16	62	-95.59	52.32	4
Short Tenn Non Core Funding	-69.69	-50.94	22	-10.87	-11.71	48	-15.06	0.12	31	44.36	28.47	70
Average Total Assets	333,370			174,299			128,254			118,406		
Total Equity Capital	34,934			25,561			16,130			13,661		
Net Income	5,943			2,336			2,013			1,527		
Number of banks in Peer Group	1,149			342			337			317		

**CITY OF OAKLAND
MUNICIPAL IDENTIFICATION CARD VENDOR DUE DILIGENCE -- INTERIM REPORT -- CORPORATE ANALYSIS
SEPTEMBER 30, 2011**

Balance Sheet

	6/30/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	% Change 1 Year
Assets:						
Real Estate Loans	103,351	100,409	94,689	81,043	63,581	8.9
Commercial Loans	15,200	14,018	14,500	14,629	26,154	-4.92
Individual Loans	454	331	460	957	1,069	16.41
Agricultural Loans	0	0	8	0	0	N/A
Other LN&LS in Domestic Offices	181	12	18	31	82	546.43
LN&LS in Foreign Offices	N/A	N/A	N/A	N/A	N/A	N/A
Loans Held for Sale	0	0	0	0	0	N/A
Loans not Held for Sale	119,186	114,770	109,667	96,660	90,886	7.08
LN&LS Allowance	2,327	2,238	1,523	1,228	1,570	16.47
Net Loans & Leases	116,859	112,532	108,144	95,432	89,316	6.91
U.S. Treasury & Agency Securities	20,905	18,001	9,655	12,858	15,652	12.18
Municipal Securities	770	738	737	711	0	3.08
Foreign Debt Securities	0	0	0	0	0	N/A
All Other Securities	0	0	0	92	121	N/A
Interest-Bearing Bank Balances	75,462	9,312	698	10	10	10964.81
Federal Funds Sold & Resales	26,500	110	0	155	240	
Trading Account Assets	0	0	0	0	0	N/A
Total Investments	123,637	28,161	11,090	13,826	16,023	
Total Earning Assets	240,496	140,693	119,234	109,258	105,339	
Nonint Cash & Due From Banks						
Premises, Fix Assts, Cap Leases	6,417	45,462	47,054	3,075	3,075	-80.17
Other Real Estate Owned	4,579	4,467	4,863	5,245	5,439	-1.8
Dir & Indir Inv RE Ventures	2,682	1,135	1,903	203	1,365	419.77
Inv in Unconsolidated Subs	0	0	0	0	0	
Acceptances & Oth Assets	0	0	0	0	0	
Total Assets	3,973	3,005	3,056	2,523	2,312	33.59
Average Assets During Quarter	258,147	194,762	176,110	120,304	117,530	51.3
	338,741	186,614	132,612	118,186	121,367	104.55
Liabilities:						
Demand Deposits	137,027	72,934	71,706	14,700	16,387	141.25
All Now & ATS Accounts	28,450	28,391	13,316	15,450	21,179	135.63
Money Market Deposit Accounts	17,953	7,845	11,480	5,846	10,580	152.26
Other savings Deposits	2,287	1,531	1,374	1,302	1,428	48.89
Time Deps At Or Below Insurance Limit	29,611	37,181	13,346	23,086	21,520	-49.71
Less: Fully Insured Brokered Deposits	9,153	29,513	9,557	27,212	19,421	-32.29
Core Deposits	206,175	118,369	101,665	33,172	51,673	67.78
Fully Insured Brokered Deposits	9,153	29,513	9,557	27,212	19,421	-32.29
Time Deps Above Insurance Limit	11,059	14,791	38,785	25,801	24,577	-0.57
Deposits in Foreign Offices	0	0	0	0	0	N/A
Total Deposits	226,387	162,673	150,007	86,185	95,671	53.45
Federal Funds Purch & Resale	1,527	1,155	4,547	9,612	3,337	
Fed Home Loan Bor Mat < 1 Year	0	0	0	5,400	3,865	N/A
Fed Home Loan Bor Mat > 1 Year	5,000	5,000	5,000	5,000	0	0
Oth Borrowing Mat < 1 Year	0	0	0	0	0	N/A
Oth Borrowing Mat > 1 Year	0	0	0	0	0	N/A
Acceptances & Other Liabilities	308	373	426	446	682	-29.61
Total Liabilities (Incl Mortg)	233,223	169,201	159,980	106,643	103,555	51.28
Subordinated Notes & Debentures	0	0	0	0	0	N/A
Total Bank Capital & Min Int	24,924	25,561	16,130	13,661	13,975	51.57
Total Liabilities & Capital	258,147	194,762	176,110	120,304	117,530	51.3
Memoranda:						
Officers, Shareholder Loans (#)	0	0	0	0	0	
Officers, Shareholder Loans (\$)	20	20	20	6	6	0
Held-to-Maturity Securities	0	0	0	0	0	N/A
Available-for-Sale Securities	21,675	18,739	10,392	13,661	15,773	11.82
All Brokered Deposits	13,376	31,086	18,979	27,212	19,421	-3.83

Risk Based Capital Review

Risk-Based Capital	5/30/2011			12/31/2010			12/31/2009			12/31/2008		
	BANK	PG 3	PCT	BANK	PG 6	PCT	BANK	PG 6	PCT	BANK	PG 6	PCT
Tier One RBC to Risk-Wgt Assets	20.77	13.6	93	22.4	14.22	87	13.98	13.49	63	13.4	13.35	61
Total RBC to Risk-Weight Assets	22.03	14.88	93	23.36	15.42	87	15.21	14.7	53	14.64	14.47	62
Tier One Leverage Capital	7.05	9.31	9	13.23	9.63	88	11.67	9.4	79	11.35	9.87	75
Other Capital Ratio:												
Def Tax Asset to T1 Cap	0	1.83	43	0	1.47	51	0	1.54	50	0	1.58	48

University Financial Corporation

BHC ID	Bank Holding Company Name	City	State	Class	Combined Total Domestic Deposits of Insured Subsidiaries (\$000)1	Combined Total Assets of Insured Subsidiaries (\$000)1	
1139103	UNIVERSITY FINANCIAL CORP, INC. DBA SUNRISE COMMUNITY BANKS	Saint Paul	MN	HC	538,662	671,886	
Bank and thrift subsidiaries of the bank holding company:							
Cert	Institution Name	City	County	State	Class	Total Domestic Deposits (\$000)	Total Assets (\$000)
18424	Franklin National Bank of Minneapolis	Minneapolis	Hennepin	MN	N	110,499	136,529
1904	Park Midway Bank, National Association	Saint Paul	Ramsey	MN	N	201,776	277,210
18561	University National Bank	SL Paul	Ramsey	MN	N	226,387	258,147

FDIC-insured Subsidiaries of UNIVERSITY FINANCIAL CORP, INC. DBA SUNRISE COMMUNITY

Saint Paul, MN

BHC ID#: 1139103

Note: Important Information About This Data ¹

Dollar figures in thousands	Insured Subsidiaries of UNIVERSITY	
	FINANCIAL CORP, INC. DBA SUNRISE	FINANCIAL CORP, INC. DBA SUNRISE
	COMMUNITY BANKS 1	COMMUNITY BANKS 1
	Saint Paul, MN	Saint Paul, MN
	30-Jun-11	31-Dec-10
1 Number of institutions reporting	3	3
All Summary Information		
Assets and Liabilities		
2 Total employees (full-time equivalent)	101	97
3 Total assets	671,886	586,442
4 Cash and due from depository institutions	115,161	74,121
5 Interest-bearing balances	96,889	19,177
6 Securities	60,413	55,012
7 Federal funds sold & reverse repurchase	26,691	310
8 Net loans & leases	433,465	424,842
9 Loan loss allowance	6,780	6,188
10 Trading account assets	0	0
11 Bank premises and fixed assets	16,544	16,860
12 Other real estate owned	8,138	6,253
13 Goodwill and other intangibles	410	316
14 All other assets	11,044	8,728
15 Life insurance assets	1,043	1,026
16 Total liabilities and capital	671,886	586,442
17 Total liabilities	599,944	513,974
18 Total deposits	538,662	479,746
19 Interest-bearing deposits	297,219	299,697
20 Deposits held in domestic offices	538,662	479,746
21 % insured	73.11%	91.30%
22 Federal funds purchased & repurchase	31,411	3,885
23 Trading liabilities	0	0
24 Other borrowed funds	29,000	29,252
25 Subordinated debt	0	0
26 All other liabilities	871	1,091
27 Total equity capital	71,942	72,468
28 Total bank equity capital	71,942	72,468
29 Perpetual preferred stock	0	0
30 Common stock	1,047	1,047
31 Surplus	50,081	50,081
32 Undivided profits	20,814	21,340
33 Noncontrolling interests in consolidated	0	0
Memoranda:		
34 Noncurrent loans and leases	20,407	17,636
35 Noncurrent loans that are wholly or partially	8,176	6,796
36 Income earned, not collected on loans	1,820	1,764
37 Earning assets	619,478	499,341
38 Long-term assets (5+ years)	96,069	104,695
39 Average Assets, year-to-date	671,423	577,326
40 Average Assets, quarterly	713,913	592,472
41 Volatile liabilities	64,295	48,021
42 Insider loans	28	725
43 FHLB advances	29,000	29,252
44 Loans and leases held for sale	17,964	15,201
45 Unused loan commitments	54,238	66,059
46 Tier 1 (core) risk-based capital	69,585	70,946
47 Tier 2 risk-based capital	5,112	5,241
48 Total risk weighted assets	419,703	422,359
49 Total unused commitments	54,238	66,059
50 Derivatives	0	0

CITY OF OAKLAND
MUNICIPAL IDENTIFICATION CARD VENDOR DUE DILIGENCE – INTERIM REPORT – CORPORATE ANALYSIS
SEPTEMBER 30, 2011

FDIC-insured Subsidiaries of UNIVERSITY FINANCIAL CORP, INC. DBA SUNRISE COMMUNITY			
	Saint Paul, MN BHC ID#: 1139103		
	Note: Important Information About This Data		
	Insured Subsidiaries of UNIVERSITY FINANCIAL CORP, INC. DBA SUNRISE	Insured Subsidiaries of UNIVERSITY FINANCIAL CORP, INC. DBA SUNRISE	
Dollar figures in thousands	COMMUNITY BANKS 1 Saint Paul, MN 30-Jun-11	COMMUNITY BANKS 1 Saint Paul, MN 31-Dec-10	
Income and Expense			
51 Number of institutions reporting	3		3
52 Total interest income	14,230		29,264
53 Total interest expense	1,750		4,497
54 Net interest income	12,480		24,767
55 Provision for loan and lease losses	1,435		4,972
56 Total noninterest income	6,991		4,920
57 Fiduciary activities	0		0
58 Service charges on deposit accounts	1,122		2,208
59 Trading account gains & tees	0		0
60 Additional noninterest income	5,869		2,712
61 Total noninterest expense	10,619		19,409
62 Salaries and employee benefits	5,964		10,996
63 Premises and equipment expense	1,080		2,229
64 Additional noninterest expense	3,574		6,182
65 Pre-tax net operating income	7,418		5,306
66 Securities gains (losses)	2		20
67 Applicable income taxes	15		21
68 Income before extraordinary items	7,405		5,305
69 Extraordinary gains - net	0		0
70 Net Income attributable to bank	7,406		5,306
71 Net income attributable to noncontrolling	0		0
72 Net income attributable to bank and	7,405		5,305
73 Net charge-offs	843		4,463
74 Cash dividends	8,679		3,045
75 Sale, conversion, retirement of capital stock, net	0		0
76 Net operating income	7,403		5,285
Memo:			
Performance and Condition Ratios			
77 % of unprofitable institutions	N/A		N/A
78 % of institutions with earnings gains	33.33%		66.67%
Performance Ratios (% annualized)			
79 Yield on earning assets	4.76%		
80 Cost of funding earning assets	0.59%		0.90%
81 Net interest margin	4.18%		4.98%
82 Noninterest income to earning assets	2.34%		0.99%
83 Noninterest expense to earning assets	3.55%		3.90%
84 Net operating income to assets	2.21%		0.92%
85 Return on assets (ROA)	2.21%		0.92%
86 Pretax return on assets	2.21%		0.92%
87 Return on equity (ROE)	20.11%		8.16%
88 Retained earnings to average equity (YTD only)	-3.46%		3.48%
89 Net charge-offs to loans	0.39%		1.03%
90 Credit loss provision to net charge-offs	170.23%		111.40%
91 Earnings coverage of net loan charge-offs (x)	10.5		2.3
92 Efficiency ratio	54.34%		65.26%
93 Assets per employee (\$ millions)	6.65		6.05
94 Cash dividends to net income (YTD only)	117.20%		57.40%
Condition Ratios (%)			
95 Loss allowance to loans	1.54%		1.44%
96 Loss allowance to noncurrent loans	33.22%		35.09%
97 Noncurrent assets plus other real estate owned	4.25%		4.07%
98 Noncurrent loans to loans	4.64%		4.09%
99 Net loans and leases to deposits	80.47%		88.56%
100 Net loans and leases to core deposits	89.95%		109.17%
101 Equity capital to assets	10.71%		12.36%
102 Core capital (leverage) ratio	9.35%		12.14%
103 Tier 1 risk-based capital ratio	16.58%		16.80%
104 Total risk-based capital ratio	17.80%		18.04%
Msmoranda:			
105 Average assets	671,423		577,326
106 Average earning assets	597,672		497,053
107 Average equity	73,651		65,008
108 Average loans	431,941		433,561

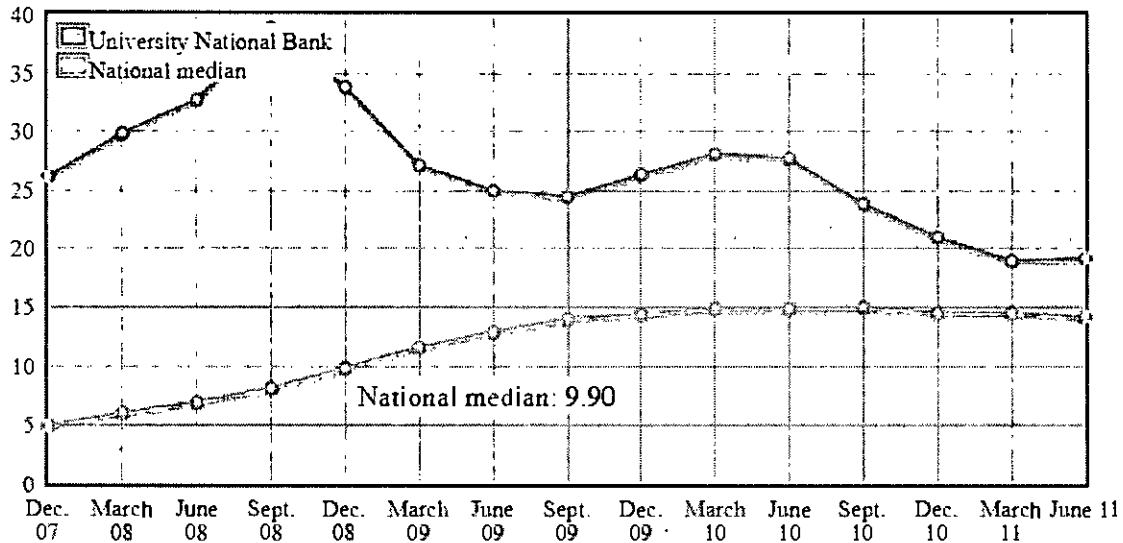
Troubled Assets

University National Bank

HEADQUARTERED IN ST. PAUL, MN

This bank is owned by University Financial Coip, Inc., which has received money through the TARP program.

THE TROUBLED ASSET RATIO



Analysis

The individual banks within the holding company are small community banks. All three banks are Community Development Financial Institution (CDFI). This is a unique charter that targets lower income markets. All three banks received BEA awards of \$600,000 each in 2010.⁵ The \$600,000 University National Bank received accounted for 26% of its net income for 2010.⁶

University National Bank has \$258 million on assets. This is 33% higher than year end 2010.

Asset quality does not seem to be an issue as the trend since 2008 is positive.

There is a significant drop in tangible capital to assets from December 31, 2010 to June 30, 2011. This is a result of increased assets versus lower capital. The primary increase in assets is Interest Bearing Bank Accounts funded by an increase in Demand Deposits.

⁵ http://166.123.32.27/docs/2010/bea/2010_BEA_List_of_Awards.pdf

⁶ <https://cdr.ffiec.gov/public/Reports/UbprReport.aspx?rptCycleIds=65%2c61%2c63%2c58%2c52&rptid=283&jdrssd=860053>

The concern is any increase in deposits due to the Oakland card program could put further pressure on the bank's capital. 8% is considered a minimum capital level. The bank is currently at 7.05%. The decline in the core capital levels in the banks as well as the holding company is a concern.

However, the bank's risk based capital is very strong given a significant amount of the assets are cash or cash equivalents.

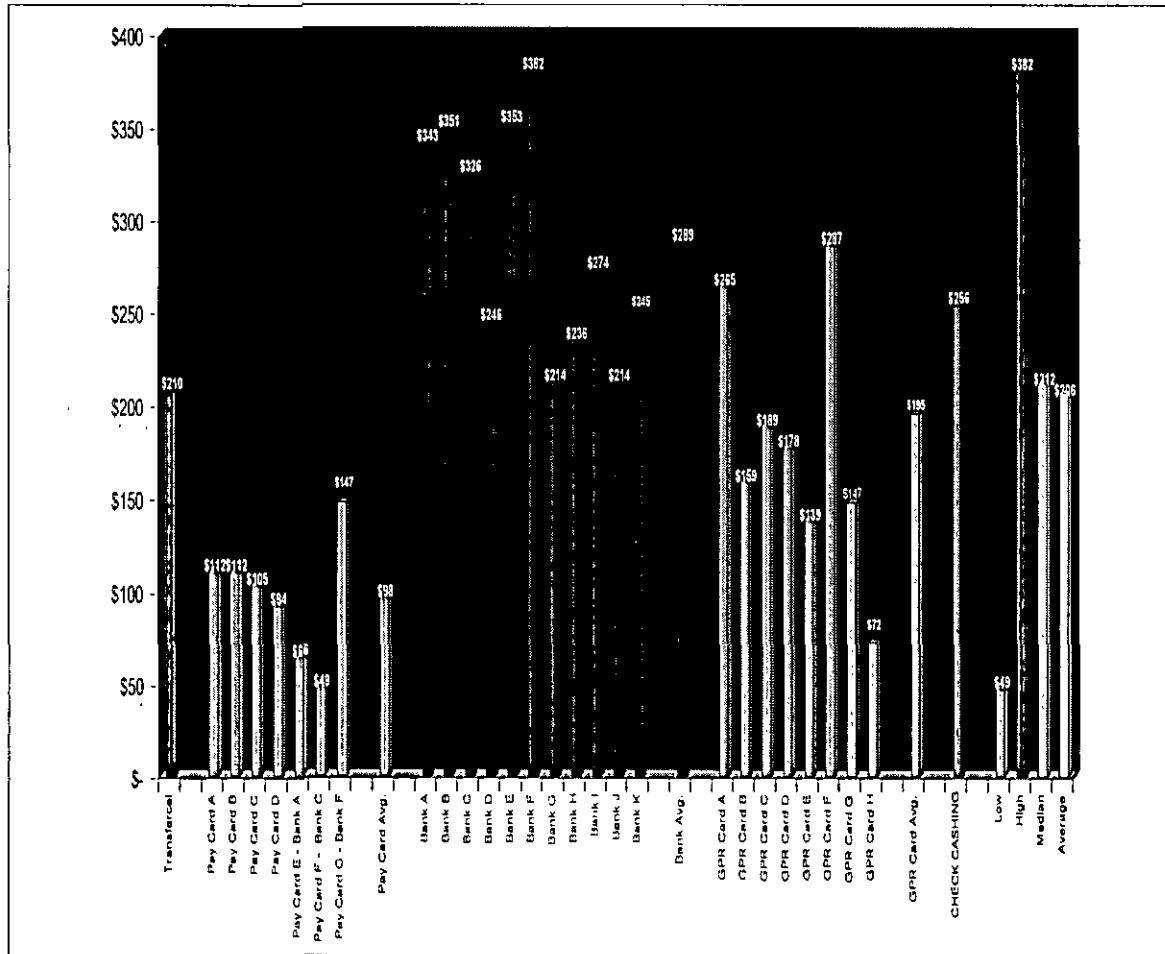
DISCUSSION

Price Analysis

The price grid in SF Global’s proposal comes in just below the average and just above the median annual cost to the consumer. The following outlines the cost comparison:

Provider Fee Schedules	TOTAL ANNUAL COST
Transfercel	\$ 209.78
Pay/ Card/A	\$ 111.64
Pay/ Card/B	\$ 111.64
Pay/ Card/C	\$ 104.64
Pay/ Card/D	\$ 94.00
Pay/ Card/E @ Bank/A	\$ 68.00
Pay/ Card/E @ Bank/CB	\$ 49.00
Pay/ Card/G @ Bank/P	\$ 147.00
Pay/ Card/Avg	\$ 97.70
Bank A	\$ 343.00
Bank B	\$ 351.00
Bank C	\$ 326.00
Bank D	\$ 246.00
Bank E	\$ 353.20
Bank F	\$ 382.00
Bank G	\$ 214.00
Bank H	\$ 236.00
Bank I	\$ 274.00
Bank J	\$ 214.00
Bank K	\$ 245.00
Bank Avg.	\$ 289.47
GPR Card A	\$ 265.40
GPR Card B	\$ 159.40
GPR Card C	\$ 189.40
GPR Card D	\$ 178.32
GPR Card E	\$ 138.60
GPR Card F	\$ 287.35
GPR Card G	\$ 147.00
GPR Card H	\$ 72.00
GPR Card Avg.	\$ 195.07
CHECK CASHING	\$ 255.60
Low	\$ 49.00
High	\$ 382.00
Median	\$ 211.89
Average	\$ 206.11

The graphic representation of the results follows:



References

The two reference checks⁷ who responded to the inquiry have reported positively.

- Pamela Schachter, Assistant Director, UCLA Community Based Learning Program stated that the paycard offered by SF Mexico Services should be for a longer term project rather than the summer employment project utilized by UCLA.
- Antonio Gonzalez, SVREP, President, Southwest Voter Registration Education Project reported: "We did find that our administrative staff and temporary employees were unfamiliar with electronic payroll through debit cards and required a learning curve".

⁷ See Exhibit IV

Risk Assessment

The primary risk to The City of Oakland is reputation risk since the City would incur no direct cost in the issuance and maintenance of the ID/Debit card. All costs are placed on the consumer in the form of transactions fees for using the debit card. As noted in the interim report on the cost comparison, the Transfercel card ranks just above the average costs for other branded prepaid cards issued in the United States using a standard transaction pattern.

SF Global is a start up operation in the United States. Comments include:

- The company financial information provided shows a reasonable capital structure, albeit the financials depicts a small business. It should be noted that these financial do not reflect the financial condition for SF USA, the operating entity for The City of Oakland project.
- There do not appear to be any cross company/affiliate financial guarantees should the operation of the SF USA company require additional funding. This should be a negotiating requirement for the City to proceed.
- Changing the issuing financial institution from CNB, Enid, Oklahoma to University National Bank, St. Paul, Minnesota raises the following questions:
 - o Why was the change needed? SF Global stated they were looking for a lower cost alternative. The inability to talk to CNB about their relationship with SF Global leaves the question open.
 - o The capital levels of both University National Bank and its holding company are problematic.
- SF Global has experience in prepaid debit cards but has never offered the specific Municipal ID/Prepaid Debit Card program the City desires.
- All of the technology platforms are resident in Mexico and SF USA would contract with SF Systems for technology services. According to an analysis of The International Bank for Reconstruction and Development / The World Bank⁸, enforcing contracts entails 38 procedures over an elapsed time of 415 days with a cost as a percent of the claim of 32%.

⁸ <http://www.doingbusiness.org/~media/fpdkm/doing%20business/documents/profiles/country/db11/mex.pdf>

EXHIBITS

Exhibit I - Corporate Overview

The following corporate records were obtained from Raul Hinojosa, Managing Member of SF Global Holdings, LLC:

Corporate Structure

- **TPS SA de CV**, the ISO or processing subsidiary of SF Systems LLC, is the centerpiece and workhorse of the group. **SF Systems LLC** also holds a minority position in the individual technology firms of the principal shareholders – Juan Samaniego (Smart Financial Systems), Juan Carlos Lozada (Optima Technologies) and Miguel Kelley (SF Systems), and was formed to unite these firms in the creation of solutions that enable the Borderless Branchless Banking value chain.
 - The board of directors of **SF Systems** also serves as the board for each firm in the Group, providing all of the firms with the critical advantage of active directors who have a long record of superior results in identifying markets, evaluating opportunities, and building a thriving business.
 - The funds disbursed through government subsidies exceed the total funds disbursed through microloans. The sales strategies for each of these funding sources are very different; as a consequence, the services available from the SF Systems are sold through two sales channels, namely;
- **SF Global**, founded by Dr. Raul Hinojosa (SF Systems board member), focuses on mass-market projects such as government subsidies, payroll and multilevel marketing. Each operating company affiliated with SF Global is created as a joint venture with a local partner, preferably a high-profile ex-government official. Long-term processing agreements cement the relationship of SF Systems with the SF Global operating companies.
- **SF Integrated**, founded by Juan Samaniego (SF Systems board member), focuses on non-bank financial institutions: S&L (caja), credit union (cooperativa) and MFIs. This market requires a supplier with broad coverage, and a track record of service, a role suited to a systems integrator such as ADSI. The SF Integrated affiliates could be the existing ADSI affiliate, and in others a joint-venture with a local firm with a history in the target market.

**CITY OF OAKLAND
MUNICIPAL IDENTIFICATION CARD VENDOR DUE DILIGENCE – INTERIM REPORT – CORPORATE ANALYSIS
SEPTEMBER 30, 2011**

Articles of Organization

SF Global Holdings, LLC, January 3, 2011

<p>Electronic Articles of Organization For Florida Limited Liability Company</p> <p>Article I The name of the Limited Liability Company is: SF GLOBAL HOLDINGS, LLC</p> <p>Article II The street address of the principal office of the Limited Liability Company is: 110 SAWGRASS CORPORATE PARKWAY 108 SUNRISE, FL 33325</p> <p>The mailing address of the Limited Liability Company is: 110 SAWGRASS CORPORATE PARKWAY 108 SUNRISE, FL 33325</p> <p>Article III The purpose for which this Limited Liability Company is organized is: ANY AND ALL LAWFUL BUSINESS.</p> <p>Article IV The name and Florida street address of the registered agent is: UNITED TEAM SERVICES, LLC 440 SAWGRASS CORPORATE PARKWAY SUITE 108 SUNRISE, FL 33325</p> <p>Having been named as registered agent and to accept service of process for the above stated limited liability company at the place designated in this certificate, I hereby accept the appointment as registered agent and agree to act in the capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent. Registered Agent Signature: EUGENIO LASCURAIN</p>	<p>L11000000728 FILED 8:00 AM January 03, 2011 Sec. Of State gsharvey</p> <p>L11000000728 REGISTRADO: 8:00 AM Enero 03, 2011-02-22 Secretaría de Estado gsharvey</p> <p>Artículo V El nombre y dirección de los miembros/gerentes son: Título: MGR (GERENTE MIEMBRO) SF GLOBAL HOLDINGS, LLC 440 SAWGRASS CORPORATE PARKWAY SUNRISE, FL 33325</p> <p>Título: MGR (GERENTE MIEMBRO) JORGE HINOJOSA 19 WAVECREST AVE # 700 VINCE, CA, 90291</p> <p>Título: MGR (GERENTE) EUGENIO LASCURAIN 440 SAWGRASS CORPORATE PARKWAY # 108 SUNRISE, FL 33325</p> <p>Artículo VI La fecha efectiva de vigencia de esta Compañía de responsabilidad limitada será: 01/03/2011</p> <p>Firma del miembro de de un representante autorizado de miembro Firma EUGENIO LASCURAIN</p> <p>Yo soy el miembro o representante autorizado que presento estos Artículos de Organización y afirmo que los hechos descritos en el presente documento son verdaderos. Que estoy en conocimiento que cualquier información falsa presentada mediante documento ante el Departamento de Estado constituye fraude de tercer grado y es un delito punible con 5 años de prisión y \$5,000. Que comprendo el requerimiento de cumplir reportar anual como el 1º de Enero y el 1º de Mayo del año calendario siguiente a la constitución de la Compañía de Responsabilidad Limitada y cada año subsecuente, y los efectos de incurrir en estos "delitos".</p> <p>CERTIFICADO: "Que el tanto que autorizo en la traducción Real y suerto del Acta constitutivo de la Sociedad de Responsabilidad Limitada SF GLOBAL LLC, así lo autorizo en presencia de Notario Público en la Ciudad de Sunrise, FL, hoy, a las 22 días del mes de Febrero de Dos mil Once (2011)"</p> <p><i>Eugenio Lascurain</i> 22 Feb, 2011 Notario Público Sunrise 22 Feb, 2011</p>
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SF Global, LLC, January 18, 2011

<p>L11000000720 REGISTRADO: 8:00 AM Enero 03, 2011-02-22 Secretario de Estado gsharvey</p> <p>Artículos de Organización Electrónicos Compañía de Responsabilidad Limitada de Florida</p> <p>Artículo I El nombre de la Compañía de Responsabilidad Limitada es: SF GLOBAL, LLC</p> <p>Artículo II La dirección domiciliar de la oficina principal de la Compañía de Responsabilidad Limitada es: 440 SAWGRASS CORPORATE PARKWAY SUITE 108 SUNRISE, FL 33325</p> <p>Artículo III El objeto para el cual ha sido constituida esta Compañía de Responsabilidad Limitada es: CUALQUIERA Y TODO NEGOCIO LEGAL.</p> <p>Artículo IV El nombre y la dirección domiciliar en Florida de su agente registrado son: UNITED TEAM SERVICES, LLC 440 SAWGRASS CORPORATE PARKWAY SUITE 108 SUNRISE, FL 33325</p> <p>Habiendo sido designado como agente registrado y a los efectos de la aceptación del servicio de procesos aplicables para la antes mencionada compañía de responsabilidad limitada en el lugar señalado en la presente certificación, Yo, por medio del presente documento, acepto la designación como agente registrado y acuerdo en actuar con tal capacidad. Adicionalmente acuerdo cumplir con todas las provisiones de los estatutos relacionados con el cumplimiento apropiado y completo de mis deberes, y declaro que estoy en conocimiento y acepto las obligaciones de mi cargo como agente registrado.</p> <p>Firma del Agente Registrado: EUGENIO LASCURAIN</p>	<p>L11000000720 REGISTRADO: 8:00 AM Enero 03, 2011-02-22 Secretario de Estado gsharvey</p> <p>Artículo V El nombre y dirección de los miembros/gerentes son: Título: MGR (GERENTE MIEMBRO) SF GLOBAL HOLDINGS, LLC 440 SAWGRASS CORPORATE PARKWAY SUNRISE, FL 33325</p> <p>Título: MGR (GERENTE MIEMBRO) JORGE HINOJOSA 19 WAVECREST AVE # 700 VINCE, CA, 90291</p> <p>Título: MGR (GERENTE) EUGENIO LASCURAIN 440 SAWGRASS CORPORATE PARKWAY # 108 SUNRISE, FL 33325</p> <p>Artículo VI La fecha efectiva de vigencia de esta Compañía de responsabilidad limitada será: 01/18/2011</p> <p>Firma del miembro de de un representante autorizado de miembro Firma EUGENIO LASCURAIN</p> <p>Yo soy el miembro o representante autorizado que presento estos Artículos de Organización y afirmo que los hechos descritos en el presente documento son verdaderos. Que estoy en conocimiento que cualquier información falsa presentada mediante documento ante el Departamento de Estado constituye fraude de tercer grado y es un delito punible con 5 años de prisión y \$5,000. Que comprendo el requerimiento de cumplir reportar anual como el 1º de Enero y el 1º de Mayo del año calendario siguiente a la constitución de la Compañía de Responsabilidad Limitada y cada año subsecuente, y los efectos de incurrir en estos "delitos".</p> <p>CERTIFICADO: "Que el tanto que autorizo en la traducción Real y suerto del Acta constitutivo de la Sociedad de Responsabilidad Limitada SF GLOBAL LLC, así lo autorizo en presencia de Notario Público en la Ciudad de Sunrise, FL, hoy, a las 22 días del mes de Febrero de Dos mil Once (2011)"</p> <p><i>Eugenio Lascurain</i> 22 Feb, 2011 Notario Público Sunrise 22 Feb, 2011</p>
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Operating Agreement for SF Global Holdings, LLC

A Member-Managed Limited Liability Company

Excerpt - This Company Agreement of **SF GLOBAL HOLDINGS, LLC** a LIMITED LIABILITY COMPANY organized pursuant to the Act, is entered into and shall become effective as of the Effective Date by and among the Company and the persons executing this Agreement as Members. It is the Members express intention to create a limited liability company in accordance with the Act, as currently written or subsequently amended or redrafted. Therefore, all provisions of this document shall be construed consistent with the afore (*sic*) described intent of the Members. This Agreement is made and entered into this 3 day of January, 2011.

Accordingly, in consideration of the conditions contained herein, he/she/they agree as follows:

Operating Agreement for SF Systems, LLC

A Member-Managed Limited Liability Company

Excerpt - This Company Agreement of **SF SYSTEMS, LLC** a LIMITED LIABILITY COMPANY organized pursuant to the Act, is entered into and shall become effective as of the Effective Date by and among the Company and the persons executing this Agreement as Members. It is the Members express intention to create a limited liability company in accordance with the Act, as currently written or subsequently amended or redrafted. Therefore, all provisions of this document shall be construed consistent with the afore (*sic*) described intent of the Members. This Agreement is made and entered into this 1 day of July, 2011. Accordingly, in consideration of the conditions contained herein, he/s he/they agree as follows:

SF Global Holdings Group of Companies

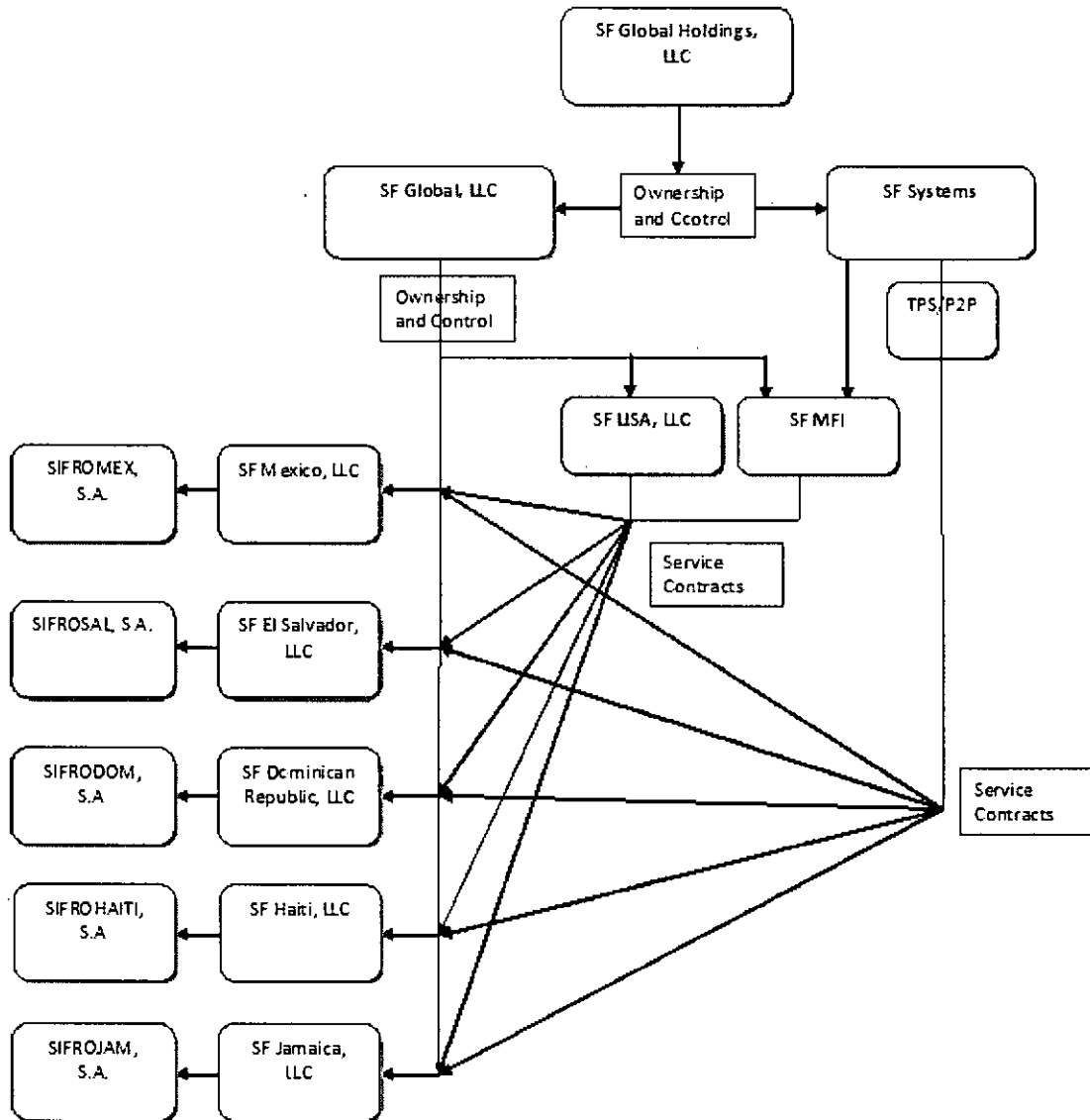
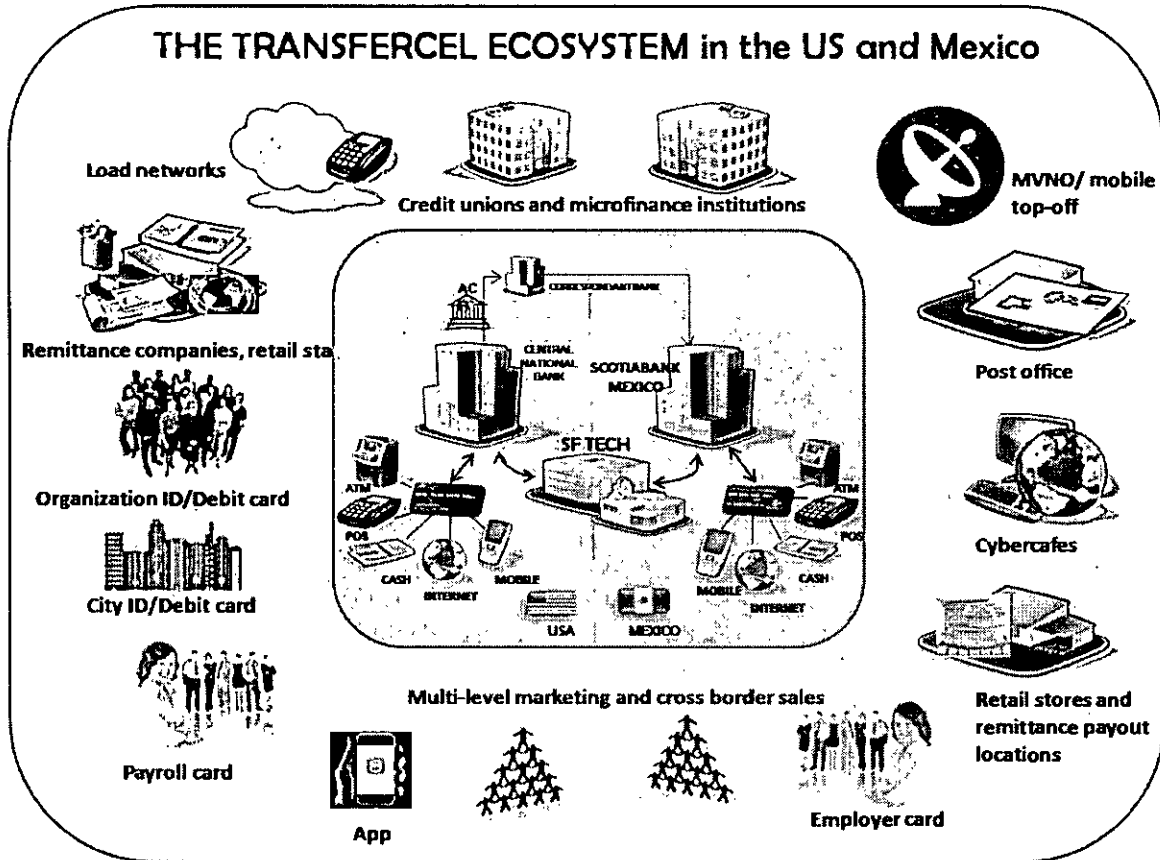


Exhibit II - Business Model⁹



⁹ Supplied by Company

Exhibit III - Pro-forma Financials¹⁰

INCOME STATEMENT SUMMARY	2011	2012	2013	TOTAL
TOTAL CARD	56705	216045	180239	452990
USA	19184	85995	65489	170667
EL SALVADOR	37522	130050	114750	282323
				\$ -
INCOME IN USA AND EL SALVADOR	\$ 610,498	\$ 6,462,442	\$ 9,908,879	\$ 16,981,820
TOTAL INCOME FROM SALES	\$ 610,498	\$ 6,462,442	\$ 9,908,879	\$ 16,981,820
		959%	53%	
less:				
OPERATING EXPENSES	\$ 1,400,626	\$ 2,996,237	\$ 2,916,673	\$ 7,313,536
Operating and administrative expenses in the U.S. and ESA	\$ 613,208	\$ 952,225	\$ 750,915	\$ 2,316,348
Call Center Costs	\$ 148,450	\$ 998,343	\$ 1,335,757	\$ 2,482,550
Marketing expenses	\$ 177,109	\$ 457,084	\$ 368,876	\$ 1,003,069
Card Production Costs	\$ 123,859	\$ 484,584	\$ 398,126	\$ 1,006,569
Technology Expenditures	\$ 338,000	\$ 104,000	\$ 63,000	\$ 505,000
TOTAL NET OPERATING MARGIN BEFORE TAX	\$ 790,128	\$ 3,466,206	\$ 6,992,206	\$ 9,668,284
	-129%	54%	71%	57%
Less: Income Tax 25%	0	\$ 866,551	\$ 1,748,051	\$ 2,614,603
NET PROFIT AFTER TAX	\$ 790,128	\$ 2,599,654	\$ 5,244,154	\$ 7,053,681
	-129%	40%	53%	42%
PROFIT BEFORE TAX P / INVESTOR PARTICIPATION 50%		\$ 1,733,103	\$ 3,496,103	\$ 4,834,142
INVESTMENT	\$ 1,000,000 over \$ 100,000 pre-operating expenses			

¹⁰ Supplied by Company

Exhibit IV - Reference Checks

From Pamela Schachter, Assistant Director, UCLA Community Based Learning Program:

"...Our program served about 500 youth. The city was very interested in using a debit card system for summer employment participants. Youth would receive their paychecks on the debit card. Our project volunteered to try out the debit card system and we worked closely with Elias and SF Global to implement the debit card. We met with UCLA Payroll to get their approval and to figure out how to streamline the process. Payroll was very supportive of the program. Most of our participants were issued a debit card. The youth were very excited about receiving a debit card. It was a good alternative for them, especially for youth who did not have a bank account. Elias provided technical assistance. We had several employment sites for the youth and Elias made sure to arrange for trainings on the use of the card so that every participant who had the card would understand its purpose and how to use it.

Youth were given a pamphlet with information and our staff was also trained so that they could help the youth navigate card set-up and use. As I mentioned, youth thought the card was a great idea. It is a good financial training tool because youth can use the card to keep track of expenses and they have complete control over the use of the card. Receiving one's paycheck on the debit card meant that youth didn't need to figure out how to cash their check; it offered youth another step towards financial independence. One of our challenges was that the summer program is a short-term program and it takes time for the system to be set-up, for our payroll to speak to the bank so that payroll can be transferred to the card. I would recommend using the card for a longer-term program. That being said, the customer service offered by Elias was outstanding. Youth were able to get help from the 800 number when they needed it"

From Antonio Gonzalez, SVREP, President, Southwest Voter Registration Education Project:

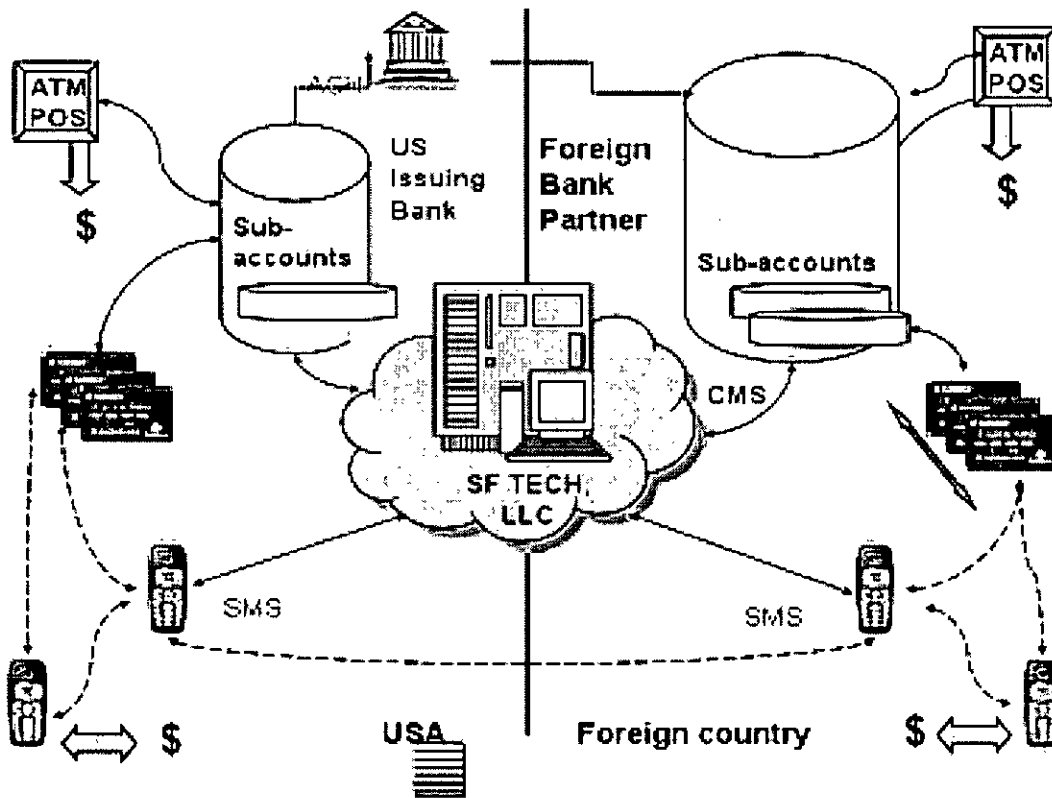
Mr. Flores,
Thanks for your letter. SVREP used SF Mexico Services in 2008 when we used debit cards in lieu of paychecks for our temporary employees for a period of approximately three months. We found SF Mexico to be a competent provider with attentive follow on support services. There were no hitches in the use of the cards on the SF Mexico end.

We did find that our administrative staff and temporary employees were unfamiliar with electronic payroll through debit cards and required a learning curve.

After the end of the three month period we finished the project as well as the need for temp. employees and discontinued using SF Mexico Services. In all a (sic) out 50 employees were involved.

In closing, we would use SF Mexico Services again should a similar need arise.

Exhibit V - Transfercel Technology Platform Overview¹¹



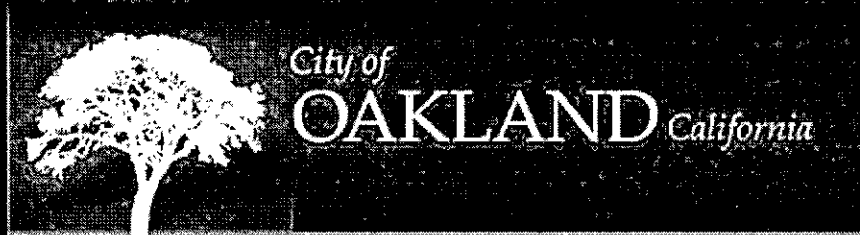
Currently, CNB provides Authorization, Processing and Settlement services for SF Global.

Raul Hinojosa stated that SF Global is researching credit unions to be the issuing financial institutions to replace Central National Bank, Enid, Oklahoma.

The purpose of this change is to use SF Systems technology to lower SF Global's costs in order to be the lowest cost provider as possible. SF Systems provides services for customers in Latin America.

Until a replacement issuing financial institution is chosen, it is not possible to ascertain which functions the issuing financial institution will provide and which functions SF Systems will assume.

¹¹ Supplied by Company



DUE DILIGENCE ASSESSMENT

Interim Report

*SF Global Holdings, LLC
Corporate Analysis*

September 16, 2011

1030 SEA PALMS WEST DRIVE • SUITE 200 • SAINT SIMONS ISLAND, GEORGIA 31522
OFFICE: (404) 352-1800 • E-MAIL: MICHAEL.FLORES@BRETTON-WOODS.COM
WWW.BRETTON-WOODS.COM

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PURPOSE AND SCOPE

Bretton Woods, Inc. is charged by the City of Oakland, California to conduct a due diligence of Central National Bank (CNB) and SF Mexico Services, LLC for the municipal identification/debit card. The scope is currently changing as SF Global has indicated that it plans to use a new LLC based in Florida as well as reviewing two credit unions as possible issuing financial institutions.

SF Global Holdings, LLC, headquartered in Sunrise, Florida is the holding company for the entity that is proposed to do business with The City of Oakland. It has been reported that SF USA Services, LLC will be the entity to contract with The City of Oakland.

This is an interim progress report reviewing the corporate structure of the selected entities of SF Global Holdings, LLC and the financial analysis of the companies.

SUMMARY OF FINDINGS

According to documents supplied by SF Global,
"SF GLOBAL (HOLDINGS), LLC is a mobile financial services and technology company with the stated mission of becoming the lowest cost provider of mobile payment services to the un-banked immigrant population in the U.S. and their home countries in Latin America, Asia and Africa. The SF GLOBAL group includes SF SYSTEMS, the technology and systems company, and SF Global, LLC, the marketing and services group of companies operating with affiliates in various countries."

SF Global Holdings, LLC was organized on January 3, 2011 while SF Global, LLC was organized on January 18, 2011.

These are obviously new companies built on SF SYSTEMS that was created in mid-2010 from the merger of SF Tech, the original Transfercel Mobile Money and prepaid debit card processor, with Subtech, SA, a provider of bank merchant acquisition services and core banking solution for credit unions and microfinance institutions, changing its name to SF SYSTEMS ("Subtech Financial Systems").

The financials provided are pro-forma. There are no historic audited financial statements due to the recent organization of these entities.

Based on the 2011 pro-forma¹, the company will operate at a loss. The increased revenue projected for 2012 and 2013 (959% and 53% respectively) and net income after taxes (40% and 53% respectively) are quite aggressive.

INCOME STATEMENT SUMMARY	2011	2012	2013
INCOME IN USA AND EL SALVADOR	\$ 610,498	\$ 6,462,442	\$ 9,908,879
TOTAL INCOME FROM SALES	\$ 610,498	\$ 6,462,442	\$ 9,908,879
Growth Rate		959%	53%
NET PROFIT AFTER TAX	-\$ 790,128	\$ 2,599,654	\$ 5,244,154
Percent	-129%	40%	53%
PROFIT BEFORE TAX P / INVESTOR PARTICIPATION 50%		\$ 1,733,103	\$ 3,496,103

Capital Analysis

At this time, a current balance has been requested but not yet received. Once received, Bretton Woods will update this report with an evaluation of the capital adequacy of these companies.

The initial capital contributions by the members² of SF Global Holding, LLC, SF Global LLC and SF Systems LLC are listed below. Once current balance sheets are reviewed, then any additional paid in capital will be documented.

Each Operating Agreement includes the following language about Capital:

ARTICLE II

CAPITAL CONTRIBUTIONS

2.1 INITIAL CONTRIBUTIONS. The Members initially shall contribute to the Company capital as described in Exhibit 3 attached to this Agreement. The agreed value of such property and cash is \$ 1,000.00.

2.2 ADDITIONAL CONTRIBUTIONS. Except as provided in ARTICLE 6.2, no Member shall be obligated to make any additional contribution to the Company's capital.

¹ See Exhibit I

² The listed managing members are Raul Hinojosa, Eugenio Lascurain and Miguel Kelly

SF Global Holdings, LLC

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR: SF GLOBAL HOLDINGS, LLC

Pursuant to ARTICLE 2, the Members' initial contribution to the Company capital is stated to be \$ 1,000.00. The description and each individual portion of this initial contribution are as follows:

Members:

Raul Hinojosa	(44.12%)
Miguel Kelly	(41.67%)
Juan Samaniego	(8.33%)
Eugenio Lascurian	(1.5%)
Flolat	(4.37%).

SIGNED AND AGREED this 3 day of January, 2011.

SF Global, LLC

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR: SF GLOBAL, LLC

Pursuant to ARTICLE 2, the Members' initial contribution to the Company capital is stated to be \$ 1,000.00. The description and each individual portion of this initial contribution are as follows:

Members:

SF Global Holdings, LLC	(71%)
Jorge Hinojosa	(19%)
Raul Hinojosa	(10%).

SIGNED AND AGREED this 18 day of January, 2011.

SF SYSTEMS, LLC

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR: SF Systems, LLC

Pursuant to ARTICLE 2, the Members' initial contribution to the Company capital is stated to be \$ 1,000.00. The description and each individual portion of this initial contribution are as follows:

Juan Carlos Lozada, Mexico City, DF, Mexico	\$333.33 usd
Juan Samaniego, Miramar, FL, USA 33305	\$333.33 usd
Michael C. Kelley, Los Angeles, CA, USA 90045	\$333.34 usd

SIGNED AND AGREED this 1 day of July, 2011.

Preliminary Evaluation

The stated goals of SF Global are laudable. The service proposed to The City of Oakland will be the first offered by SF Global. The company and its various affiliates have experience in selling and servicing reloadable prepaid cards with the majority of their business in Latin America.

In the Unites States, the firm offers the Transfercel prepaid card through its issuing bank, Central National Bank, Enid, Oklahoma at eight locations in the Los Angeles, Ca area³. U.S. based customers include Summer Youth Employment Payroll VISA debit card program, Southwest Voter Registration and Education Project, el Rincon Oaxaqueno Restaurant and Suzy's Market.

References

The one reference check that has responded to the inquiry has responded positively but stated that the paycard offered by SF Mexico Services should be for a longer term project rather than the summer employment project

³ http://www.transfercel.com/index.php?option=com_content&view=article&id=52&Itemid=127&lang=en

utilized by UCLA⁴. We are currently awaiting responses from Brud Baker, CEO of Central National Bank, Enid, Oklahoma and Antonio Gonzalez, President of Southwest Voter Registration and Education Project.

Risk Assessment

The primary risk to The City of Oakland is reputation risk since the City would incur no direct cost in the issuance and maintenance of the ID/Debit card. All costs are placed on the consumer in the form of transactions fees for using the debit card. As noted in the interim report on the cost comparison, the Transfercel card ranks just above the average costs for other branded prepaid cards issued in the United States using a standard transaction pattern.

SF Global is a start up operation in the United States. Concerns include:

- Sufficient capital necessary for a start up company.
- There do not appear to be any cross company/affiliate financial guarantees should the operation of the SF USA company require additional funding.
- Changing the issuing financial institution from CNB, Enid, Oklahoma to a yet to be determined credit union
 - There are no credit unions that are major issuers of prepaid debit cards. Credit unions that do issue prepaid cards do so for the convenience of their members and, as such, are small issuers.
 - Until a alternative to CNB is chosen, it is not possible to determine the processes to be performed by the issuing financial institution and those performed by SF Systems, LLC.
- SF Global has experience in prepaid debit cards but has never offered the specific Municipal ID/Prepaid Debit Card program the City desires.
- All of the technology platforms are resident in Mexico and SF USA would contract with SF Systems for technology services. According to an analysis of The International Bank for Reconstruction and Development / The World Bank⁵, enforcing contracts entails 38 procedures over an elapsed time of 415 days with a cost as a percent of the claim of 32%.

⁴ See Exhibit II

⁵ <http://www.doingbusiness.org/~media/fpdkm/doing%20business/documents/profiles/country/db11/mex.pdf>

Commentary

Bretton Woods has not found another company to offer the specific Municipal ID/Debit card program that The City of Oakland desires to offer its citizens.

New Haven, CT and San Francisco, CA offer municipal ID cards but do not include a prepaid debit card capability.

There are options currently available to the consumers in Oakland to acquire a branded prepaid card with pass through FDIC insurance coverage and Regulation E protections at costs similar or lower to the proposed Municipal ID/Debit program. Some of the offering companies include Green Dot, AccountNow and NetSpend.

The City could also offer a Municipal ID card; but that option would cost the City to either outsource or bring that capability in house.

At this time, Bretton Woods sees no other viable option to offer a combined municipal ID/Debit card at no cost to the City.

Recommendation

It would be prudent for the City to initially use a pilot program to test the concept with SF Global. This could be limited to selected city workers and managers to use the card for sixty days to test the ease of usage, the costs and the level of customer service.

Performance benchmarks should also be set for customer service and costs to the consumer (unanticipated fees not clearly disclosed to the consumer), among others, to allow the City to cancel the contract if any breach of these metrics are not corrected in an established timeframe.

Additionally, the City should require guarantees/indemnifications from SF Global Holdings, SF Global and SF Systems to financially support SF USA as it starts up. Bretton Woods believes that the financial pro-formas are aggressive. It is optimistic for a start up company to reach profitability in the second year of operation.

ANALYSIS

The following corporate records were obtained from Raul Hinojosa, Managing Member of SF Global Holdings, LLC:

Corporate Overview

- **TPS SA de CV**, the ISO or processing subsidiary of SF Systems LLC, is the centerpiece and workhorse of the group. **SF Systems LLC** also holds a minority position in the individual technology firms of the principal shareholders – Juan Samaniego (Smart Financial Systems), Juan Carlos Lozada (Optima Technologies) and Miguel Kelley (SF Systems), and was formed to unite these firms in the creation of solutions that enable the Borderless Branchless Banking value chain.
 - The board of directors of **SF Systems** also serves as the board for each firm in the Group, providing all of the firms with the critical advantage of active directors who have a long record of superior results in identifying markets, evaluating opportunities, and building a thriving business.
 - The funds disbursed through government subsidies exceed the total funds disbursed through microloans. The sales strategies for each of these funding sources are very different; as a consequence, the services available from the SF Systems are sold through two sales channels, namely;
- **SF Global**, founded by Dr. Raul Hinojosa (SF Systems board member), focuses on mass-market projects such as government subsidies, payroll and multilevel marketing. Each operating company affiliated with SF Global is created as a joint venture with a local partner, preferably a high-profile ex-government official. Long-term processing agreements cement the relationship of SF Systems with the SF Global operating companies.
- **SF Integrated**, founded by Juan Samaniego (SF Systems board member), focuses on non-bank financial institutions: S&L (caja), credit union (cooperativa) and MFIs. This market requires a supplier with broad coverage, and a track record of service, a role suited to a systems integrator such as ADSI. The SF Integrated affiliates could be the existing ADSI affiliate, and in others a joint-venture with a local firm with a history in the target market.

**CITY OF OAKLAND
MUNICIPAL IDENTIFICATION CARD VENDOR DUE DILIGENCE – INTERIM REPORT – CORPORATE ANALYSIS
SEPTEMBER 16, 2011**

Articles of Organization

SF Global Holdings, LLC, January 3, 2011

<p>Electronic Articles of Organization For Florida Limited Liability Company</p> <p>Article I The name of the Limited Liability Company is: SF GLOBAL HOLDINGS, LLC</p> <p>Article II The street address of the principal office of the Limited Liability Company is: 440 SAWGRASS CORPORATE PARKWAY 108 SUNRISE, FL 33325</p> <p>The mailing address of the Limited Liability Company is: 440 SAWGRASS CORPORATE PARKWAY 108 SUNRISE, FL 33325</p> <p>Article III The purpose for which this Limited Liability Company is organized is: ANY AND ALL LAWFUL BUSINESS</p> <p>Article IV The name and Florida street address of the registered agent is: UNITE TEAM SERVICES, LLC 440 SAWGRASS CORPORATE PARKWAY SUITE 108 SUNRISE, FL 33325</p> <p>Having been named as registered agent and to accept service of process for the above stated limited liability company at the place designated in this certificate, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent. Registered Agent Signature: EUGENIO LASCURAIN</p>	<p>L11000000728 REGISTRADO: 8:00 AM Enero 03, 2011-02-22 Secretario de Estado gharvey</p> <p>Artículo V El nombre y dirección de los miembros/gerentes son: Título: MGRM (GERENTE MIEMBRO) SF GLOBAL HOLDINGS, LLC 440 SAWGRASS CORPORATE PARKWAY SUNRISE, FL 33325 Título: MGRM (GERENTE MIEMBRO) JORGE HINOJOSA 19 WAVECREST AVE # 700 VINCE, GA 90291 Título: MGR (GERENTE) EUGENIO LASCURAIN 440 SAWGRASS CORPORATE PARKWAY # 108 SUNRISE, FL 33325</p> <p>Artículo VI La fecha efectiva de vigencia de esta Compañía de responsabilidad limitada será: 01/04/2011</p> <p>Firma del miembro de un representante autorizado de miembros Firma Electrónica: EUGENIO LASCURAIN Yo soy el miembro o representante autorizado que presenta estos artículos de organización y afirmo que los hechos de esta es el presente documento son verdaderos. Que cada uno de los miembros que constituyen esta sociedad de responsabilidad limitada de conformidad con el departamento de estado cumplirán los deberes de ser gerente o el 1º de Mayo del año siguiente a la transacción de la Compañía de Responsabilidad Limitada y cada uno subrogará a los efectos de sucesión en estos "actos". CERTIFICADO: Que el texto que antecede de la traducción fiel y exacta del Acta constitutivo de la Sociedad de Responsabilidad Limitada SF GLOBAL, LLC. Así lo suscribo en presencia de Notario Público en la Ciudad de Sunrise, FL, hoy a los 22 días del mes de Febrero de Dos Mil Once (2011)</p> <p><i>Eugenio Lascurain</i> 22 Feb, 2011 Firmado Electrónico 22 Feb. 2011</p>
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SF Global, LLC, January 18, 2011

<p>L11000000728 REGISTRADO: 8:00 AM Enero 03, 2011-02-22 Secretario de Estado gharvey</p> <p>Artículos de Organización Electrónicos Compañía de Responsabilidad Limitada de Florida</p> <p>Artículo I El nombre de la Compañía de Responsabilidad Limitada es: SF GLOBAL, LLC</p> <p>Artículo II La dirección domiciliar de la oficina principal de la Compañía de Responsabilidad Limitada es: 440 SAWGRASS CORPORATE PARKWAY SUITE 108 SUNRISE, FL 33325</p> <p>Artículo III El objeto para el cual ha sido constituida esta Compañía de Responsabilidad Limitada es: CUA QUIERA Y TODO NEGOCIO LEGAL</p> <p>Artículo IV El nombre y la dirección domiciliar en Florida de su agente registrado son: UNITE TEAM SERVICES, LLC 440 SAWGRASS CORPORATE PARKWAY SUITE 108 SUNRISE, FL 33325</p> <p>Habiendo sido designado como agente registrado y a los efectos de la aceptación del servicio de procesos aplicables para la antes mencionada compañía de responsabilidad limitada en el lugar señalado en la presente certificación. Yo, por medio del presente documento, acepto la designación como agente registrado y acuerdo en actuar con tal capacidad. Adicionalmente acuerdo cumplir con todas las provisiones de los estatutos relacionados con el cumplimiento apropiado y completo de mis deberes, y declaro que estoy en conocimiento y acepto las obligaciones de mi cargo como agente registrado.</p> <p>Firma del Agente Registrado: EUGENIO LASCURAIN</p>	<p>L11000000728 REGISTRADO: 8:00 AM Enero 03, 2011-02-22 Secretario de Estado gharvey</p> <p>Artículo V El nombre y dirección de los miembros/gerentes son: Título: MGRM (GERENTE MIEMBRO) SF GLOBAL HOLDINGS, LLC 440 SAWGRASS CORPORATE PARKWAY SUNRISE, FL 33325 Título: MGRM (GERENTE MIEMBRO) JORGE HINOJOSA 19 WAVECREST AVE # 700 VINCE, GA 90291 Título: MGR (GERENTE) EUGENIO LASCURAIN 440 SAWGRASS CORPORATE PARKWAY # 108 SUNRISE, FL 33325</p> <p>Artículo VI La fecha efectiva de vigencia de esta Compañía de responsabilidad limitada será: 01/04/2011</p> <p>Firma del miembro de un representante autorizado de miembros Firma Electrónica: EUGENIO LASCURAIN Yo soy el miembro o representante autorizado que presenta estos artículos de organización y afirmo que los hechos de esta es el presente documento son verdaderos. Que cada uno de los miembros que constituyen esta sociedad de responsabilidad limitada de conformidad con el departamento de estado cumplirán los deberes de ser gerente o el 1º de Mayo del año siguiente a la transacción de la Compañía de Responsabilidad Limitada y cada uno subrogará a los efectos de sucesión en estos "actos". CERTIFICADO: Que el texto que antecede de la traducción fiel y exacta del Acta constitutivo de la Sociedad de Responsabilidad Limitada SF GLOBAL, LLC. Así lo suscribo en presencia de Notario Público en la Ciudad de Sunrise, FL, hoy a los 22 días del mes de Febrero de Dos Mil Once (2011)</p> <p><i>Eugenio Lascurain</i> 22 Feb, 2011 Firmado Electrónico 22 Feb. 2011</p>
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Operating Agreement for SF Global Holdings, LLC

A Member-Managed Limited Liability Company

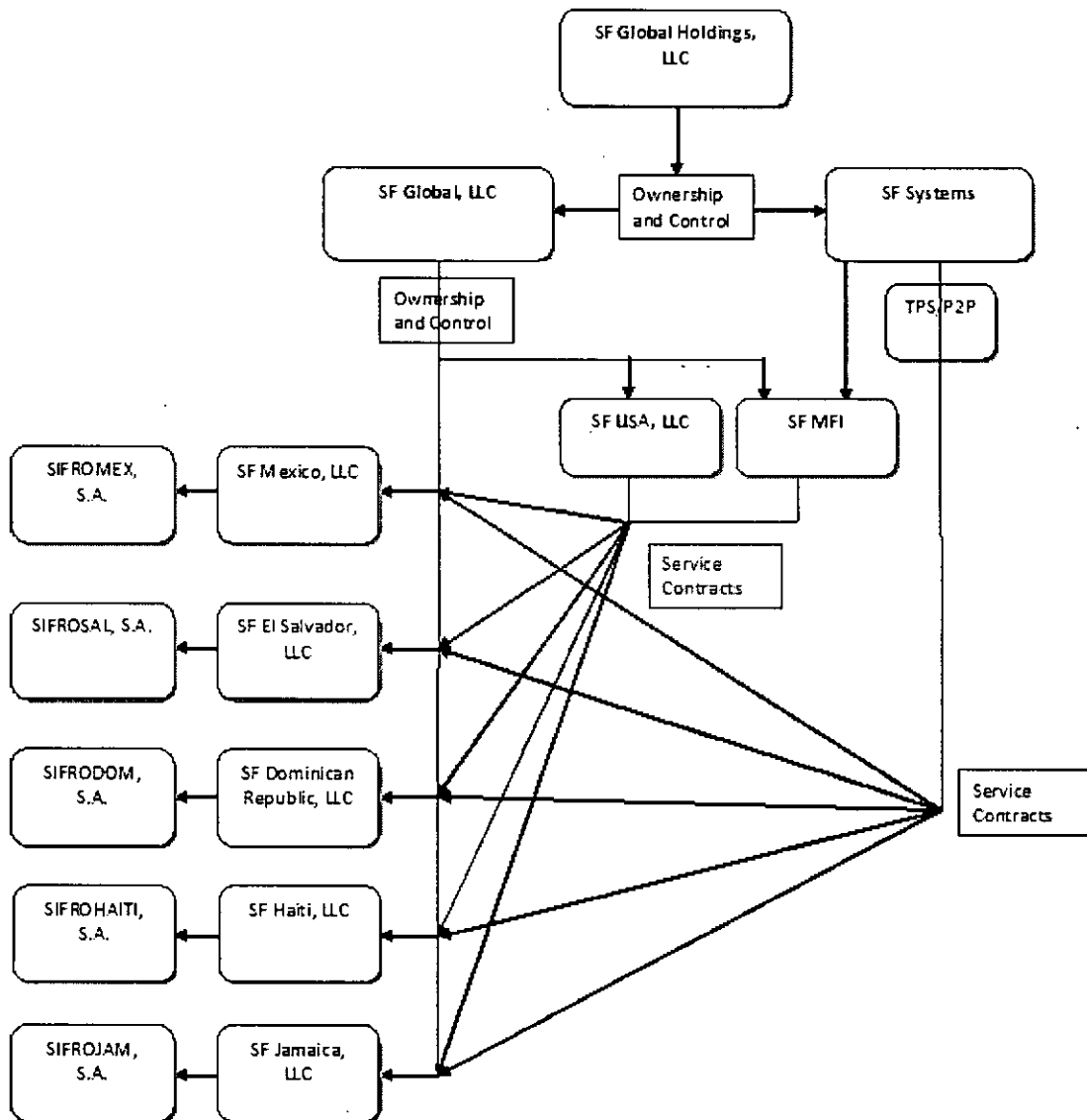
Excerpt - This Company Agreement of **SF GLOBAL HOLDINGS, LLC** a LIMITED LIABILITY COMPANY organized pursuant to the Act, is entered into and shall become effective as of the Effective Date by and among the Company and the persons executing this Agreement as Members. It is the Members express intention to create a limited liability company in accordance with the Act, as currently written or subsequently amended or redrafted. Therefore, all provisions of this document shall be construed consistent with the afore (*sic*) described intent of the Members. This Agreement is made and entered into this 3 day of January, 2011. Accordingly, In consideration of the conditions contained herein, he/she/they agree as follows:

Operating Agreement for SF Systems, LLC

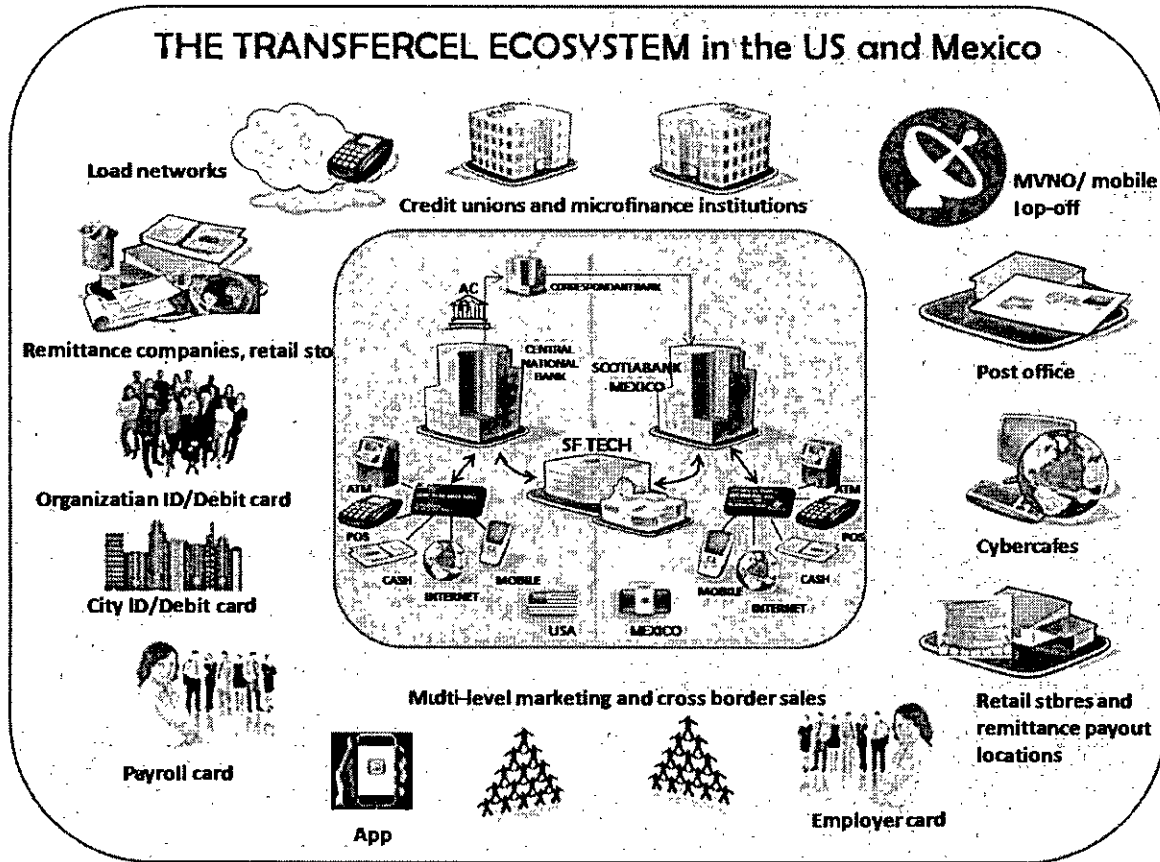
A Member-Managed Limited Liability Company

Excerpt - This Company Agreement of **SF SYSTEMS, LLC** a LIMITED LIABILITY COMPANY organized pursuant to the Act, is entered into and shall become effective as of the Effective Date by and among the Company and the persons executing this Agreement as Members. It is the Members express intention to create a limited liability company in accordance with the Act, as currently written or subsequently amended or redrafted. Therefore, all provisions of this document shall be construed consistent with the afore (*sic*) described intent of the Members. This Agreement is made and entered into this 1 day of July, 2011. Accordingly, in consideration of the conditions contained herein, he/she/they agree as follows:

SF Global Holdings Group of Companies

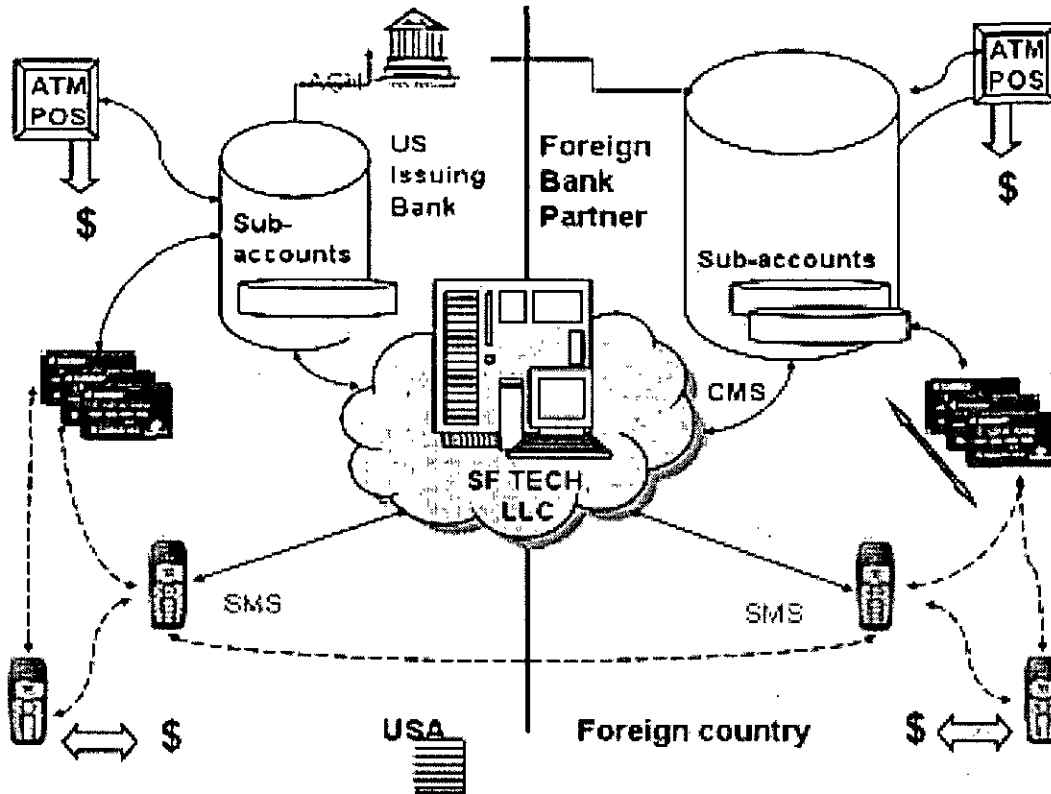


*Business Model*⁶



⁶ Supplied by Company

Transfercel Technology Platform Overview⁷



Currently, CNB provides Authorization, Processing and Settlement services for SF Global.

Raul Hinojosa stated that SF Global is researching credit unions to be the issuing financial institutions to replace Central National Bank, Enid, Oklahoma.

The purpose of this change is to use SF Systems technology to lower SF Global's costs in order to be the lowest cost provider as possible. SF Systems provides services for customers in Latin America.

Until a replacement issuing financial institution is chosen, it is not possible to ascertain which functions the issuing financial institution will provide and which functions SF Systems will assume.

⁷ Supplied by Company

EXHIBITS

Exhibit I - Pro-forma Financials⁸

INCOME STATEMENT SUMMARY	2011	2012	2013	TOTAL
TOTAL CARD	56705	216045	180239	452990
USA	19184	85995	65489	170667
EL SALVADOR	37522	130050	114750	282323
				\$ -
INCOME IN USA AND EL SALVADOR	\$ 610,498	\$ 6,462,442	\$ 9,908,879	\$ 16,981,820
TOTAL INCOME FROM SALES	\$ 610,498	\$ 6,462,442	\$ 9,908,879	\$ 16,981,820
		959%	53%	
less:				
OPERATING EXPENSES	\$ 1,400,626	\$ 2,996,237	\$ 2,916,673	\$ 7,313,536
Operating and administrative expenses in the U.S. and ESA	\$ 613,208	\$ 952,225	\$ 750,915	\$ 2,316,348
Call Center Costs	\$ 148,450	\$ 998,343	\$ 1,335,757	\$ 2,482,550
Marketing expenses	\$ 177,109	\$ 457,084	\$ 358,876	\$ 1,003,069
Card Production Costs	\$ 123,859	\$ 484,584	\$ 398,126	\$ 1,005,569
Technology Expenditures	\$ 338,000	\$ 104,000	\$ 53,000	\$ 505,000
TOTAL NET OPERATING MARGIN BEFORE TAX	-\$ 790,128	\$ 3,466,206	\$ 6,992,206	\$ 9,668,284
	-129%	54%	71%	57%
Less: Income Tax 25%	0	\$ 856,551	\$ 1,748,051	\$ 2,614,603
NET PROFIT AFTER TAX	-\$ 790,128	\$ 2,599,654	\$ 5,244,154	\$ 7,053,581
	-129%	40%	53%	42%
PROFIT BEFORE TAX P / INVESTOR PARTICIPATION 50%		\$ 1,733,103	\$ 3,496,103	\$ 4,834,142
INVESTMENT	\$ 1,000,000 over \$ 100,000 pre-operating expenses			

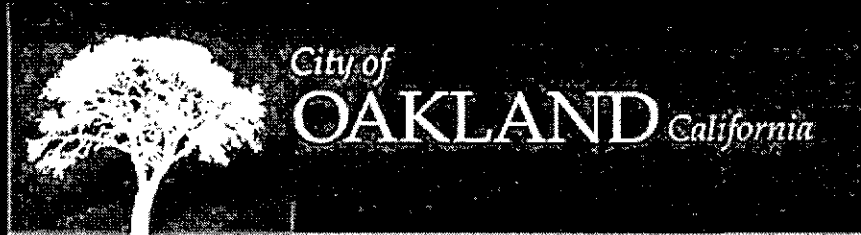
⁸ Supplied by Company

Exhibit II - Reference Checks

From Pamela Schachter, Assistant Director, UCLA Community Based Learning Program:

"...Our program served about 500 youth. The city was very interested in using a debit card system for summer employment participants. Youth would receive their paychecks on the debit card. Our project volunteered to try out the debit card system and we worked closely with Elias and SF Global to implement the debit card. We met with UCLA Payroll to get their approval and to figure out how to streamline the process. Payroll was very supportive of the program. Most of our participants were issued a debit card. The youth were very excited about receiving a debit card. It was a good alternative for them, especially for youth who did not have a bank account. Elias provided technical assistance. We had several employment sites for the youth and Elias made sure to arrange for trainings on the use of the card so that every participant who had the card would understand its purpose and how to use it.

Youth were given a pamphlet with information and our staff was also trained so that they could help the youth navigate card set-up and use. As I mentioned, youth thought the card was a great idea. It is a good financial training tool because youth can use the card to keep track of expenses and they have complete control over the use of the card. Receiving one's paycheck on the debit card meant that youth didn't need to figure out how to cash their check; it offered youth another step towards financial independence. One of our challenges was that the summer program is a short-term program and it takes time for the system to be set-up, for our payroll to speak to the bank so that payroll can be transferred to the card. I would recommend using the card for a longer-term program. That being said, the customer service offered by Elias was outstanding. Youth were able to get help from the 800 number when they needed it"



DUE DILIGENCE ASSESSMENT
FOR
CENTRAL NATIONAL BANK
ENID, CALIFORNIA
AND
SF MEXICO SERVICES, LLC

*Interim Report
Central National Bank
Financial Analysis*

August 29, 2011

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PURPOSE AND SCOPE

Bretton Woods, Inc. is charged by the City of Oakland, California to conduct a due diligence of Central National Bank (CNB) and SF Mexico Services, LLC for the municipal identification/debit card.

This is an interim progress report analyzing the financial condition of the CNB.

METHODOLOGY

Analysis of the FDIC and Uniform Bank Performance Report data was conducted by identifying key financial and performance ratios from December 31, 2007 through June 30, 2011¹. A peer group comparison was performed to highlight any anomalous issues.

Additionally, a review and trend assessment of CNB's troubled asset ratio was compared to the national median.

SUMMARY OF FINDINGS

Central National Bank appears to have avoided most of the real estate loan problems facing the banking industry. The bank has strong fee income generation, adequate capital, loss reserves, earnings coverage and good asset (loan) quality at this point.

The bank has improved its capital position from 2007 and is considered well capitalized. There is no indication that loan quality is an issue and the bank appears to have adequate capital,

The Texas Ratio (Troubled Asset Ratio)² is 33.20 as of March 30, 2011. The national median is 14.60. The ratio had been trending down from a high of 44.20 on March 30, 2010 to a low of 23.30 on December 31, 2010. A Texas Ratio of 100 and greater is a point where a bank is in danger of failing.

The up tick to 33.20 is not a concern unless the trend continues upward.

1

<https://cdr.ffiec.gov/public/SelectReportFormat.aspx?reportType=283&idrssid=278555&ReportPeriod=6/30/2011&Name=CENTRAL+NATIONAL+BANK+%26+TRUST+CO.%2c+OF+ENID>

² A "troubled asset ratio" compares the sum of troubled assets with the sum of Tier I Capital plus Loan Loss Reserves. Generally speaking, higher values in this ratio indicate that a bank is under more stress caused by loans that are not paying as scheduled.

DETAILED ANALYSIS

Key Performance Ratios

Areas highlighted in green indicate positive points of the analysis while yellow highlighted items require further discussion for clarification. There are no red highlighted items which would indicate potential problems.

FDIC Certificate # 4091 OCC Charter # 12044 Public Report			FRB District/D_RSSD 10 / 27555 County: GARFIELD Ratios--Page 1 8/21/2011 9:41			CENTRAL NATIONAL BANK & TRUST CO., OF ENID, ENID, OK Summary Ratios											
	6/30/2011			3/31/2011			12/31/2010			12/31/2009			12/31/2008				
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT		
Earnings and Profitability																	
Percent of Average Assets:																	
Interest Income (TE)	4.9	4.53	75	4.98	4.52	80	5.34	4.78	86	5.58	5.13	80	6.16	5.9	70		
- Interest Expense	1.13	0.96	68	1.14	0.99	64	1.42	1.22	68	1.66	1.68	48	2.14	2.36	35		
Net Interest Income (TE)	3.77	3.57	64	3.55	3.53	71	3.83	3.56	73	3.92	3.45	76	4.01	3.56	77		
+ Noninterest Income	1.43	0.85	80	1.38	0.88	80	1.2	0.72	82	0.71	0.74	63	1.2	0.77	81		
- Noninterest Expense	3.93	2.93	89	4	2.93	91	3.83	2.94	86	3.66	2.97	81	3.61	2.91	79		
- Provision: Loan & Lease Losses	0.49	10.46	62	0.55	0.42	70	0.81	0.8	64	1.16	1.12	63	0.98	0.62	77		
Pretax Operating Income (TE)	0.76	0.91	38	0.69	0.91	35	0.49	0.6	37	-0.16	0.15	32	-0.73	0.87	36		
+ Realized Gains/Losses Sec	0	0.03	10	0	0.01	68	0.06	0.06	65	-0.03	0.04	12	-0.36	-0.04	10		
Pretax Net Operating Income (TE)	0.78	0.95	36	0.69	0.93	34	0.55	0.66	37	-0.21	0.18	32	0.36	0.74	29		
Net Operating Income	0.77	0.68	51	0.67	0.67	48	0.53	0.45	43	-0.21	0.1	30	0.34	0.53	32		
Adjusted Net Operating Income	1.12	0.88	69	1.17	0.7	71	0.31	0.57	31	-0.12	0.41	24	0.56	0.78	30		
Net Inc Attrib to Min Ints	0	0	96	0	0	98	0	0	98	0	0	98	N/A	N/A	98		
Net Income Adjusted Sub S	0.51	0.81	36	0.45	0.6	34	0.36	0.39	36	-0.21	0.05	30	0.25	0.47	28		
Net Income	0.77	0.68	51	0.67	0.67	48	0.53	0.45	43	-0.21	0.1	30	0.34	0.53	32		
Margin Analysis:																	
Avg Earning Assets to Avg Assets	95.34	93.23	74	95.23	93.21	72	95.16	93.08	75	95.24	93.59	69	95.26	93.86	68		
Avg Int-Bearing Funds to Avg Assets	87.45	80.25	86	87.31	80.63	83	87.79	81.06	88	86.02	81.67	74	78.28	80.74	31		
Int Inc (TE) to Avg Earn Assets	6.14	4.88	67	5.23	4.87	73	5.62	5.15	79	5.86	5.5	75	6.47	5.3	64		
Int Expense to Avg Earn Assets	1.19	1.03	65	1.19	1.06	62	1.49	1.31	64	1.75	1.8	45	2.25	2.52	32		
Net Int Inc-TE to Avg Earn Assets	3.95	3.83	59	4.04	3.8	66	4.12	3.64	67	4.12	3.7	71	4.21	3.79	73		
Loan & Lease Analysis:																	
Net Loss to Average Total LN&LS	0.18	0.72	29	0.07	0.82	27	1.28	1.01	63	1.28	1.12	67	0.82	0.53	78		
Earnings Coverage of Net Losses (X)	9.45	9.14	71	23.77	12.04	82	1.25	1.56	30	0.92	4.74	23	2.2	9.99	27		
LN&LS Allowance to LN&LS Not HFS	1.45	1.97	31	1.32	2	21	1.14	1.97	11	1.36	1.87	30	1.17	1.43	34		
LN&LS Allowance to Net Losses (X)	7.95	6.53	73	19.53	8.85	84	0.89	3.73	10	1.01	3.28	19	1.31	6.96	14		
LN&LS Allowance to Total LN&LS	1.45	1.95	32	1.32	1.98	21	1.14	1.94	12	1.36	1.85	30	1.17	1.42	34		
Total LN&LS-90+ Days Past Due	0.34	0.1	85	1.09	0.1	97	0.39	0.11	87	0.19	0.15	71	0.08	0.15	94		
-Nonaccrual	2.27	2.97	63	2.07	3.09	46	1.4	3.06	35	3.23	2.96	64	2.18	1.84	68		
-Total	2.61	3.14	65	3.16	3.23	61	1.78	3.24	40	3.42	3.18	64	3.27	2.07	177		
Liquidity																	
Net Non-Core Fund Dep New \$250M	1.97	7.59	30	3.58	7.56	38	5.82	9.19	38	20.87	28.41	36	21.90	31.66	28		
Net Loans & Leases to Assets	70.59	64.05	66	74.66	64.04	81	76.32	65.77	60	78.11	68.15	80	80.28	71.43	76		
Capitalization																	
Tier One Leverage Capital	8.22	9.31	28	8.11	9.17	24	8.38	9.03	34	7.7	8.66	26	7.86	8.75	28		
Cash Dividends to Net Income	69.57	23.67	80	112.24	19.27	94	24.28	26.25	52	-78.36	30.16	2	-114.96	45.37	88		
Retained Earnings to Avg Total Equity	3.63	3.37	44	-0.93	3.56	19	4.7	0.79	60	-4.58	-3.14	29	-0.6	0.24	32		
Ret+Nonaccr+RE Acc to Eqcap+ALL	25.09	35.86	51	25.41	35.13	51	22.35	35.88	46	31.53	34.13	81	20.98	48.71	65		
Risk-Based Capital																	
Tier One RBC to Risk-Wgt Assets	11.72	13.81	30	11.04	13.36	22	10.9	13.01	24	9.78	11.8	19	9.7	11.4	28		
Total RBC to Risk-Weight Assets	12.97	14.88	29	12.3	14.63	22	12.08	14.28	22	11.05	13.17	19	10.89	12.6	26		
Tier One Leverage Capital	8.22	9.31	28	8.11	9.17	24	8.38	9.03	34	7.7	8.66	26	7.66	8.75	28		
Other Capital Ratio:																	
Def Tax Asset to T1 Cap	0	1.83	44	0	2.18	38	0	2.4	38	0	2.49	40	0	2.55	36		
Growth Rates																	
Total Assets	4.6	1.93	65	0.29	2.17	42	-1.62	1.79	31	-3.33	4.62	18	11.07	8.75	65		
Tier One Capital	6.39	3.91	59	2.99	3.66	37	5.17	3.78	50	-4.56	4.57	19	-0.09	5.18	26		
Net Loans & Leases	-4.42	-2.45	41	-3.29	-2.56	48	-3.87	-1.98	42	-5.95	-0.1	26	13.37	9.14	69		
Short Term Investments	161.79	23.02	89	54.21	36.66	69	68.22	58.11	68	26.75	232.34	37	114.16	35.08	79		
Short Term Non Core Funding	-54.23	-60.95	48	-64.05	-51.98	31	-40.64	-11.91	6	11.54	-2.97	70	15	21.85	51		
Average Total Assets	507,399			505,311			492,942			515,093			502,831				
Total Equity Capital	43,434			42,460			42,544			41,063			42,498				
Net Income	1,941			850			2,595			-1,072			1,731				
Number of banks in Peer Group	1,149			1,155			1,166			1,198			1,191				

CITY OF OAKLAND
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Capital Analysis

	6/30/2011			12/31/2010			12/31/2009			12/31/2008			12/31/2007		
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Capital Ratios															
Percent of Bank Equity:															
Net Loans & Leases (x)	8.35	6.57	81	9.03	7.03	82	9.74	7.61	83	10	7.92	82	8.87	7.6	69
Subord Notes & Debentures	0	0.57	85	0	0.72	95	0	0	94	0	0.01	94	0	0.84	85
Long Term Debt	0	0.57	95	0	0.72	95	0	0	94	0	0.01	94	0	0.84	95
Com RE & Related Ventures	234.81	301.02	37	245.94	324.52	35	261.98	350.47	32	253.16	380.71	28	210.37	388.29	21
Percent of Average Bank Equity:															
Net Income	8.07	6.81	61	6.21	3.99	48	-2.57	-0.32	29	4.01	5.52	33	10.11	11.84	40
Dividends	5.44	2.39	78	1.51	2.49	48	2.01	2.81	49	4.61	4.46	54	3.5	6.02	22
Retained Earnings	3.63	3.37	44	4.7	0.79	60	-4.58	-3.14	29	-0.6	0.24	32	8.61	4.97	75
Other Capital Ratios:															
Dividends to Net Operating Income	69.97	28.41	77	24.28	33.87	39	N/A	-48.53	N/A	114.86	58.25	85	14.52	49.34	20
Bank Eq Cap & Min Int to Assets	8.45	10.05	20	8.45	9.62	28	8.02	9.23	24	8.03	9.25	26	8.86	9.64	41
Growth Rates:															
Total Equity Capital	4.77	3.91	50	3.61	2.82	48	-3.38	4.92	20	0.57	4.57	30	31.31	9.67	92
Equity Growth Less Asset Growth	0.17	-1.42	39	5.22	0.54	71	-0.04	-0.72	49	-10.5	-4.33	25	20.11	1.77	94
Intang Assets % Bank Equity:															
Mortgage Servicing Rights	0	0.16	78	0	0.16	79	0	0.13	80	0	0.09	80	0	0.1	78
Goodwill	2.68	2.17	73	2.74	2.18	73	2.84	2.3	73	2.74	3.38	68	2.76	3.65	66
Purch Credit Card Relations	0	-0.03	96	0	0.02	97	0	0.02	97	0	0.02	97	0	0.02	97
All Other Intangibles	-0.24	0.34	71	0.3	0.38	72	0.43	0.45	73	0.52	0.56	72	0.64	0.58	73
Total Intangibles	2.92	3.34	65	3.04	3.39	65	3.27	3.5	66	3.27	4.58	63	3.4	4.88	62
Risk-Based Capital															
Tier One RBC to Risk-Weight Assets	11.72	13.81	30	10.9	13.01	24	9.78	11.9	19	9.7	11.4	28	10.58	11.82	43
Total RBC to Risk-Weight Assets	12.97	14.88	29	12.08	14.28	22	11.05	13.17	19	10.89	12.6	28	11.6	12.73	41
Tier One Leverage Capital	8.22	9.31	28	8.38	9.03	34	7.7	8.66	26	7.86	8.75	28	9.02	9.06	56
Other Capital Ratio:															
Def. Tax Asset to T1 Cap	0	1.83	44	0	2.4	38	0	2.49	40	0	2.55	36	0	1.9	33
End of Period Capital (\$000)															
Perpetual Preferred	0			0			0			0			0		
Common Stock	950			950			950			950			950		
Surplus	10,625			10,625			10,625			10,625			10,625		
Undivided Profits	31,502			30,725			28,758			30,670			30,828		
Accum Other Comp Income	357			244			730			253			247		
Other Equity Capital Comp	0			0			0			0			0		
Total Bank Equity Capital	43,434			42,544			41,063			42,498			42,257		
Minority Interest Cons Subs	0			0			0			0			0		
Total Bank Capital & Min Int	43,434			42,544			41,063			42,498			42,257		
Subordinated Notes & Debentures	0			0			0			0			0		
Changes in Bank Equity (\$000)															
Balance at Beginning of Period	42,544			41,064			42,499			42,257			42,182		
Net Income	1,941			2,595			-1,072			1,731			3,900		
Sales or Purchase of Capital	0			0			0			0			0		
Merger & Absorptions	0			0			0			0			0		
Restate due to Acctg Error & Chg	0			0			0			0			0		
Trans with Parent	0			0			0			0			6,000		
Dividends	1,164			630			840			1,990			578		
Other Comprehensive Income	313			-485			476			500			753		
Balance at End of Period	43,434			42,544			41,063			42,498			42,257		
Intangible Assets															
Mortgage Servicing Rights	0			0			0			0			0		
Purch Credit Card Relations	0			0			0			0			0		
Other Intangibles	104			128			176			223			271		
Goodwill	1,165			1,165			1,165			1,165			1,165		
Total Intangibles	1,269			1,293			1,341			1,388			1,436		

**CITY OF OAKLAND
MUNICIPAL IDENTIFICATION CARD VENDOR DUE DILIGENCE – INTERIM REPORT – CNB
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Loan Concentrations

	6/30/2011			12/31/2010			12/31/2009			12/31/2008			12/31/2007		
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Loan & Leases as a % of Total Capital															
Construction & Development	30.71	53.16	35	35.63	60.46	36	54.05	84.93	38	61.36	111.47	33	69.01	123.58	34
1-4 Family Construction	5.69	10.03	41	5.46	11.36	35	12.09	17.91	45	19.53	29.48	45	23.52	38.23	44
Other Const & Land Development	25.03	43.03	39	30.17	49.10	40	41.96	67.02	42	41.83	78.35	36	45.49	84.34	35
1-4 Family Residential	172.49	160.94	57	187.82	168.3	60	215.08	180.6	65	234.04	174.6	72	214.48	162.11	71
Home Equity Loans	3.74	24.03	22	4.07	25.17	23	4.75	27.49	22	4.75	26.28	20	3.15	23.37	17
Other Real Estate Loans	295.38	276.11	60	307.37	282.13	61	299.54	291.4	56	278.68	279.58	51	253.4	259.67	49
Farmland	80.82	20.06	89	87.88	20.81	90	87.46	19.72	91	89.39	17.8	91	99.86	15.42	95
Multifamily	31.55	20.07	76	32.96	20.19	77	26.12	20.54	70	17.03	17.73	56	26.36	15.89	76
Non-Farm Non-Residential	183.02	223.07	38	186.53	228.09	38	185.96	238.08	34	172.27	230.43	30	127.18	215.66	18
Owner Occupied Non-Farm Non-Residential	49.32	111.28	15	55.47	113.34	18	52.81	118.7	14	60.1	112.76	21	54.63	99.94	21
Other Non-Farm Non-Residential	133.69	107.74	65	131.06	110.94	64	133.14	115.83	63	112.17	112.52	54	72.55	110.55	32
Total Real Estate	486.56	501.32	51	530.83	524.25	53	506.67	489.8	50	474.05	499.13	45	435.89	574.07	39
Financial Institution Loans	0	0	94	0	0	94	0	0.68	95	0	0.77	95	0	1.14	95
Agricultural Loans	85.29	11.13	92	106.94	11.29	94	105.41	11.06	94	99.89	9.98	94	98.68	8.96	94
Commercial & Industrial Loans	103.28	87.12	68	98.62	90.5	61	98.22	97.36	56	96.96	104.14	60	82.31	101.95	42
Loans to Individuals	104.84	21.25	98	115.32	23.14	96	141.07	26.05	96	160.07	27.22	97	118.13	26.72	95
Credit Card Loans	0	0.41	70	0	0.47	69	0	0.5	69	0	0.48	67	0	0.59	65
Municipal Loans	1.95	3.44	59	2.57	3.57	62	4.33	3.65	68	5.56	3.25	74	6.43	3.02	78
Foreign Office Loans & Leases	0	0.32	99	0	0.24	99	0	0.24	99	0	0.42	99	0	0.6	99
All Other Loans	1.37	1.82	67	1.1	1.97	62	1.68	2.07	67	1.58	2.31	62	2.63	2.3	69
Lease Financing Receivables	0	0.25	80	0	0.29	80	0	0.34	80	0	0.44	79	0	0.49	77
Supplemental															
Loans to Foreign Governments	0	0	99	0	0.01	99	0	0	99	0	0.04	99	0	0	99
Loans to Finance Commercial Real Estate	0	0.76	72	0.06	0.78	73	0.1	0.99	72	0.3	1.05	74	1.98	0.98	81
Commercial Real Estate Loans as a % of Total Capital															
Non-owner OCC Commercial Real Estate	195.86	191.41	65	199.72	202.83	59	213.42	233.2	47	190.66	209.09	36	169.91	273.04	27
Total Commercial Real Estate	245.27	306.66	36	255.10	320.69	35	266.23	356.3	51	250.95	380.15	25	224.54	577.04	21
Commercial Real Estate Loans as a % of Total LN&LS															
Construction & Development	3.86	8.07	26	4.17	8.8	26	5.88	11.33	27	6.55	14.47	24	8.17	16.48	28
Non-owner OCC Commercial Real Estate	24.63	29.13	39	23.35	29.53	35	23.2	31.41	31	20.36	33.71	22	20.11	36.33	20
Total Commercial Real Estate	30.84	47.24	18	29.83	47.33	16	28.94	48.38	13	26.77	49.54	11	26.57	50.56	10

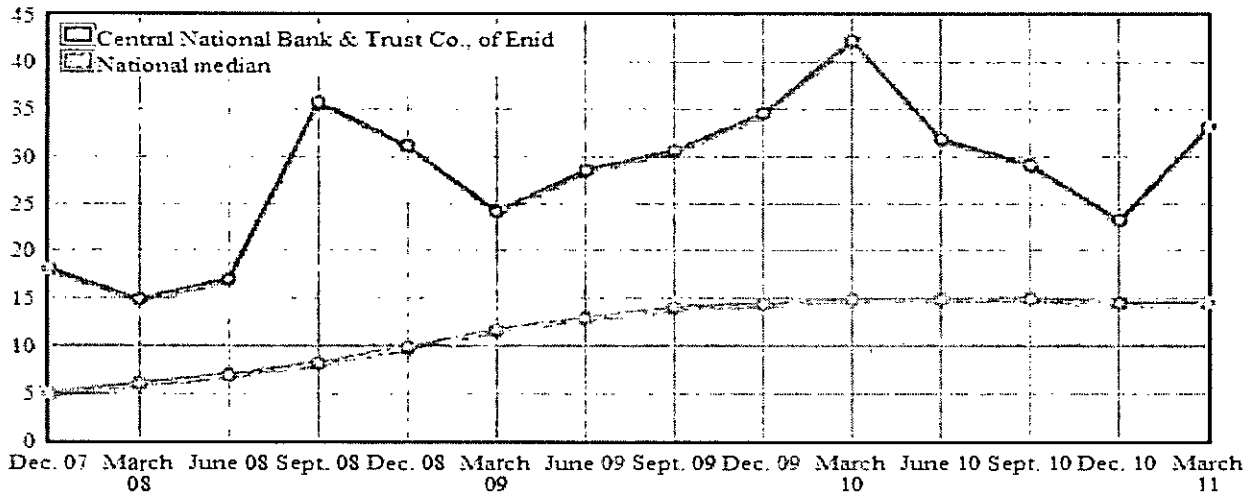
State and National Peer Comparison³

FDIC - Statistics on Depository Institutions Report	Central National Bank & Trust Co., of Enid 6/30/2011 \$ in 000's	All Commercial Banks - Assets \$500M to \$1B - State = OK 6/30/2011 \$ in 000's Average (W) 9	All Commercial Banks - Assets \$500M to \$1B - National 6/30/2011 \$ in 000's Average (W) 533
	(Year-to-date)	(Year-to-date)	(Year-to-date)
Number of institutions reporting	1	9	533
% of unprofitable institutions	N/A	N/A	15.01%
% of institutions with earnings gains	N/A	44.44%	61.73%
	(Year-to-date)	(Year-to-date)	(Year-to-date)
Yield on earning assets	5.20%	4.98%	4.93%
Cost of funding earning assets	1.20%	1.08%	1.07%
Net interest margin	3.99%	3.90%	3.86%
Noninterest income to earning assets	1.52%	0.93%	1.04%
Noninterest expense to earning assets	4.18%	3.31%	3.37%
Net operating income to assets	0.76%	0.94%	0.51%
Return on assets (ROA)	0.76%	1.19%	0.54%
Pretax return on assets	0.76%	1.23%	0.71%
Return on equity (ROE)	9.07%	11.19%	5.36%
Retained earnings to average equity (YTD only)	3.63%	3.87%	2.33%
Net charge-offs to loans	0.18%	0.33%	1.12%
Credit loss provision to net charge-offs	368.84%	199.66%	99.30%
Earnings coverage of net loan charge-offs (x)	9.45	6.59	1.91
Efficiency ratio	75.59%	68.18%	68.30%
Assets per employee (\$ millions)	3.01	3.64	4.21
Cash dividends to net income (YTD only)	59.97%	65.39%	56.66%
Loss allowance to loans	1.45%	1.72%	2.18%
Loss allowance to noncurrent loans	55.79%	60.18%	53.70%
Noncurrent assets plus other real estate owned to assets	2.47%	2.59%	3.80%
Noncurrent loans to loans	2.61%	2.86%	4.05%
Net loans and leases to deposits	81.91%	78.19%	76.98%
Net loans and leases to core deposits	90.89%	94.39%	87.18%
Equity capital to assets	8.45%	10.75%	10.18%
Core capital (leverage) ratio	8.23%	9.42%	9.40%
Tier 1, risk-based capital ratio	11.72%	13.71%	13.37%
Total risk-based capital ratio	12.97%	15.10%	14.64%
	(Year-to-date)	(Year-to-date)	(Year-to-date)
Average assets	508,214	5,206,248	361,320,839
Average earning assets	476,868	4,800,890	330,228,071
Average equity	42,813	554,598	36,078,376
Average loans	380,216	3,373,540	236,410,261

³ <http://www2.fdic.gov/sdi/main.asp>

Asset Quality⁴

THE TROUBLED ASSET RATIO



FINANCIAL DETAILS FOR CENTRAL NATIONAL BANK & TRUST CO., OF ENID

Line item	March 31, 2010	March 31, 2011
Assets	\$505,662,000	\$507,139,000
Deposits	\$420,746,000	\$437,167,000
Loans	\$391,537,000	\$378,649,000
Loan loss provision	\$848,000	\$695,000
Profit	\$723,000	\$850,000
Capital	\$39,728,000	\$40,914,000
Reserves	\$5,862,000	\$5,079,000
Loans 90 days or more past due	\$4,249,000	\$4,199,000
Non-accruing loans	\$13,285,000	\$7,934,000
Other real estate owned	\$1,812,000	\$3,142,000
Capital plus reserves	\$45,590,000	\$45,993,000
Total troubled assets	\$19,346,000	\$15,275,000

⁴ <http://banktracker.investigativereportingworkshop.org/banks/oklahoma/enid/central-national-bank-trust-co-of-enid/>

Commentary

ITEM	COMMENTS
Non Interest Income	This is historically higher than the peer group. This is positive given the lack of lending facing the banking industry.
Non interest Expense	While this is higher than peers, it is attributable to the business lines which generate the higher level of fee income.
Net Loss to Average Total LN&LS	This indicates good asset quality.
Net Non Core Fund Dep New \$250M	CNB does not heavily rely on non core deposits.
Rest+Nonact+RE Acc to Eqcap+ALLL	This indicates that capital and reserves are more than adequate for the level of non-performing loans and assets.
Tier One RBC to Risk-Wgt Assets	The capital is somewhat lower than peers but the bank is still considered well capitalized
Total RBC to Risk-Weight Assets	
Tier One Leverage Capital	
Total Real Estate Loans	This lower concentration is positive given the real estate crisis
Commercial & Industrial Loans	This is higher than the peer group and is positive. Bank regulators have been encouraging banks to increase these loans.
Loans to Individuals	
Non-owner OCC Commercial Real Estate	This is positive.
Total Commercial Real Estate	

In general, CNB is financially strong and, aside from a small increase in the troubled asset ratio, the bank should be able to provide the services to the City of Oakland outlined in the requirements document.