

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

CAPITALSOURCE INC

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 6, 2006



CAPITALSOURCE INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other
jurisdiction of
incorporation or
organization)

1-31753
(Commission
File Number)

35-2206895
(I.R.S. Employer
Identification No.)

4445 Willard Avenue, 12th Floor
Chevy Chase, MD 20815
(Address of principal executive offices, zip code)

Registrant' s telephone number, including area code **(301) 841-2700**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

CapitalSource Inc. (the "Company") entered into employment agreements and option agreements dated June 6, 2006 with John K. Delaney and Jason M. Fish.

Under the employment agreements, which are substantially similar to each other, John K. Delaney bears the title of Chairman of the Board and Chief Executive Officer and Jason M. Fish bears the title of Vice-Chairman and Chief Investment Officer. Mr. Delaney's agreement has an initial term of five years and will be automatically extended for an additional consecutive 12-month period on June 6, 2011 and each subsequent June 6, unless and until the Company or Mr. Delaney provides written notice to the other party that such party is not extending the term of the employment. Mr. Fish's agreement has an initial term of one year and will be automatically extended for an additional consecutive 12-month period on June 6, 2007 and each subsequent June 6, unless and until the Company or Mr. Fish provides written notice to the other party that such party is not extending the term of the employment. The term of each agreement is automatically extended upon a "change in control" to the end of the 24-month period following such "change in control" if, on the date thereof, the remaining term is less than 24 months.

In lieu of a cash base salary, Mr. Delaney will receive quarterly grants of restricted stock units valued at \$100,000. Concurrently with the execution of his employment agreement, the Company and Mr. Delaney entered into two option agreements pursuant to which Mr. Delaney will receive options to purchase an aggregate 7,000,000 shares of the Company's common stock (the "Common Stock") at \$23.72 per share. The options vested with respect to 1,750,000 shares on June 6, 2006, and 875,000 shares will vest on each of January 1, 2007 and 2008 (the "Time Vesting Shares"). The remaining 3,500,000 shares (the "Performance Vesting Shares") will vest in two equal installments on January 1, 2010 and 2011 if the average closing price of the Common Stock over any 60 consecutive trading days equaled or exceeded \$32.00 per share (the "Average Price") prior to each respective vesting date; provided, however, that the vesting of 1/3 of the Performance Vesting Shares will accelerate to January 1, 2009 if the Average Price has been reached by that date. In the event the Average Price has not been reached by January 1, 2009 but it is reached at a later time, then the vesting of 1/3 of the Performance Shares will accelerate to such later date that the Average Price is reached. Upon a "change in control," all the Performance Vesting Shares will vest if the per share price paid in connection with such "change in control" equals or exceeds \$32.00 per share. If the Average Price has not been reached by January 1, 2010, the option to purchase 1,750,000 Performance Vesting Shares will terminate on such date, and if the Average Price has not been reached by January 1, 2011, the option to purchase the remaining 1,750,000 Performance Vesting Shares will terminate on such date. Otherwise, the options will expire on June 6, 2016.

During the term of his employment agreement, Mr. Fish will be paid a base salary of \$400,000 (the amount of his base salary since the Company's inception), which is subject to review and increase, but not decrease, by the Company's Board at least annually. Concurrently with the execution of his employment agreement, the Company and Mr. Fish entered into an option agreement pursuant to which Mr. Fish will receive options to purchase an aggregate 700,000 shares of Common Stock at \$23.72 per share. The options will vest on January 1, 2007 and expire on June 6, 2016. Upon a "change in control" prior to January 1, 2007, all the options will automatically vest.

The employment agreements contain non-compete and non-solicitation provisions. In each case, the executive has agreed that for 12 months after the earlier of the expiration of the term of the agreement (as extended, if applicable) or the executive's date of termination the executive will not: (i) solicit or hire any person employed by the Company or who was employed by the Company within 180 days prior to such solicitation or hiring (unless that person was discharged by the Company without cause); (ii) solicit any client or customer of the Company or any person who was a client or customer of the Company within 180 days prior to such solicitation; (iii) provide services anywhere in the United States to any entity if (A) during the preceding 12 months more than 5% of the revenues of such entity and its affiliates is derived from any business from which the Company derived more than 5% of its revenue during such period (a "Material Business") or (B) the services to be provided by the executive are competitive with a Material Business and substantially similar to those previously provided by the executive to a Material Business; or (iv) own an interest in any entity described in subsection (iii) immediately above. The employment agreements also contain non-disclosure provisions requiring each executive to not use, disclose, or transfer any of the Company's confidential information either during or after employment.

If Mr. Delaney's employment is terminated upon his disability, by death, by the Company without "cause" or by Mr. Delaney with "good reason," then (i) the Company will pay Mr. Delaney or his legal representative, as applicable, the restricted stock units due through the end of the calendar quarter that includes the termination; (ii) the Time Vesting Shares will become 100% vested; and (iii) the Performance Vesting Shares will remain outstanding until 12 months after Mr. Delaney's termination date and shall become vested and exercisable to the extent they would have vested had Mr. Delaney continued employment for 12 months, except that in the case of termination without "cause" or with "good reason" the Performance Vesting Shares will remain outstanding and will subsequently vest to the extent they would have vested had he continued employment.

If Mr. Fish's employment is terminated upon his disability, by death, by the Company without "cause" or by Mr. Fish with "good reason," then (i) the Company will pay Mr. Fish or his legal representative, as applicable, the base compensation through the termination date, and (ii) the options granted pursuant to his option agreement will become 100% vested.

In addition, if the employment agreements are terminated by the Company without "cause" or by the executive with "good reason," then the executive and his covered dependents will continue to receive medical, dental, hospitalization and life insurance coverage for 24 months or the remaining term of the agreement at the time of termination, whichever is greater.

If the employment agreements are terminated by the Company with "cause" or by the executive without "good reason," then (i) the Company will pay the executives the restricted stock units or base salary, as applicable, through the termination date, and (ii) the unvested portions of the options granted pursuant to the option agreements will expire.

Subject to certain conditions, the Company will make a gross-up payment to cover any excise tax imposed on the executive by Section 4999 of the Internal Revenue Code and any interest and penalties incurred with respect thereto resulting from any action or inaction by the Company. In addition, the Company and the executives have agreed to amend the agreements to the minimum extent necessary to avoid any excise tax imposed by Section 409A of the Code.

In each employment agreement, "cause" is limited to the following events: (i) the executive's conviction of, or plea of nolo contendere to, a felony (other than in connection with a traffic violation) under any state or federal law; (ii) the executive's willful and continued failure to substantially perform his essential job functions under the agreement after receipt of written notice from the Company that specifically identifies the manner in which the executive has substantially failed to perform his essential job functions and specifying the manner in which the executive may substantially perform his essential job functions in the future; (iii) a material act of fraud or willful and material misconduct with respect, in each case, to the Company, by the executive; (iv) a willful and material breach of the clause in the agreement governing the place of performance or the clauses in the agreement described in clauses (iii) - (iv) in the paragraph above regarding the non-compete provision; or (v) the hiring of any person who was an employee of the Company within 180 days prior to such hiring, other than to perform services for the benefit of the Company. For purposes of this provision, no act or failure to act, on the part of the executive, shall be considered "willful" unless it is done, or omitted to be done, by the executive in bad faith or without reasonable belief that the executive's action or omission was in the best interests of the Company. Anything in the agreement to the contrary notwithstanding, the executive shall not be terminated for "cause" under the agreement unless (A) written notice stating the basis for the termination is provided to the executive, (B) as to clauses (ii), (iii) or (iv) of this paragraph, he is given 30 days to cure the neglect or conduct that is the basis of such claim (it being understood that any errors in expense reimbursement may be cured by repayment), (C) if he fails to cure such neglect or conduct, the executive has an opportunity to be heard with counsel of his choosing before the full Board prior to any vote regarding the existence of "cause" and (D) there is a vote of a majority of the members of the Board to terminate him for "cause."

In each employment agreement, "change in control" is defined as the occurrence of one or more of the following events: (i) any "person" or "group" is or becomes a "beneficial owner" of more than 30% of the Voting Stock of the Company; (ii) the majority of the Board consists of individuals other than Incumbent Directors, which term means the members of the Board on the effective date of the agreement; provided that any person becoming a

director subsequent to such date whose election or nomination for election was supported by two-thirds of the directors who then comprised the Incumbent Directors shall be considered to be an Incumbent Director; (iii) the Company adopts any plan of liquidation providing for the distribution of all or substantially all of its assets; (iv) the Company transfers all or substantially all of its assets or business (unless the shareholders of the Company immediately prior to such transaction beneficially own, directly or indirectly, in substantially the same proportion as they owned the Voting Stock of the Company, all of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Company); or (v) any merger, reorganization, consolidation or similar transaction unless, immediately after consummation of such transaction, the shareholders of the Company immediately prior to the transaction hold, directly or indirectly, more than 50% of the Voting Stock of the Company or the Company's ultimate parent company if the Company is a subsidiary of another corporation (there being excluded from the number of shares held by such shareholders, but not from the Voting Stock of the combined company, any shares received by affiliates of such other company in exchange for stock of such other company). For purposes of the "change in control" definition, the "Company" shall include any entity that succeeds to all or substantially all of the business of the Company and "Voting Stock" shall mean securities of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

In each employment agreement, "Good Reason" is defined as, unless otherwise agreed to in writing by the executive, (i) any diminution or adverse change in the executive's titles or positions; (ii) reduction in the executive's Base Compensation; (iii) a requirement that the executive report to someone other than the Board (or the board of directors of the Company's ultimate parent company if it is a subsidiary of another entity); (iv) a material diminution in the executive's authority, responsibilities or duties or material interference with the executive's carrying out his duties; (v) the assignment of duties inconsistent with the executive's positions or status with the Company as of the date hereof; (vi) a relocation of the executive's primary place of employment to a location more than 25 miles further from the executive's primary residence than the current location of the Company's offices; (vii) any other material breach of the terms of the employment agreement or any other agreement that breach is not cured within ten days after the executive's delivery of a written notice of such breach to the Company; (viii) any purported termination of the executive's employment by the Company that is not effected in accordance with the applicable provisions of the employment agreement; (ix) the failure of the Company to obtain the assumption in writing of its obligations under the employment agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale or similar transaction; or (x) the delivery of a notice of non-renewal by the Company at any time up to and including April 4, 2023. In order to invoke a termination for Good Reason, the executive must terminate his employment, if at all, within 30 days of the occurrence of any event of "Good Reason."

Copy of the employment and option agreements are attached hereto as Exhibits 10.1 through 10.5 and are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

See Index to Exhibits attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 8, 2006

/s/ Steven A. Museles

Steven A. Museles
Executive Vice President, Chief
Legal Officer and Secretary

INDEX TO EXHIBITS

Exhibit No.	Description
10.1	Employment Agreement, dated as of June 6, 2006, between CapitalSource Inc. and John K. Delaney.
10.2	Employment Agreement, dated as of June 6, 2006, between CapitalSource Inc. and Jason M. Fish.
10.3	Non-Qualified Option Agreement, dated as of June 6, 2006, between CapitalSource Inc. and John K. Delaney (included as Exhibit A of the Employment Agreement filed hereto as Exhibit 10.1).
10.4	Non-Qualified Option Agreement, dated as of June 6, 2006, between CapitalSource Inc. and John K. Delaney (included as Exhibit B of the Employment Agreement filed hereto as Exhibit 10.1).
10.5	Non-Qualified Option Agreement, dated as of June 6, 2006, between CapitalSource Inc. and Jason M. Fish (included as Exhibit A of the Employment Agreement filed hereto as Exhibit 10.2).

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (“Agreement”) is entered into as of the 6th day of June, 2006 (the “Effective Date”), by and between CapitalSource Inc., a Delaware corporation (the “Employer” or the “Company”), and John K. Delaney, an individual (the “Executive”).

WHEREAS, the Executive is currently employed as the Chairman of the Company’s Board of Directors (the “Board”) and Chief Executive Officer of the Company; and

WHEREAS, the Employer and the Executive desire to enter into this Agreement to set out the terms and conditions for the continued employment relationship of the Executive with the Employer.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Employment Agreement. On the terms and conditions set forth in this Agreement, the Employer agrees to continue to employ the Executive and the Executive agrees to continue to be employed by the Employer for the Employment Period set forth in Section 2 and in the positions and with the duties set forth in Section 3. Terms used herein with initial capitalization not otherwise defined are defined in Section 25.

2. Term. The initial term of employment under this Agreement shall be for a five-year period commencing on the Effective Date (the “Initial Term”). The term of employment shall be automatically extended for an additional consecutive 12-month period (the “Extended Term”) on June 6, 2011 and each subsequent June 6, unless and until the Employer or Executive provides written notice to the other party in accordance with Section 13 hereof not less than 60 days before such anniversary date that such party is electing not to extend the term of employment under this Agreement (“Non-Renewal”), in which case the term of employment hereunder shall end as of the end of such Initial Term or Extended Term, as the case may be, unless sooner terminated as hereinafter set forth. Such Initial Term and all such Extended Terms are collectively referred to herein as the “Employment Period.” Anything herein to the contrary notwithstanding, if on the date of a Change in Control the remaining term of the Employment Period is less than 24 months, the Employment Period shall be automatically extended to the end of the 24-month period following such Change in Control.

3. Position and Duties. During the Employment Period, the Executive shall serve as the Chairman of the Board, a member of the Board and Chief Executive Officer of the Employer. In such capacities, the Executive shall be the senior most officer of the Employer and report directly and exclusively to the Board (or, if the Employer becomes a subsidiary of a different entity, the board of directors of the Employer’s ultimate parent company). During the

Employment Period, the Executive shall have the powers and authority customarily exercised by individuals serving as chairman and chief executive officer of a company of the size and nature of the Employer. The Executive shall devote the Executive's reasonable best efforts and full business time to the performance of the Executive's duties hereunder and the advancement of the business and affairs of the Employer; provided that the Executive shall be entitled to serve as a member of the board of directors of a reasonable number of other companies, to serve on civic, charitable, educational, religious, public interest or public service boards, and to manage the Executive's personal and family investments, in each case, to the extent such activities do not materially interfere with the performance of the Executive's duties and responsibilities hereunder.

4. Place of Performance. During the Employment Period, the Executive shall be based primarily at a principal office of the Employer designated by the Employer in Chevy Chase, Maryland, except for reasonable travel on the Employer's business consistent with the Executive's position.

5. Compensation and Benefits; Options; Change in Control.

(a) Base Compensation. During the Employment Period and in lieu of a cash base salary, the Employer shall grant to the Executive as of the first day of each calendar quarter during the Employment Period (each, a "Grant Date") fully vested restricted stock units ("RSUs") having a value of \$100,000 (the "Base Compensation"). For this purpose, each RSU shall be equal in value to the closing price of a share of the Company's common stock, par value \$0.01 ("Stock") on the last trading day before each Grant Date. The Employer shall settle each RSU granted to the Executive pursuant to this Section 5(a) by delivering one share of Stock for each RSU on the earlier to occur of (i) a Change in Control and (ii) the Executive's termination of employment with the Employer for any reason.

(b) Vacation; Benefits. During the Employment Period, the Executive shall be entitled to six weeks vacation annually. In addition, the Employer shall provide to the Executive employee benefits and perquisites on a basis that is no less favorable to that provided to any other senior officer of the Company. Subject to the terms of this Agreement, all benefits are provided at the Employer's sole discretion. Subject to the terms of this Agreement, the Employer shall have the right to change insurance carriers and to adopt, amend, terminate or modify employee benefit plans and arrangements at any time and without the consent of the Executive.

(c) Life Insurance. During the Employment Period, the Employer shall maintain a life insurance policy insuring the life of the Executive from an insurance company reasonably satisfactory to the Executive which policy shall provide for a death benefit of at least \$10,000,000; provided that such life insurance policy shall not cost more than \$10,000 per year. During the Employment Period, the Employer shall maintain and pay all of the premiums with respect to such policy during the Term, with a right of the Executive to continue the policy in force by assuming the obligation to pay the premiums and to purchase the policy for its cash surrender value, if any. The Executive shall be entitled to name the beneficiary or beneficiaries of such life insurance policy. The Executive shall cooperate with the Employer to provide all

information necessary to obtain such policy and shall make himself available for any medical examinations required by the insurance company providing such policy.

(d) Equity Awards. Contemporaneously with the execution and delivery of this Agreement by the parties, the Employer hereby grants the Executive options to purchase 3,500,000 shares of Stock pursuant to the Option Agreement attached hereto as Exhibit A (the "A Options") and options to purchase an additional 3,500,000 shares of Stock pursuant to the Option Agreement attached hereto as Exhibit B (the "B Options" and, along with the A Options, the "Options").

6. Expenses. The Executive is expected and is authorized to incur reasonable expenses in the performance of his duties hereunder. The Employer shall reimburse the Executive for all such expenses reasonably and actually incurred in accordance with policies which may be adopted from time to time by the Employer promptly upon periodic presentation by the Executive of an itemized account, including reasonable substantiation, of such expenses.

7. Confidentiality, Non-Disclosure and Non-Competition Agreement. The Employer and the Executive acknowledge and agree that during the Executive's employment with the Employer, the Executive will have access to and may assist in developing Company Confidential Information and will occupy a position of trust and confidence with respect to the Employer's affairs and business and the affairs and business of the Company Affiliates. The Executive agrees that the following obligations are necessary to preserve the confidential and proprietary nature of Company Confidential Information and to protect the Employer and the Company Affiliates against harmful solicitation of employees and customers, harmful competition and other actions by the Executive that would result in serious adverse consequences for the Employer and the Company Affiliates:

(a) Non-Disclosure. During and after the Executive's employment with the Employer, the Executive will not knowingly use, disclose or transfer any Company Confidential Information other than as authorized in writing by the Employer or within the scope of the Executive's duties with the Employer as determined reasonably and in good faith by the Executive. Anything herein to the contrary notwithstanding, the provisions of this Section 7(a) shall not apply (i) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Executive to disclose or make accessible any information; (ii) with respect to any other litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement; (iii) as to information that becomes generally known to the public or within the relevant trade or industry other than due to the Executive's violation of this Section 7(a); (iv) as to information that is or becomes available to the Executive on a non-confidential basis from a source which is entitled to disclose it to the Executive; or (v) as to information that the Executive possessed prior to the commencement of employment with the Employer.

(b) Materials. The Executive will not remove any Company Confidential Information or any other property of the Employer or any Company Affiliate from the Employer's premises or make copies of such materials except for normal and customary use

in the Employer's business as determined reasonably and in good faith by the Executive. The Employer acknowledges that the Executive, in the ordinary course of his duties, routinely uses and stores Company Confidential Information at home and other locations. The Executive will return to the Employer all Company Confidential Information and copies thereof and all other property of the Employer or any Company Affiliate at any time upon the request of the Employer and in any event promptly after termination of Executive's employment. The Executive agrees to attempt in good faith to identify and return to the Employer any copies of any Company Confidential Information after the Executive ceases to be employed by the Employer. Anything to the contrary notwithstanding, nothing in this Section 7 shall prevent the Executive from retaining a home computer, papers and other materials of a personal nature, including diaries, calendars and Rolodexes, information relating to his compensation or relating to reimbursement of expenses, information that he reasonably believes may be needed for tax purposes, and copies of plans, programs and agreements relating to his employment.

(c) No Solicitation or Hiring of Employees. During the Non-Compete Period, the Executive shall not solicit, entice, persuade or induce any individual who is employed by the Employer or the Company Affiliates (or who was so employed within 180 days prior to the Executive's action) to terminate or refrain from continuing such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Employer or the Company Affiliates, and the Executive shall not hire, directly or indirectly, as an employee, consultant or otherwise, any such person. Anything to the contrary notwithstanding, the Employer agrees that (i) the Executive's responding to an unsolicited request from any former employee of the Employer for advice on employment matters; and (ii) the Executive's responding to an unsolicited request for an employment reference regarding any former employee of the Employer from such former employee, or from a third party, by providing a reference setting forth his personal views about such former employee, shall not be deemed a violation of this Section 7(c). Notwithstanding the foregoing, this Section 7(c) shall not preclude the Executive from soliciting for employment or hiring any person who has been discharged by the Employer or any Company Affiliate without cause.

(d) Non-Competition.

(i) During the Non-Compete Period, the Executive shall not, directly or indirectly, (A) solicit or encourage any client or customer of the Employer or a Company Affiliate, or any person or entity who was a client or customer within 180 days prior to Executive's action to terminate, reduce or alter in a manner adverse to the Employer, any existing business arrangements with the Employer or a Company Affiliate or to transfer existing business from the Employer or a Company Affiliate to any other person or entity, (B) provide services anywhere in the United States to any entity if (i) during the preceding 12 months more than 5% of the revenues of such entity and its affiliates is derived from any business from which the Employer derived more than 5% of its revenue during such period (a "Material Business") or (ii) the services to be provided by the Executive are competitive with a Material Business and substantially similar to those previously provided by the Executive to a Material Business; provided, however, that following a Change in Control this Section 7(d)(i)(B)(i) shall not apply to the Executive, or (C) own an interest in any entity described in subsection (B)(i) immediately above; provided, however, that Executive may own, as a passive investor, securities of any such

entity that has outstanding publicly traded securities so long as his direct holdings in any such entity shall not in the aggregate constitute more than 5% of the voting power of such entity. For purposes of this Section 7(d), a "client or customer" shall be limited to any actual borrower of the Employer (as set forth in the Employer's CAM or substantially similar successor or related system) and any other entity in the "term sheet issued," "term sheet executed" or "credit committee approved" categories listed in the Employer's DealTracker or substantially similar successor or related system. The Executive agrees that, before providing services, whether as an employee or consultant, to any entity during the Non-Compete Period, he will provide a copy of this Agreement to such entity, and such entity shall acknowledge to the Employer in writing that it has read this Agreement. The Executive acknowledges that this covenant has a unique, very substantial and immeasurable value to the Employer, that the Executive has sufficient assets and skills to provide a livelihood for the Executive while such covenant remains in force and that, as a result of the foregoing, in the event that the Executive breaches such covenant, monetary damages would be an insufficient remedy for the Employer and equitable enforcement of the covenant would be proper.

(ii) If the restrictions contained in Section 7(d)(i) shall be determined by any court of competent jurisdiction to be unenforceable by reason of their extending for too great a period of time or over too great a geographical area or by reason of their being too extensive in any other respect, Section 7(d)(i) shall be modified to be effective for the maximum period of time for which it may be enforceable and over the maximum geographical area as to which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable.

(e) Publicity. During the Employment Period, the Executive hereby grants to the Employer the right to use, in a reasonable and appropriate manner, the Executive's name and likeness, without additional consideration, on, in and in connection with technical, marketing or disclosure materials, or any combination thereof, published by or for the Employer or any Company Affiliate.

(f) Conflicting Obligations and Rights. The Executive agrees to inform the Employer of any apparent conflicts between the Executive's work for the Employer and any obligations the Executive may have to preserve the confidentiality of another's proprietary information or related materials before using the same on the Employer's behalf. The Employer shall receive such disclosures in confidence and consistent with the objectives of avoiding any conflict of obligations and rights or the appearance of any conflict of interest.

(g) Enforcement. The Executive acknowledges that in the event of any breach of this Section 7, the business interests of the Employer and the Company Affiliates will be irreparably injured, the full extent of the damages to the Employer and the Company Affiliates will be impossible to ascertain, monetary damages will not be an adequate remedy for the Employer and the Company Affiliates, and the Employer will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Executive expressly waives. The Executive understands that the Employer may waive some of the requirements expressed in this Agreement, but that such a waiver to be effective must be made in writing and should not in any

way be deemed a waiver of the Employer's right to enforce any other requirements or provisions of this Agreement. The Executive agrees that each of the Executive's obligations specified in this Agreement is a separate and independent covenant and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in this Agreement. The Executive further agrees that any breach of this Agreement by the Employer prior to the Date of Termination shall not release the Executive from compliance with his obligations under this Section 7, so long as the Employer fully complies with Sections 9, 10, 11, and 12. The Employer further agrees that any breach of this Agreement by the Executive that does not result in the Executive's being terminated for Cause, other than a willful (as defined in the definition of "Cause") and material breach of Sections 7(d)(i)(B) or 7(d)(i)(C) after his employment has terminated, shall not release the Employer from compliance with its obligations under this Agreement. Notwithstanding the foregoing two sentences, neither party shall be precluded from pursuing judicial remedies as a result of any such breaches.

8. Termination of Employment.

(a) Permitted Terminations. The Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

(i) Death. The Executive's employment hereunder shall terminate upon the Executive's death;

(ii) By the Employer. The Employer may terminate the Executive's employment:

(A) Disability. If the Executive shall have been substantially unable to perform the Executive's material duties hereunder by reason of illness, physical or mental disability or other similar incapacity, which inability shall continue for 180 consecutive days or 270 days in any 24-month period (a "Disability") (provided, that until such termination, the Executive shall continue to receive his compensation and benefits hereunder, reduced by any benefits payable to him under any disability insurance policy or plan applicable to him or her); or

(B) Cause. For Cause or without Cause;

(iii) By the Executive. The Executive may terminate his employment for any reason (including Good Reason) or for no reason.

(b) Termination. Any termination of the Executive's employment by the Employer or the Executive (other than because of the Executive's death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Termination of the Executive's employment shall take effect on the Date of Termination. The

Executive agrees, in the event of any dispute under Section 8(a)(ii)(A) as to whether a Disability exists, and if requested by the Employer, to submit to a physical examination by a licensed physician selected by mutual consent of the Employer and the Executive, the cost of such examination to be paid by the Employer. The written medical opinion of such physician shall be conclusive and binding upon each of the parties hereto as to whether a Disability exists and the date when such Disability arose. This Section shall be interpreted and applied so as to comply with the provisions of the Americans with Disabilities Act and any applicable state or local laws.

9. Compensation Upon Termination.

(a) Death. If the Executive's employment is terminated during the Employment Period as a result of the Executive's death, this Agreement and the Employment Period shall terminate without further notice or any action required by the Employer or the Executive's legal representatives. Upon the Executive's death, the Employer shall pay or provide the following: (i) the Employer shall pay to the Executive's legal representative or estate, as applicable, the Executive's Base Compensation due through the end of the calendar quarter that includes the Executive's Date of Termination; and (ii) the Employer shall pay to the Executive's legal representative or estate, as applicable, the Accrued Benefits and the rights of the Executive's legal representative or estate with respect to equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreement.

The Employer shall pay to the Executive's estate, or as may be directed by the legal representatives of such estate, the Executive's Accrued Benefits due pursuant to Section 9(a)(ii), at the time such payments are due. Except as set forth herein, the Employer shall have no further obligation to the Executive under this Agreement.

(b) Disability. If the Employer terminates the Executive's employment during the Employment Period because of the Executive's Disability pursuant to Section 8(a)(ii)(A), (i) the Employer shall pay to the Executive the Executive's Base Compensation due through the end of the calendar quarter that includes the Executive's Date of Termination, (ii) all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination at the time such payments are due, and (iii) subject to the terms of the agreements covering the Options, all outstanding equity awards held by the Executive immediately prior to his termination shall immediately vest with outstanding options remaining exercisable for the length of their remaining term. Except as set forth herein, the Employer shall have no further obligations to the Executive under this Agreement.

(c) Termination by the Employer for Cause or by the Executive without Good Reason. If, during the Employment Period, the Employer terminates the Executive's employment for Cause pursuant to Section 8(a)(ii)(B) or the Executive terminates his employment without Good Reason, the Employer shall pay to the Executive the Executive's Base Compensation due through the Date of Termination and all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination, at the time such payments are due, and the Executive's rights with respect to equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreement.

(d) Termination by the Employer without Cause or by the Executive with Good Reason. If the Employer terminates the Executive's employment during the Employment Period other than for Cause or Disability pursuant to Section 8(a) or if the Executive terminates his employment hereunder with Good Reason, (i) the Employer shall pay the Executive (A) the Executive's Base Compensation due through the end of the calendar quarter that includes the Executive's Date of Termination, and (B) all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination, in each case at the time such payments are due; (ii) (A) subject to the terms of the agreements covering the Options, all deferred compensation credited on the Executive's behalf and all equity or equity-related awards held by, or credited to, the Executive (including, without limitation, stock options, stock appreciation rights, restricted stock awards, dividend equivalent rights, restricted stock units or deferred stock awards) shall immediately vest and, if applicable, become exercisable, (B) all stock options, stock appreciation rights or other similar rights held by the Executive (including the Options) shall remain exercisable for the remainder of their originally scheduled terms, and (C) all deferred compensation or other equity or equity-related awards will, to the extent applicable, be transferred or distributed to the Executive within 10 days of the Executive's Date of Termination; and (iii) the Executive and his covered dependents shall be entitled to continued participation on the same terms and conditions as applicable immediately prior to the Executive's Date of Termination for the greater of (A) 24 months or (B) the balance of the Employment Period in such medical, dental, hospitalization and life insurance coverages in which the Executive and his eligible dependents were participating immediately prior to the Date of Termination; provided that if such continued coverage is not permitted under the terms of such benefit plans, the Employer shall pay Executive an additional amount that, on an after-tax basis, is equal to the cost of comparable coverage obtained by Executive.

(e) Liquidated Damages. The parties acknowledge and agree that damages which will result to the Executive for termination by the Employer of the Executive's employment without Cause or by the Executive for Good Reason shall be extremely difficult or impossible to establish or prove, and agree that the amounts payable to the Executive under Section 9(d) (the "Severance Payments") shall constitute liquidated damages for any such termination. The Executive agrees that, except for such other payments and benefits to which the Executive may be entitled as expressly provided by the terms of this Agreement or any other applicable benefit plan, such liquidated damages shall be in lieu of all other claims that the Executive may make by reason of any such termination of his employment and that, as a condition to receiving the Severance Payments, the Executive will execute a release of claims substantially in the form of the release attached hereto as Exhibit C. Within two business days of the Date of Termination, the Employer shall deliver to the Executive the appropriate form of release of claims for the Executive to execute. The Severance Payments shall be made within three business days of Employer's receipt of the release of claims if the Executive is under 40 years old on the date on which such release is signed, or within three business days of the expiration of the revocation period without the release being revoked if the Executive is 40 years old or older on the date on which such release is signed. In addition, the Employer will execute a release of claims substantially in the form of the release attached hereto as Exhibit D and will deliver such release to the Executive along with the Severance Payments.

(f) No Offset. In the event of termination of his employment, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due to him on account of any remuneration or benefits provided by any subsequent employment he may obtain. The Employer's obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Employer or its affiliates may have against him for any reason.

(g) Section 409A. To the extent the Executive would be subject to the additional 20% tax imposed on certain deferred compensation arrangements pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such tax and the parties shall promptly execute any amendment reasonably necessary to implement this Section 9(g).

10. Certain Additional Payments by the Employer.

(a) If it shall be determined that any benefit provided to the Executive or payment or distribution by or for the account of the Employer to or for the benefit of the Executive, whether provided, paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the Executive with respect to such excise tax resulting from any action or inaction by the Employer (such excise tax, together with any such interest and penalties, collectively, the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of the Excise Tax and all other income, employment, excise and other taxes that are imposed on the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the sum of (A) the Excise Tax imposed upon the Payments and (B) the product of any deductions disallowed because of the inclusion of the Gross-up Payment in the Executive's adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made.

(b) Subject to the provisions of Section 10(d), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Employer's independent, certified public accounting firm or such other certified public accounting firm as may be designated by the Executive and shall be reasonably acceptable to the Employer (the "Accounting Firm") which shall provide detailed supporting calculations both to the Employer and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Employer. If the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a change in the ownership or effective control (as defined for purposes of Section 280G of the Code) of the Employer, the Executive shall appoint another nationally recognized accounting firm which is reasonably acceptable to the Employer to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the

Accounting Firm shall be borne solely by the Employer. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Employer to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Employer and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that additional Gross-Up Payments shall be required to be made to compensate the Executive for amounts of Excise Tax later determined to be due, consistent with the calculations required to be made hereunder (an "Underpayment"). If the Employer exhausts its remedies pursuant to Section 10(c) and the Executive is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Employer to or for the benefit of the Executive.

(c) The Executive shall notify the Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Employer of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after the Executive is informed in writing of such claim and shall apprise the Employer of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Employer (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Employer notifies the Executive in writing prior to the expiration of such period that they desire to contest such claim, the Executive shall:

- (i) give the Employer any information reasonably requested by the Employer relating to such claim;
- (ii) take such action in connection with contesting such claim as the Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Employer;
- (iii) cooperate with the Employer in good faith effectively to contest such claim; and
- (iv) permit the Employer to participate in any proceedings relating to such claim; provided, however, that the Employer shall bear and pay directly all costs and expenses (including additional interest and penalties incurred in connection with such contest) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

11. Indemnification. During the Employment Period and thereafter, the Employer agrees to indemnify and hold the Executive and the Executive's heirs and representatives harmless, to the maximum extent permitted by law, against any and all damages, costs, liabilities, losses and expenses (including reasonable attorneys' fees) as a result of any

claim or proceeding (whether civil, criminal, administrative or investigative), or any threatened claim or proceeding (whether civil, criminal, administrative or investigative), against the Executive that arises out of or relates to the Executive's service as an officer, director or employee, as the case may be, of the Employer, or the Executive's service in any such capacity or similar capacity with an affiliate of the Employer or other entity at the request of the Employer, both prior to and after the Effective Date, and to promptly advance to the Executive or the Executive's heirs or representatives such expenses upon written request with appropriate documentation of such expense upon receipt of an undertaking by the Executive or on the Executive's behalf to repay such amount if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Employer. During the Employment Period and thereafter, the Employer also shall provide the Executive with coverage under its current directors' and officers' liability policy to the same extent that it provides such coverage to its other executive officers. If the Executive has any knowledge of any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, as to which the Executive may request indemnity under this provision, the Executive will give the Employer prompt written notice thereof; provided that the failure to give such notice shall not affect the Executive's right to indemnification. The Employer shall be entitled to assume the defense of any such proceeding and the Executive will use reasonable efforts to cooperate with such defense. To the extent that the Executive in good faith determines that there is an actual or potential conflict of interest between the Employer and the Executive in connection with the defense of a proceeding, the Executive shall so notify the Employer and shall be entitled to separate representation at the Employer's expense by counsel selected by the Executive (provided that the Employer may reasonably object to the selection of counsel within ten (10) business days after notification thereof) which counsel shall cooperate, and coordinate the defense, with the Employer's counsel and minimize the expense of such separate representation to the extent consistent with the Executive's separate defense. This Section 11 shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

12. Attorney's Fees. The Employer shall advance the Executive (and his beneficiaries) any and all costs and expenses (including without limitation attorneys' fees and other charges of counsel) incurred by the Executive (or any of his beneficiaries) in resolving any controversy, dispute or claim arising out of or relating to this Agreement, any other agreement or arrangement between the Executive and the Employer, the Executive's employment with the Employer, or the termination thereof; provided that the Executive shall reimburse the Employer any advances on a net after-tax basis to cover expenses incurred by the Executive for claims (a) brought by the Employer on account of the Executive's alleged breach of Section 7 of this Agreement, breach of the Executive's fiduciary duty of loyalty, or fraud or material misconduct, if it is judicially determined that the Employer is the prevailing party, or (b) brought by the Executive that are judicially determined to be frivolous or advanced in bad faith. Pending the resolution of any such claim, the Executive (and his beneficiaries) shall continue to receive all payments and benefits described in Section 5 of this Agreement. This Section 12 shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

13. Notices. All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this

Agreement shall be in writing and shall be hand delivered, mailed by first-class registered or certified mail, return receipt requested, postage prepaid, delivered by overnight air courier, or transmitted by facsimile transmission addressed as follows:

(i) If to the Employer:

CapitalSource Finance LLC
4445 Willard Avenue, 12th Floor
Chevy Chase, Maryland 20815
Attn: Chief Legal Officer
Facsimile Number: 301-841-2380

(ii) If to the Executive:

John K. Delaney
Address last shown on the Employer' s Records

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication that shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, confirmation of facsimile transmission or the affidavit of messenger being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

14. Severability. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

15. Effect on Other Agreements. The provisions of this Agreement shall supersede the terms of any plan, policy, agreement, award or other arrangement of the Employer (whether entered into before or after the Effective Date) to the extent application of the terms of this Agreement is more favorable to the Executive.

16. Survival. It is the express intention and agreement of the parties hereto that the provisions of Sections 7, 9, 10, 11, 12, 13, 15, 17, 18, 19, 21, 22 and 24 hereof and this Section 16 shall survive the termination of employment of the Executive. In addition, all obligations of the Employer to make payments hereunder shall survive any termination of this Agreement on the terms and conditions set forth herein.

17. Assignment. The rights and obligations of the parties to this Agreement shall not be assignable or delegable, except that (i) in the event of the Executive' s death, the personal representative or legatees or distributees of the Executive' s estate, as the case may be, shall have the right to receive any amount owing and unpaid to the Executive hereunder and (ii) the rights and obligations of the Employer hereunder shall be assignable and delegable in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets

or equity interests of the Employer or similar transaction involving the Employer or a successor corporation. The Employer shall require any successor to the Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Employer would be required to perform it if no such succession had taken place.

18. Binding Effect. Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon the parties hereto and shall inure to the benefit of the parties and their respective heirs, devisees, executors, administrators, legal representatives, successors and assigns.

19. Amendment; Waiver. This Agreement shall not be amended, altered or modified except by an instrument in writing duly executed by the party against whom enforcement is sought. Neither the waiver by either of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of either of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

20. Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

21. Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Maryland (but not including any choice of law rule thereof that would cause the laws of another jurisdiction to apply).

22. Entire Agreement. This Agreement constitutes the entire agreement between the parties respecting the employment of the Executive and supersedes the Employment Agreement by and between the parties dated September 7, 2000 (the "Previous Agreement").

23. Counterparts. This Agreement may be executed in two counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

24. Withholding. The Employer may withhold from any benefit payment under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling; provided that any withholding obligation arising in connection with the exercise of a stock option or the transfer of stock or other property shall be satisfied through withholding an appropriate number of shares of stock or appropriate amount of such other property.

25. Definitions.

“Accrued Benefits” means (i) any compensation deferred by the Executive prior to the Date of Termination and not paid by the Employer or otherwise specifically addressed by this Agreement; (ii) all RSUs granted pursuant to this Agreement; (iii) any amounts or benefits owing to the Executive or to the Executive’s beneficiaries under the then applicable benefit plans of the Employer; (iv) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Date of Termination and which are reimbursable in accordance with Section 6; and (v) any other benefits or amounts due and owing to the Executive under the terms of any plan, program or arrangement of the Employer.

“Cause” shall be limited to the following events (i) the Executive’s conviction of, or plea of nolo contendere to, a felony (other than in connection with a traffic violation) under any state or federal law; (ii) the Executive’s willful and continued failure to substantially perform his essential job functions hereunder after receipt of written notice from the Employer that specifically identifies the manner in which the Executive has substantially failed to perform his essential job functions and specifying the manner in which the Executive may substantially perform his essential job functions in the future; (iii) a material act of fraud or willful and material misconduct with respect, in each case, to the Employer, by the Executive; (iv) a willful and material breach of Section 4 or Section 7(d)(i)(B) or (C); or (v) the hiring of any person who was an employee of the Employer within 180 days prior to such hiring, other than to perform services for the benefit of the Employer. For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Employer. Anything herein to the contrary notwithstanding, the Executive shall not be terminated for “Cause” hereunder unless (A) written notice stating the basis for the termination is provided to the Executive, (B) as to clauses (ii), (iii) or (iv) of this paragraph, he is given 30 days to cure the neglect or conduct that is the basis of such claim (it being understood that any errors in expense reimbursement may be cured by repayment), (C) if he fails to cure such neglect or conduct, the Executive has an opportunity to be heard with counsel of his choosing before the full Board prior to any vote regarding the existence of Cause and (D) there is a vote of a majority of the members of the Board, excluding the Executive, to terminate him for Cause.

“Change in Control” means the occurrence of one or more of the following events: (i) any “person” (as such terms is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934 as amended (the “Act”)) or “group” (as such term is used in Section 14(d)(d) of the Act) is or becomes a “beneficial owner” (as such term is used in Rule 13d-3 promulgated under the Act) of more than 30% of the Voting Stock of the Employer; (ii) the majority of the Board of Directors of the Employer (the “Board”) consists of individuals other than Incumbent Directors, which term means the members of the Board on the Effective Date; provided that any person becoming a director subsequent to such date whose election or nomination for election was supported by two-thirds of the directors who then comprised the Incumbent Directors shall be considered to be an Incumbent Director; (iii) the Employer adopts any plan of liquidation providing for the distribution of all or substantially all of its assets; (iv) the Employer transfers all or substantially all of its assets or business (unless the

shareholders of the Employer immediately prior to such transaction beneficially own, directly or indirectly, in substantially the same proportion as they owned the Voting Stock of the Employer, all of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Employer); or (v) any merger, reorganization, consolidation or similar transaction unless, immediately after consummation of such transaction, the shareholders of the Employer immediately prior to the transaction hold, directly or indirectly, more than 50% of the Voting Stock of the Employer or the Employer's ultimate parent company if the Employer is a subsidiary of another corporation (there being excluded from the number of shares held by such shareholders, but not from the Voting Stock of the combined company, any shares received by Affiliates of such other company in exchange for stock of such other company). For purposes of this Change in Control definition, the "Employer" shall include any entity that succeeds to all or substantially all of the business of the Employer and "Voting Stock" shall mean securities of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

"Company Affiliate" means any entity controlled by, in control of, or under common control with, the Employer.

"Company Confidential Information" means information known to the Executive to constitute trade secrets or proprietary information belonging to the Employer or other confidential financial information, operating budgets, strategic plans or research methods, personnel data, projects or plans, or non-public information regarding the terms of any existing or pending lending transaction between Employer and an existing or pending client or customer (as the phrase "client or customer" is defined in Section 7(d)(i) hereof), in each case, received by the Executive in the course of his employment by the Employer or in connection with his duties with the Employer. Notwithstanding anything to the contrary contained herein, the general skills, knowledge and experience gained during the Executive's employment with the Employer, information publicly available or generally known within the industry or trade in which the Employer competes and information or knowledge possessed by the Executive prior to his employment by the Employer, shall not be considered Company Confidential Information.

"Date of Termination" means (i) if the Executive's employment is terminated by the Executive's death, the date of the Executive's death; (ii) if the Executive's employment is terminated because of the Executive's Disability pursuant to Section 8(a)(ii)(A), 30 days after Notice of Termination, provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such 30-day period; (iii) if the Executive's employment is terminated by the Employer pursuant to Section 8(a)(ii)(B) or by the Executive pursuant to Section 8(a)(iii), the date specified in the Notice of Termination; or (iv) if the Executive's employment is terminated during the Employment Period other than pursuant to Section 8(a), the date on which Notice of Termination is given.

"Extended Term" shall have the meaning set forth in Section 2.

"Good Reason" means, unless otherwise agreed to in writing by the Executive, (i) any diminution or adverse change in the Executive's titles or positions; (ii) reduction in the Executive's Base Compensation; (iii) a requirement that the Executive report

to someone other than the Board (or the board of directors of the Employer's ultimate parent company if it is a subsidiary of another entity); (iv) a material diminution in the Executive's authority, responsibilities or duties or material interference with the Executive's carrying out his duties; (v) the assignment of duties inconsistent with the Executive's positions or status with the Employer as of the date hereof; (vi) a relocation of the Executive's primary place of employment to a location more than 25 miles further from the Executive's primary residence than the current location of the Employer's offices; (vii) any other material breach of the terms of this Agreement or any other agreement that breach is not cured within ten days after the Executive's delivery of a written notice of such breach to the Employer; (viii) any purported termination of the Executive's employment by the Employer that is not effected in accordance with the applicable provisions of this Agreement; (ix) the failure of the Employer to obtain the assumption in writing of its obligations under this Agreement by any successor to all or substantially all of the assets of the Employer within 15 days after a merger, consolidation, sale or similar transaction; or (x) the delivery of a notice of Non-Renewal by the Employer at any time up to and including April 4, 2023. In order to invoke a termination for Good Reason, the Executive must terminate his employment, if at all, within 30 days of the occurrence of any event of "Good Reason".

"Non-Compete Period" means the period commencing on the Effective Date and ending twelve months after the earlier of the expiration of the Employment Period or the Executive's Date of Termination.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement, or have caused this Agreement to be duly executed and delivered on their behalf.

CAPITALSOURCE INC.

By: /s/ Steven A. Museles

Name: Steven A. Museles

Title: Chief Legal Officer

EXECUTIVE

/s/ John K. Delaney

John K. Delaney

Exhibit A

Option Agreement – A Options

CAPITALSOURCE INC.

THIRD AMENDED AND RESTATED EQUITY INCENTIVE PLAN

NON-QUALIFIED OPTION AGREEMENT

June 6, 2006

CapitalSource Inc., a corporation organized under the laws of Delaware (the “Company”), hereby grants an option to purchase its shares of common stock, par value \$0.01 per share (“Common Stock”) to John K. Delaney (the “Optionee”). The terms and conditions of the option are set forth below and in the Company’s Third Amended and Restated Equity Incentive Plan (the “Plan”). Concurrently with the execution and delivery of this option agreement, the Company and the Optionee are entering into an employment agreement, dated as of the date hereof (the “Employment Agreement”).

Grant Date	June 6, 2006 (the “Grant Date”).
Number of Shares Covered	3,500,000 shares of Common Stock (the “Shares”).
Option Price per Share	\$23.72 per share of Common Stock (the “Option Price”).
Non-qualified Option	This option is not intended to be an incentive option under Section 422 of the Internal Revenue Code and will be interpreted accordingly.
Vesting	<p><u>General.</u> This option is exercisable only as to the vested portion of the Shares. The option may be exercised, in whole or in part, to purchase a whole number of vested Shares of not less than 100 Shares, unless the number of vested Shares purchased is the total number available for purchase under the option, by following the procedures set forth in the Plan and below in this Agreement.</p> <p><u>Normal Vesting.</u> Except as provided below, this option shall vest and become exercisable in three installments:</p> <p style="padding-left: 40px;">1,750,000 Shares subject to this option on June 6, 2006, 875,000 Shares subject to this option on January 1, 2007 and 875,000 Shares subject to this option on January 1, 2008.</p> <p><u>Accelerated Vesting.</u> Notwithstanding anything to the contrary contained herein, this option shall become 100% vested and exercisable on the Optionee’s termination of employment pursuant to Section 9(a), 9(b) or 9(d) of the Employment Agreement.</p>

Term Except as set forth in the two immediately succeeding bullet points, this option will expire in any event on June 6, 2016 (the “Expiration Date”).

The unvested portion of this option (determined after giving effect to any provision of this agreement that provides for accelerated vesting) will expire upon your termination of employment with the Company and its affiliates for any reason.

The vested portion of this option will expire prior to the Expiration Date if (and only if) the Company terminates your employment for Cause (as defined in the Employment Agreement).

Leaves of Absence For purposes of this option, your Service does not terminate when you go on a *bona fide* employee leave of absence that was approved by the Board of Directors of the Company (the “Board”) in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

The Board determines, in its sole discretion, which leaves count for this purpose, and when your Service terminates for all purposes under the Plan.

Notice of Exercise When you wish to exercise this option, you must notify the Company by filing the proper “Notice of Exercise” form at the address given on the form. Your notice must specify how many Shares you wish to purchase (in a parcel of at least 100 Shares generally). Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse’s names as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise this option after your death, that person must prove to the Company’s reasonable satisfaction that he or she is entitled to do so.

Form of Payment When you submit your notice of exercise, you must include payment of the Option Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:

- Cash, your personal check, a cashier’s check, a money order or another cash equivalent acceptable to the Company.
 - Shares which have already been owned by you and which are surrendered to the Company as long as there is no accounting charge
-

resulting from such payment. The value of the Shares, determined as of the effective date of the option exercise, will be applied to the option price.

– To the extent a public market for the Shares exists as determined by the Company, by delivery (on a form prescribed by the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate option price and any withholding taxes.

Alternatively, you may exercise all or any portion of this option in a “cashless exercise”, meaning that upon exercise of all or a portion of this option you shall not be required to pay the applicable exercise price and the Company shall deliver you the number of Shares that have an aggregate fair market value equal to the aggregate spread with respect to the portion of the option that is exercised.

Withholding Taxes

You will not be allowed to exercise this option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the option exercise or sale of Shares acquired under this option. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the exercise or sale of Shares arising from this grant, the Company shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Company or any Affiliate. In lieu of paying the Company the amount of taxes required to be withheld, you may direct the Company to withhold the number of Shares that have an aggregate fair market value equal to the Company's withholding obligation.

Transfer of Option

During your lifetime:

only you (or, in the event of your legal incapacity or incompetency, your guardian or legal representative) may exercise the option; and

you cannot transfer or assign this option. For instance, you may not sell this option or use it as security for a loan.

If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or it may be transferred upon your death by the laws of descent and distribution. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in this option in any other way.

Notwithstanding the restrictions on transfer in this section of the Agreement, the Board may authorize, in their sole discretion, the transfer of a vested option (in whole or in part) to a member of your immediate family or a trust for the benefit of your immediate family.

Retention Rights

Unless otherwise specified in the Employment Agreement, the Company (and any Affiliate) reserve the right to terminate your Service at any time and for any reason.

Shareholder Rights

You, or your estate or heirs, have no rights as a shareholder of the Company until the Shares have been issued upon exercise of this option and either a certificate evidencing your Shares has been issued or an appropriate entry has been made on the Company's books. No adjustments are made for distributions or other rights if the applicable record date occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan.

Adjustments

Notwithstanding any provision of the Plan to the contrary, in the event of a split, distribution, spin off or other similar transaction involving of any business or direct or indirect subsidiary of the Company (any such business, "Newco"), you will be granted a new option on Newco on such terms and conditions and this option will be equitably adjusted so that, on a combined basis immediately after such transaction, the economic benefit to you of this option will be preserved.

Notwithstanding any provision of the Plan to the contrary, in the event of a merger, reorganization, consolidation, amalgamation or other transaction in which all outstanding Shares are exchanged for, or converted into, stock of another entity, this option shall remain outstanding and shall be equitably converted into an option to acquire such stock on a basis so that immediately after such transaction, the economic benefit to you of this option (measured based on the total per Share consideration involved in such transaction) is preserved.

In the event of a liquidation of the Company or any transaction in which all outstanding Shares are exclusively exchanged for, or converted into, cash, this option shall be treated similarly to other outstanding options to acquire Shares granted by the Company to employees.

Unless otherwise consented to in writing by you, the "Adjustment" provisions set forth in this Agreement will exclusively govern this option and shall supersede any inconsistent provision of the Plan.

Applicable Law

This Non-Qualified Option Agreement will be interpreted and enforced

under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

**The Plan and the
Employment
Agreement**

The text of the Plan and the Employment Agreement are incorporated in this Non-Qualified Option Agreement by reference. *Certain capitalized terms used in this Non-Qualified Option Agreement are defined in the Plan or the Employment Agreement, and have the meaning set forth therein.*

This Non-Qualified Option Agreement, the Plan and the Employment Agreement constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded.

[Signature Page Follows]

By signing this Non-Qualified Option Agreement, you agree to all of the terms and conditions described herein, in the Plan and the Employment Agreement, copies of which are also attached. You acknowledge that you have carefully reviewed the Plan, and agree that the Plan will control in the event any provision of this Non-Qualified Option Agreement should appear to be inconsistent.

Optionee: /s/ John K. Delaney
(Signature)

CAPITALSOURCE INC.

By: /s/ Steven A. Museles
Name: Steven A. Museles
Title: Chief Legal Officer

This is not a stock certificate or a negotiable instrument.

Exhibit B

Option Agreement – B Options

CAPITALSOURCE INC.

THIRD AMENDED AND RESTATED EQUITY INCENTIVE PLAN

NON-QUALIFIED OPTION AGREEMENT

June 6, 2006

CapitalSource Inc., a corporation organized under the laws of Delaware (the “Company”), hereby grants an option to purchase its shares of common stock, par value \$0.01 per share (“Common Stock”) to John K. Delaney (the “Optionee”). The terms and conditions of the option are set forth below and in the Company’s Third Amended and Restated Equity Incentive Plan (the “Plan”). Concurrently with the execution and delivery of this option agreement, the Company and the Optionee are entering into an employment agreement, dated as of the date hereof (the “Employment Agreement”).

Grant Date June 6, 2006 (the “Grant Date”).

Number of Shares Covered 3,500,000 shares of Common Stock (the “Shares”).

Option Price per Share \$23.72 per share of Common Stock (the “Option Price”).

Non-qualified Option This option is not intended to be an incentive option under Section 422 of the Internal Revenue Code and will be interpreted accordingly.

Vesting General. This option is exercisable only as to the vested portion of the Shares. The option may be exercised, in whole or in part, to purchase a whole number of vested Shares of not less than 100 Shares, unless the number of vested Shares purchased is the total number available for purchase under the option, by following the procedures set forth in the Plan and below in this Agreement.

Normal Vesting. Except as provided below, this option shall vest and become exercisable as follows:

- 50% shall vest and become exercisable (i) on January 1, 2010 if the Performance Price (as defined below) has been achieved prior to such date, and if, the Performance Price has not been achieved, this portion of the option is terminated; and
- 50% shall vest and become exercisable (i) on January 1, 2011 if the Performance Price (as defined below) has been achieved prior to such date, and, if the Performance Price has not been achieved, this portion of the option is

terminated;
provided, however, that 33% of each of the two tranches shall vest and become exercisable on January 1, 2009 if the Performance Price (as defined below) has been achieved prior to such date, or, in the event it has not been achieved by such date but it is achieved prior to the termination of that tranche, on the date it is achieved.

Accelerated Vesting.

In the event of a termination of your employment pursuant to Section 9(a) or 9(b) prior to achievement of Performance Price, this option shall remain outstanding until twelve (12) months after your termination date and shall become vested and exercisable to the extent they would have vested had you continued employment for twelve (12) months.

In the event of a termination of your employment pursuant to Section 9(d) prior to achievement of Performance Price, this option shall remain outstanding until the Expiration Date and shall become vested and exercisable if the Performance Price is subsequently achieved to the extent they would have vested had you continued employment.

Notwithstanding anything to the contrary contained herein, this option shall become 100% vested and exercisable upon a Change in Control if the per Share price paid in connection with that Change in Control equals or exceeds \$32.00. If the per Share price paid in connection with that Change in Control does not equal or exceed \$32.00, then the option shall terminate.

The Performance Price shall be equitably adjusted to take into account any split, distribution, spin off or other similar transaction involving of any business or direct or indirect subsidiary of the Company or any other transaction pursuant to which this option is modified or converted into, or exchanged for, an option to acquire shares of another entity.

For purposes of this Non-Qualified Option Agreement:

“Average Price” means the average closing price of the Common Stock over any sixty (60) consecutive trading day period.

“Performance Price” means an Average Price equal to or exceeding \$32.00 per share.

Term

Except as set forth above, this option will expire in any event on June 6, 2016 (the “Expiration Date”).

Leaves of Absence

For purposes of this option, your Service does not terminate when you

go on a *bona fide* employee leave of absence that was approved by the Board of Directors of the Company (the “Board”) in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

The Board determines, in its sole discretion, which leaves count for this purpose, and when your Service terminates for all purposes under the Plan.

Notice of Exercise

When you wish to exercise this option, you must notify the Company by filing the proper “Notice of Exercise” form at the address given on the form. Your notice must specify how many Shares you wish to purchase (in a parcel of at least 100 Shares generally). Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse’s names as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise this option after your death, that person must prove to the Company’s reasonable satisfaction that he or she is entitled to do so.

Form of Payment

When you submit your notice of exercise, you must include payment of the Option Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:

- Cash, your personal check, a cashier’s check, a money order or another cash equivalent acceptable to the Company.
- Shares which have already been owned by you and which are surrendered to the Company as long as there is no accounting charge resulting from such payment. The value of the Shares, determined as of the effective date of the option exercise, will be applied to the option price.
- To the extent a public market for the Shares exists as determined by the Company, by delivery (on a form prescribed by the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate option price and any withholding taxes.

Alternatively, you may exercise all or any portion of this option in a “cashless exercise”, meaning that upon exercise of all or a portion of this option you shall not be required to pay the applicable exercise price and the Company shall deliver you the number of Shares that have an

aggregate fair market value equal to the aggregate spread with respect to the portion of the option that is exercised.

Withholding Taxes

You will not be allowed to exercise this option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the option exercise or sale of Shares acquired under this option. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the exercise or sale of Shares arising from this grant, the Company shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Company or any Affiliate. In lieu of paying the Company the amount of taxes required to be withheld, you may direct the Company to withhold the number of Shares that have an aggregate fair market value equal to the Company' s withholding obligation.

Transfer of Option

During your lifetime:

only you (or, in the event of your legal incapacity or incompetency, your guardian or legal representative) may exercise the option; and

you cannot transfer or assign this option. For instance, you may not sell this option or use it as security for a loan.

If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or it may be transferred upon your death by the laws of descent and distribution. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse' s interest in this option in any other way.

Notwithstanding the restrictions on transfer in this section of the Agreement, the Board may authorize, in their sole discretion, the transfer of a vested option (in whole or in part) to a member of your immediate family or a trust for the benefit of your immediate family.

Retention Rights

Unless otherwise specified in the Employment Agreement, the Company (and any Affiliate) reserve the right to terminate your Service at any time and for any reason.

Shareholder Rights

You, or your estate or heirs, have no rights as a shareholder of the Company until the Shares have been issued upon exercise of this option and either a certificate evidencing your Shares has been issued or an appropriate entry has been made on the Company' s books. No adjustments are made for distributions or other rights if the applicable record date occurs before your certificate is issued (or an appropriate

book entry is made), except as described in the Plan.

Adjustments

Notwithstanding any provision of the Plan to the contrary, in the event of a split, distribution, spin off or other similar transaction involving of any business or direct or indirect subsidiary of the Company (any such business, "Newco"), you will be granted a new option on Newco on such terms and conditions and this option will be equitably adjusted so that, on a combined basis immediately after such transaction, the economic benefit to you of this option will be preserved.

Except in the case of a Change in Control and notwithstanding any provision of the Plan to the contrary, in the event of a merger, reorganization, consolidation, amalgamation or other transaction in which all outstanding Shares are exchanged for, or converted into, stock of another entity, this option shall remain outstanding and shall be equitably converted into an option to acquire such stock on a basis so that immediately after such transaction, the economic benefit to you of this option (measured based on the total per Share consideration involved in such transaction) is preserved.

Unless otherwise consented to in writing by you, the "Adjustment" provisions set forth in this Agreement will exclusively govern this option and shall supersede any inconsistent provision of the Plan.

Applicable Law

This Non-Qualified Option Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

The Plan and the Employment Agreement

The text of the Plan and the Employment Agreement are incorporated in this Non-Qualified Option Agreement by reference. *Certain capitalized terms used in this Non-Qualified Option Agreement are defined in the Plan or the Employment Agreement, and have the meaning set forth therein.*

This Non-Qualified Option Agreement, the Plan and the Employment Agreement constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded.

[Signature Page Follows]

By signing this Non-Qualified Option Agreement, you agree to all of the terms and conditions described herein, in the Plan and the Employment Agreement, copies of which are also attached. You acknowledge that you have carefully reviewed the Plan, and agree that the Plan will control in the event any provision of this Non-Qualified Option Agreement should appear to be inconsistent.

Optionee: /s/ John K. Delaney
(Signature)

CAPITALSOURCE INC.

By: /s/ Steven A. Museles
Name: Steven A. Museles
Title: Chief Legal Officer

This is not a stock certificate or a negotiable instrument.

Exhibit C

General Release of Claims

Consistent with Section 9(e) of the Employment Agreement dated June 6, 2006 between me and CapitalSource Inc. (the "Employment Agreement") and in consideration for and contingent upon my receipt of the Severance Payments set forth in Section 9 of the Employment Agreement, I, for myself, my attorneys, heirs, executors, administrators, successors, and assigns, do hereby fully and forever release and discharge CapitalSource and its affiliated entities, as well as their predecessors, successors, assigns, and their current or former directors, officers, partners, agents, employees, attorneys, and administrators from all suits, causes of action, and/or claims, demands or entitlements of any nature whatsoever, whether known, unknown, or unforeseen, which I have or may have against any of them arising out of or in connection with my employment by CapitalSource, the Employment Agreement, the termination of my employment with CapitalSource, or any event, transaction, or matter occurring or existing on or before the date of my signing of this General Release, except that I am not releasing any claims arising under Sections 10, 11, or 12 of the Employment Agreement, any other right to indemnification that I may otherwise have, or any claims arising after the date of my signing this General Release. I agree not to file or otherwise institute any claim, demand or lawsuit seeking damages or other relief and not to otherwise assert any claims, demands or entitlements that are lawfully released herein. I further hereby irrevocably and unconditionally waive any and all rights to recover any relief or damages concerning the claims, demands or entitlements that are lawfully released herein. I represent and warrant that I have not previously filed or joined in any such claims, demands or entitlements against CapitalSource or the other persons released herein and that I will indemnify and hold them harmless from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such claims, demands or lawsuits.

This General Release specifically includes, but is not limited to, all claims of breach of contract, employment discrimination (including any claims coming within the scope of Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, and Article 49B of the Maryland Code, all as amended, or any other applicable federal, state, or local law), claims under the Employee Retirement Income Security Act, as amended, claims under the Fair Labor Standards Act, as amended (or any other applicable federal, state or local statute relating to payment of wages), claims concerning recruitment, hiring, termination, salary rate, severance pay, stock options, wages or benefits due, sick leave, holiday pay, vacation pay, life insurance, group medical insurance, any other fringe benefits, worker's compensation, termination, employment status, libel, slander, defamation, intentional or negligent misrepresentation and/or infliction of emotional distress, together with any and all tort, contract, or other claims which might have been asserted by me or on my behalf in any suit, charge of discrimination, or claim against CapitalSource or the persons released herein.

I acknowledge that I have been given an opportunity of twenty-one (21) days to consider this General Release and that I have been encouraged by CapitalSource to discuss fully the terms of this General Release with legal counsel of my own choosing. Moreover, for a period of seven (7) days following my execution of this General Release, I shall have the right to revoke the

waiver of claims arising under the Age Discrimination in Employment Act, a federal statute that prohibits employers from discriminating against employees who are age 40 or over. If I elect to revoke this General Release within this seven-day period, I must inform CapitalSource by delivering a written notice of revocation to CapitalSource's Director of Human Resources, 4445 Willard Avenue, 12th Floor, Chevy Chase, Maryland 20815, no later than 11:59 p.m. on the seventh calendar day after I sign this General Release. I understand that, if I elect to exercise this revocation right, this General Release shall be voided in its entirety at the election of CapitalSource and CapitalSource shall be relieved of all obligations to make the Severance Payments described in Section 9 of the Employment Agreement. I may, if I wish, elect to sign this General Release prior to the expiration of the 21-day consideration period, and I agree that if I elect to do so, my election is made freely and voluntarily and after having an opportunity to consult counsel.

AGREED:

John K. Delaney

Date

Exhibit D

General Release of Claims by CapitalSource

Consistent with Section 9(e) of the Employment Agreement dated June 6, 2006 between CapitalSource Inc. and John K. Delaney (the "Employment Agreement") and in consideration for and contingent upon Executive's execution of a general release of claims in favor of CapitalSource in the form required by the Employment Agreement (and provided that he does not revoke it in the event that it is revocable), CapitalSource, for itself and its affiliated entities, as well as their predecessors, successors, assigns, and their current or former directors, officers, partners, agents, employees, attorneys, and administrators do hereby fully and forever release and discharge Executive and his attorneys, heirs, executors, administrators, successors, and assigns, from all suits, causes of action, and/or claims, demands or entitlements of any nature whatsoever which CapitalSource has or may have against any of them which are known to it as of the date of its executing this General Release and arising out of or in connection with Executive's employment by CapitalSource, the Employment Agreement, the termination of Executive's employment with CapitalSource, or any event, transaction, or matter occurring or existing on or before the date of CapitalSource's signing of this General Release. CapitalSource agrees not to file or otherwise institute any claim, demand or lawsuit seeking damages or other relief and not to otherwise assert any claims, demands or entitlements that are lawfully released herein. CapitalSource further hereby irrevocably and unconditionally waives any and all rights to recover any relief or damages concerning the claims, demands or entitlements that are lawfully released herein. CapitalSource represents and warrants that it has not previously filed or joined in any such claims, demands or entitlements against Executive or the other persons released herein and that it will indemnify and hold them harmless from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such claims, demands or lawsuits.

This General Release specifically includes, but is not limited to, all known claims of breach of contract, tortious conduct, or breach of fiduciary duty, together with any and all known tort, contract, or other known claims which might have been asserted by CapitalSource or on its behalf in any suit or claim against Executive or the persons released herein.

CapitalSource acknowledges and agrees that it has been given a more than sufficient period of time to consider this General Release and that it have been encouraged by Executive to discuss fully the terms of this General Release with legal counsel of its own

choosing. CapitalSource further acknowledges and agrees that its execution of this General Release is made freely and voluntarily and not under duress or coercion of any kind.

AGREED:

CapitalSource

Date

By: _____,
Name

Title

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (“Agreement”) is entered into as of the 6th day of June, 2006 (the “Effective Date”), by and between CapitalSource Inc., a Delaware corporation (the “Employer” or the “Company”), and Jason M. Fish, an individual (the “Executive”).

WHEREAS, the Executive is currently employed as the Vice Chairman of the Company’s Board of Directors (the “Board”) and Chief Investment Officer of the Company; and

WHEREAS, the Employer and the Executive desire to enter into this Agreement to set out the terms and conditions for the continued employment relationship of the Executive with the Employer.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Employment Agreement. On the terms and conditions set forth in this Agreement, the Employer agrees to continue to employ the Executive and the Executive agrees to continue to be employed by the Employer for the Employment Period set forth in Section 2 and in the positions and with the duties set forth in Section 3. Terms used herein with initial capitalization not otherwise defined are defined in Section 25.

2. Term. The initial term of employment under this Agreement shall be for a one-year period commencing on the Effective Date (the “Initial Term”). The term of employment shall be automatically extended for an additional consecutive 12-month period (the “Extended Term”) on June 6, 2007 and each subsequent June 6, unless and until the Employer or Executive provides written notice to the other party in accordance with Section 13 hereof not less than 60 days before such anniversary date that such party is electing not to extend the term of employment under this Agreement (“Non-Renewal”), in which case the term of employment hereunder shall end as of the end of such Initial Term or Extended Term, as the case may be, unless sooner terminated as hereinafter set forth. Such Initial Term and all such Extended Terms are collectively referred to herein as the “Employment Period.” Anything herein to the contrary notwithstanding, if on the date of a Change in Control the remaining term of the Employment Period is less than 24 months, the Employment Period shall be automatically extended to the end of the 24-month period following such Change in Control.

3. Position and Duties. During the Employment Period, the Executive shall serve as Vice Chairman of the Board, a member of the Board and Chief Investment Officer of the Employer. In such capacities, the Executive shall report directly and exclusively to the Board (or, if the Employer becomes a subsidiary of a different entity, the board of directors of the Employer’s ultimate parent company). During the Employment Period, the Executive shall have the powers and authority customarily exercised by individuals serving as chief investment

officer of a company of the size and nature of the Employer. The Executive shall devote the Executive's reasonable best efforts and full business time to the performance of the Executive's duties hereunder and the advancement of the business and affairs of the Employer; provided that the Executive shall be entitled to serve as a member of the board of directors of a reasonable number of other companies, to serve on civic, charitable, educational, religious, public interest or public service boards, and to manage the Executive's personal and family investments, in each case, to the extent such activities do not materially interfere with the performance of the Executive's duties and responsibilities hereunder.

4. Place of Performance. During the Employment Period, the Executive shall be based primarily at a principal office of the Employer designated by the Employer in San Francisco, California, except for reasonable travel on the Employer's business consistent with the Executive's position.

5. Compensation and Benefits; Options; Change in Control.

(a) Base Salary. During the Employment Period, the Employer shall pay to the Executive a base salary (the "Base Salary") at the rate of no less than \$400,000 per calendar year, less applicable deductions, and prorated for any partial year. The Base Salary shall be reviewed for increase by the Employer no less frequently than annually and shall be increased in the discretion of the Employer and any such adjusted Base Salary shall constitute the "Base Salary" for purposes of this Agreement. The Base Salary shall be paid in substantially equal installments in accordance with the Employer's regular payroll procedures. The Executive's Base Salary may not be decreased during the Employment Period.

(e) Vacation; Benefits. During the Employment Period, the Executive shall be entitled to six weeks vacation annually. In addition, the Employer shall provide to the Executive employee benefits and perquisites on a basis that is no less favorable to that provided to any other senior officer of the Company. Subject to the terms of this Agreement, all benefits are provided at the Employer's sole discretion. Subject to the terms of this Agreement, the Employer shall have the right to change insurance carriers and to adopt, amend, terminate or modify employee benefit plans and arrangements at any time and without the consent of the Executive.

(f) Equity Awards. Contemporaneously with the execution and delivery of this Agreement by the parties, the Employer hereby grants the options to purchase 700,000 shares of Stock pursuant to the Option Agreement attached hereto as Exhibit A (the "Options"). For calendar years after 2006, the parties will mutually agree upon an appropriate equity award, if any.

6. Expenses. The Executive is expected and is authorized to incur reasonable expenses in the performance of his duties hereunder. The Employer shall reimburse the Executive for all such expenses reasonably and actually incurred in accordance with policies which may be adopted from time to time by the Employer promptly upon periodic presentation by the Executive of an itemized account, including reasonable substantiation, of such expenses.

7. Confidentiality, Non-Disclosure and Non-Competition Agreement. The Employer and the Executive acknowledge and agree that during the Executive' s employment with the Employer, the Executive will have access to and may assist in developing Company Confidential Information and will occupy a position of trust and confidence with respect to the Employer' s affairs and business and the affairs and business of the Company Affiliates. The Executive agrees that the following obligations are necessary to preserve the confidential and proprietary nature of Company Confidential Information and to protect the Employer and the Company Affiliates against harmful solicitation of employees and customers, harmful competition and other actions by the Executive that would result in serious adverse consequences for the Employer and the Company Affiliates:

(a) Non-Disclosure. During and after the Executive' s employment with the Employer, the Executive will not knowingly use, disclose or transfer any Company Confidential Information other than as authorized in writing by the Employer or within the scope of the Executive' s duties with the Employer as determined reasonably and in good faith by the Executive. Anything herein to the contrary notwithstanding, the provisions of this Section 7(a) shall not apply (i) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Executive to disclose or make accessible any information; (ii) with respect to any other litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement; (iii) as to information that becomes generally known to the public or within the relevant trade or industry other than due to the Executive' s violation of this Section 7(a); (iv) as to information that is or becomes available to the Executive on a non-confidential basis from a source which is entitled to disclose it to the Executive; or (v) as to information that the Executive possessed prior to the commencement of employment with the Employer.

(b) Materials. The Executive will not remove any Company Confidential Information or any other property of the Employer or any Company Affiliate from the Employer' s premises or make copies of such materials except for normal and customary use in the Employer' s business as determined reasonably and in good faith by the Executive. The Employer acknowledges that the Executive, in the ordinary course of his duties, routinely uses and stores Company Confidential Information at home and other locations. The Executive will return to the Employer all Company Confidential Information and copies thereof and all other property of the Employer or any Company Affiliate at any time upon the request of the Employer and in any event promptly after termination of Executive' s employment. The Executive agrees to attempt in good faith to identify and return to the Employer any copies of any Company Confidential Information after the Executive ceases to be employed by the Employer. Anything to the contrary notwithstanding, nothing in this Section 7 shall prevent the Executive from retaining a home computer, papers and other materials of a personal nature, including diaries, calendars and Rolodexes, information relating to his compensation or relating to reimbursement of expenses, information that he reasonably believes may be needed for tax purposes, and copies of plans, programs and agreements relating to his employment.

(c) No Solicitation or Hiring of Employees. During the Non-Compete Period, the Executive shall not solicit, entice, persuade or induce any individual who is employed

by the Employer or the Company Affiliates (or who was so employed within 180 days prior to the Executive' s action) to terminate or refrain from continuing such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Employer or the Company Affiliates, and the Executive shall not hire, directly or indirectly, as an employee, consultant or otherwise, any such person. Anything to the contrary notwithstanding, the Employer agrees that (i) the Executive' s responding to an unsolicited request from any former employee of the Employer for advice on employment matters; and (ii) the Executive' s responding to an unsolicited request for an employment reference regarding any former employee of the Employer from such former employee, or from a third party, by providing a reference setting forth his personal views about such former employee, shall not be deemed a violation of this Section 7(c). Notwithstanding the foregoing, this Section 7(c) shall not preclude the Executive from soliciting for employment or hiring any person who has been discharged by the Employer or any Company Affiliate without cause.

(d) Non-Competition.

(i) During the Non-Compete Period, the Executive shall not, directly or indirectly, (A) solicit or encourage any client or customer of the Employer or a Company Affiliate, or any person or entity who was a client or customer within 180 days prior to Executive' s action to terminate, reduce or alter in a manner adverse to the Employer, any existing business arrangements with the Employer or a Company Affiliate or to transfer existing business from the Employer or a Company Affiliate to any other person or entity, (B) provide services anywhere in the United States to any entity if (i) during the preceding 12 months more than 5% of the revenues of such entity and its affiliates is derived from any business from which the Employer derived more than 5% of its revenue during such period (a "Material Business") or (ii) the services to be provided by the Executive are competitive with a Material Business and substantially similar to those previously provided by the Executive to a Material Business; provided, however, that following a Change in Control this Section 7(d)(i)(B)(i) shall not apply to the Executive, or (C) own an interest in any entity described in subsection (B)(i) immediately above; provided, however, that Executive may own, as a passive investor, securities of any such entity that has outstanding publicly traded securities so long as his direct holdings in any such entity shall not in the aggregate constitute more than 5% of the voting power of such entity. For purposes of this Section 7(d), a "client or customer" shall be limited to any actual borrower of the Employer (as set forth in the Employer' s CAM or substantially similar successor or related system) and any other entity in the "term sheet issued," "term sheet executed" or "credit committee approved" categories listed in the Employer' s DealTracker or substantially similar successor or related system. The Executive agrees that, before providing services, whether as an employee or consultant, to any entity during the Non-Compete Period, he will provide a copy of this Agreement to such entity, and such entity shall acknowledge to the Employer in writing that it has read this Agreement. The Executive acknowledges that this covenant has a unique, very substantial and immeasurable value to the Employer, that the Executive has sufficient assets and skills to provide a livelihood for the Executive while such covenant remains in force and that, as a result of the foregoing, in the event that the Executive breaches such covenant, monetary damages would be an insufficient remedy for the Employer and equitable enforcement of the covenant would be proper.

(ii) If the restrictions contained in Section 7(d)(i) shall be determined by any court of competent jurisdiction to be unenforceable by reason of their extending for too great a period of time or over too great a geographical area or by reason of their being too extensive in any other respect, Section 7(d)(i) shall be modified to be effective for the maximum period of time for which it may be enforceable and over the maximum geographical area as to which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable.

(e) Publicity. During the Employment Period, the Executive hereby grants to the Employer the right to use, in a reasonable and appropriate manner, the Executive's name and likeness, without additional consideration, on, in and in connection with technical, marketing or disclosure materials, or any combination thereof, published by or for the Employer or any Company Affiliate.

(f) Conflicting Obligations and Rights. The Executive agrees to inform the Employer of any apparent conflicts between the Executive's work for the Employer and any obligations the Executive may have to preserve the confidentiality of another's proprietary information or related materials before using the same on the Employer's behalf. The Employer shall receive such disclosures in confidence and consistent with the objectives of avoiding any conflict of obligations and rights or the appearance of any conflict of interest.

(g) Enforcement. The Executive acknowledges that in the event of any breach of this Section 7, the business interests of the Employer and the Company Affiliates will be irreparably injured, the full extent of the damages to the Employer and the Company Affiliates will be impossible to ascertain, monetary damages will not be an adequate remedy for the Employer and the Company Affiliates, and the Employer will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Executive expressly waives. The Executive understands that the Employer may waive some of the requirements expressed in this Agreement, but that such a waiver to be effective must be made in writing and should not in any way be deemed a waiver of the Employer's right to enforce any other requirements or provisions of this Agreement. The Executive agrees that each of the Executive's obligations specified in this Agreement is a separate and independent covenant and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in this Agreement. The Executive further agrees that any breach of this Agreement by the Employer prior to the Date of Termination shall not release the Executive from compliance with his obligations under this Section 7, so long as the Employer fully complies with Sections 9, 10, 11, and 12. The Employer further agrees that any breach of this Agreement by the Executive that does not result in the Executive's being terminated for Cause, other than a willful (as defined in the definition of "Cause") and material breach of Sections 7(d)(i)(B) or 7(d)(i)(C) after his employment has terminated, shall not release the Employer from compliance with its obligations under this Agreement. Notwithstanding the foregoing two sentences, neither party shall be precluded from pursuing judicial remedies as a result of any such breaches.

8. Termination of Employment.

(a) Permitted Terminations. The Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

(i) Death. The Executive's employment hereunder shall terminate upon the Executive's death;

(ii) By the Employer. The Employer may terminate the Executive's employment:

(A) Disability. If the Executive shall have been substantially unable to perform the Executive's material duties hereunder by reason of illness, physical or mental disability or other similar incapacity, which inability shall continue for 180 consecutive days or 270 days in any 24-month period (a "Disability") (provided, that until such termination, the Executive shall continue to receive his compensation and benefits hereunder, reduced by any benefits payable to him under any disability insurance policy or plan applicable to him or her); or

(B) Cause. For Cause or without Cause;

(iii) By the Executive. The Executive may terminate his employment for any reason (including Good Reason) or for no reason.

(b) Termination. Any termination of the Executive's employment by the Employer or the Executive (other than because of the Executive's death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Termination of the Executive's employment shall take effect on the Date of Termination. The Executive agrees, in the event of any dispute under Section 8(a)(ii)(A) as to whether a Disability exists, and if requested by the Employer, to submit to a physical examination by a licensed physician selected by mutual consent of the Employer and the Executive, the cost of such examination to be paid by the Employer. The written medical opinion of such physician shall be conclusive and binding upon each of the parties hereto as to whether a Disability exists and the date when such Disability arose. This Section shall be interpreted and applied so as to comply with the provisions of the Americans with Disabilities Act and any applicable state or local laws.

9. Compensation Upon Termination.

(a) Death. If the Executive's employment is terminated during the Employment Period as a result of the Executive's death, this Agreement and the Employment Period shall terminate without further notice or any action required by the Employer or the Executive's legal representatives. Upon the Executive's death, the Employer shall pay or provide the following: (i) the Employer shall pay to the Executive's legal representative or estate, as applicable, the Executive's Base Salary due through the Executive's Date of Termination; and (ii)

the Employer shall pay to the Executive's legal representative or estate, as applicable, the Accrued Benefits and the rights of the Executive's legal representative or estate with respect to equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreement.

The Employer shall pay to the Executive's estate, or as may be directed by the legal representatives of such estate, the Executive's Accrued Benefits due pursuant to Section 9(a)(ii), at the time such payments are due. Except as set forth herein, the Employer shall have no further obligation to the Executive under this Agreement.

(b) Disability. If the Employer terminates the Executive's employment during the Employment Period because of the Executive's Disability pursuant to Section 8(a)(ii)(A), (i) the Employer shall pay to the Executive the Executive's Base Salary due through the Executive's Date of Termination, (ii) all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination at the time such payments are due, and (iii) subject to the terms of the agreements covering the Options, all outstanding equity awards held by the Executive immediately prior to his termination shall immediately vest with outstanding options remaining exercisable for the length of their remaining term. Except as set forth herein, the Employer shall have no further obligations to the Executive under this Agreement.

(c) Termination by the Employer for Cause or by the Executive without Good Reason. If, during the Employment Period, the Employer terminates the Executive's employment for Cause pursuant to Section 8(a)(ii)(B) or the Executive terminates his employment without Good Reason, the Employer shall pay to the Executive the Executive's Base Salary due through the Date of Termination and all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination, at the time such payments are due, and the Executive's rights with respect to equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreement.

(d) Termination by the Employer without Cause or by the Executive with Good Reason. If the Employer terminates the Executive's employment during the Employment Period other than for Cause or Disability pursuant to Section 8(a) or if the Executive terminates his employment hereunder with Good Reason, (i) the Employer shall pay the Executive (A) the Executive's Base Salary due through the end of the Employment Period, and (B) all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination, in each case at the time such payments are due; (ii) (A) subject to the terms of the agreements covering the Options, all deferred compensation credited on the Executive's behalf and all equity or equity-related awards held by, or credited to, the Executive (including, without limitation, stock options, stock appreciation rights, restricted stock awards, dividend equivalent rights, restricted stock units or deferred stock awards) shall immediately vest and, if applicable, become exercisable, (B) all stock options, stock appreciation rights or other similar rights held by the Executive (including the Options) shall remain exercisable for the remainder of their originally scheduled terms, and (C) all deferred compensation or other equity or equity-related awards will, to the extent applicable, be transferred or distributed to the Executive within 10 days of the Executive's Date of Termination; and (iii) the Executive and his covered dependents shall

be entitled to continued participation on the same terms and conditions as applicable immediately prior to the Executive's Date of Termination for 24 months in such medical, dental, hospitalization and life insurance coverages in which the Executive and his eligible dependents were participating immediately prior to the Date of Termination; provided that if such continued coverage is not permitted under the terms of such benefit plans, the Employer shall pay Executive an additional amount that, on an after-tax basis, is equal to the cost of comparable coverage obtained by Executive.

(e) Liquidated Damages. The parties acknowledge and agree that damages which will result to the Executive for termination by the Employer of the Executive's employment without Cause or by the Executive for Good Reason shall be extremely difficult or impossible to establish or prove, and agree that the amounts payable to the Executive under Section 9(d) (the "Severance Payments") shall constitute liquidated damages for any such termination. The Executive agrees that, except for such other payments and benefits to which the Executive may be entitled as expressly provided by the terms of this Agreement or any other applicable benefit plan, such liquidated damages shall be in lieu of all other claims that the Executive may make by reason of any such termination of his employment and that, as a condition to receiving the Severance Payments, the Executive will execute a release of claims substantially in the form of the release attached hereto as Exhibit B. Within two business days of the Date of Termination, the Employer shall deliver to the Executive the appropriate form of release of claims for the Executive to execute. The Severance Payments shall be made within three business days of Employer's receipt of the release of claims if the Executive is under 40 years old on the date on which such release is signed, or within three business days of the expiration of the revocation period without the release being revoked if the Executive is 40 years old or older on the date on which such release is signed. In addition, the Employer will execute a release of claims substantially in the form of the release attached hereto as Exhibit C and will deliver such release to the Executive along with the Severance Payments.

(f) No Offset. In the event of termination of his employment, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due to him on account of any remuneration or benefits provided by any subsequent employment he may obtain. The Employer's obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Employer or its affiliates may have against him for any reason.

(g) Section 409A. To the extent the Executive would be subject to the additional 20% tax imposed on certain deferred compensation arrangements pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such tax and the parties shall promptly execute any amendment reasonably necessary to implement this Section 9(g).

10. Certain Additional Payments by the Employer.

(a) If it shall be determined that any benefit provided to the Executive or payment or distribution by or for the account of the Employer to or for the benefit of the Executive, whether provided, paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the Executive with respect to such excise tax resulting from any action or inaction by the Employer (such excise tax, together with any such interest and penalties, collectively, the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of the Excise Tax and all other income, employment, excise and other taxes that are imposed on the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the sum of (A) the Excise Tax imposed upon the Payments and (B) the product of any deductions disallowed because of the inclusion of the Gross-up Payment in the Executive's adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made.

(b) Subject to the provisions of Section 10(d), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Employer's independent, certified public accounting firm or such other certified public accounting firm as may be designated by the Executive and shall be reasonably acceptable to the Employer (the "Accounting Firm") which shall provide detailed supporting calculations both to the Employer and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Employer. If the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a change in the ownership or effective control (as defined for purposes of Section 280G of the Code) of the Employer, the Executive shall appoint another nationally recognized accounting firm which is reasonably acceptable to the Employer to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Employer. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Employer to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Employer and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that additional Gross-Up Payments shall be required to be made to compensate the Executive for amounts of Excise Tax later determined to be due, consistent with the calculations required to be made hereunder (an "Underpayment"). If the Employer exhausts its remedies pursuant to Section 10(c) and the Executive is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Employer to or for the benefit of the Executive.

(c) The Executive shall notify the Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Employer of

the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after the Executive is informed in writing of such claim and shall apprise the Employer of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Employer (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Employer notifies the Executive in writing prior to the expiration of such period that they desire to contest such claim, the Executive shall:

- (i) give the Employer any information reasonably requested by the Employer relating to such claim;
- (ii) take such action in connection with contesting such claim as the Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Employer;
- (iii) cooperate with the Employer in good faith effectively to contest such claim; and
- (iv) permit the Employer to participate in any proceedings relating to such claim; provided, however, that the Employer shall bear and pay directly all costs and expenses (including additional interest and penalties incurred in connection with such contest) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

11. **Indemnification.** During the Employment Period and thereafter, the Employer agrees to indemnify and hold the Executive and the Executive's heirs and representatives harmless, to the maximum extent permitted by law, against any and all damages, costs, liabilities, losses and expenses (including reasonable attorneys' fees) as a result of any claim or proceeding (whether civil, criminal, administrative or investigative), or any threatened claim or proceeding (whether civil, criminal, administrative or investigative), against the Executive that arises out of or relates to the Executive's service as an officer, director or employee, as the case may be, of the Employer, or the Executive's service in any such capacity or similar capacity with an affiliate of the Employer or other entity at the request of the Employer, both prior to and after the Effective Date, and to promptly advance to the Executive or the Executive's heirs or representatives such expenses upon written request with appropriate documentation of such expense upon receipt of an undertaking by the Executive or on the Executive's behalf to repay such amount if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Employer. During the Employment Period and thereafter, the Employer also shall provide the Executive with coverage under its current directors' and officers' liability policy to the same extent that it provides such coverage to its other executive officers. If the Executive has any knowledge of any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, as to which the Executive may request indemnity under this provision, the Executive will give the Employer prompt

written notice thereof; provided that the failure to give such notice shall not affect the Executive's right to indemnification. The Employer shall be entitled to assume the defense of any such proceeding and the Executive will use reasonable efforts to cooperate with such defense. To the extent that the Executive in good faith determines that there is an actual or potential conflict of interest between the Employer and the Executive in connection with the defense of a proceeding, the Executive shall so notify the Employer and shall be entitled to separate representation at the Employer's expense by counsel selected by the Executive (provided that the Employer may reasonably object to the selection of counsel within ten (10) business days after notification thereof) which counsel shall cooperate, and coordinate the defense, with the Employer's counsel and minimize the expense of such separate representation to the extent consistent with the Executive's separate defense. This Section 11 shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

12. Attorney's Fees. The Employer shall advance the Executive (and his beneficiaries) any and all costs and expenses (including without limitation attorneys' fees and other charges of counsel) incurred by the Executive (or any of his beneficiaries) in resolving any controversy, dispute or claim arising out of or relating to this Agreement, any other agreement or arrangement between the Executive and the Employer, the Executive's employment with the Employer, or the termination thereof; provided that the Executive shall reimburse the Employer any advances on a net after-tax basis to cover expenses incurred by the Executive for claims (a) brought by the Employer on account of the Executive's alleged breach of Section 7 of this Agreement, breach of the Executive's fiduciary duty of loyalty, or fraud or material misconduct, if it is judicially determined that the Employer is the prevailing party, or (b) brought by the Executive that are judicially determined to be frivolous or advanced in bad faith. Pending the resolution of any such claim, the Executive (and his beneficiaries) shall continue to receive all payments and benefits described in Section 5 of this Agreement. This Section 12 shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

13. Notices. All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, mailed by first-class registered or certified mail, return receipt requested, postage prepaid, delivered by overnight air courier, or transmitted by facsimile transmission addressed as follows:

(i) If to the Employer:

CapitalSource Finance LLC
4445 Willard Avenue, 12th Floor
Chevy Chase, Maryland 20815
Attn: Chief Legal Officer
Facsimile Number: 301-841-2380

(ii) If to the Executive:

Jason M. Fish

Address last shown on the Employer' s Records

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication that shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, confirmation of facsimile transmission or the affidavit of messenger being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

14. Severability. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

15. Effect on Other Agreements. The provisions of this Agreement shall supersede the terms of any plan, policy, agreement, award or other arrangement of the Employer (whether entered into before or after the Effective Date) to the extent application of the terms of this Agreement is more favorable to the Executive.

16. Survival. It is the express intention and agreement of the parties hereto that the provisions of Sections 7, 9, 10, 11, 12, 13, 15, 17, 18, 19, 21, 22 and 24 hereof and this Section 16 shall survive the termination of employment of the Executive. In addition, all obligations of the Employer to make payments hereunder shall survive any termination of this Agreement on the terms and conditions set forth herein.

17. Assignment. The rights and obligations of the parties to this Agreement shall not be assignable or delegable, except that (i) in the event of the Executive' s death, the personal representative or legatees or distributees of the Executive' s estate, as the case may be, shall have the right to receive any amount owing and unpaid to the Executive hereunder and (ii) the rights and obligations of the Employer hereunder shall be assignable and delegable in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or equity interests of the Employer or similar transaction involving the Employer or a successor corporation. The Employer shall require any successor to the Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Employer would be required to perform it if no such succession had taken place.

18. Binding Effect. Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon the parties hereto and shall inure to the benefit of the parties and their respective heirs, devisees, executors, administrators, legal representatives, successors and assigns.

19. Amendment; Waiver. This Agreement shall not be amended, altered or modified except by an instrument in writing duly executed by the party against whom

enforcement is sought. Neither the waiver by either of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of either of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

20. Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

21. Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Maryland (but not including any choice of law rule thereof that would cause the laws of another jurisdiction to apply).

22. Entire Agreement. This Agreement constitutes the entire agreement between the parties respecting the employment of the Executive and supersedes the Employment Agreement by and between the parties dated September 7, 2000 (the "Previous Agreement").

23. Counterparts. This Agreement may be executed in two counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

24. Withholding. The Employer may withhold from any benefit payment under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling; provided that any withholding obligation arising in connection with the exercise of a stock option or the transfer of stock or other property shall be satisfied through withholding an appropriate number of shares of stock or appropriate amount of such other property.

25. Definitions.

"Accrued Benefits" means (i) any compensation deferred by the Executive prior to the Date of Termination and not paid by the Employer or otherwise specifically addressed by this Agreement; (ii) any amounts or benefits owing to the Executive or to the Executive's beneficiaries under the then applicable benefit plans of the Employer; (iii) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Date of Termination and which are reimbursable in accordance with Section 6; and (iv) any other benefits or amounts due and owing to the Executive under the terms of any plan, program or arrangement of the Employer.

"Cause" shall be limited to the following events (i) the Executive's conviction of, or plea of nolo contendere to, a felony (other than in connection with a traffic violation) under any state or federal law; (ii) the Executive's willful and continued failure to

substantially perform his essential job functions hereunder after receipt of written notice from the Employer that specifically identifies the manner in which the Executive has substantially failed to perform his essential job functions and specifying the manner in which the Executive may substantially perform his essential job functions in the future; (iii) a material act of fraud or willful and material misconduct with respect, in each case, to the Employer, by the Executive; (iv) a willful and material breach of Section 4 or Section 7(d)(i)(B) or (C); or (v) the hiring of any person who was an employee of the Employer within 180 days prior to such hiring, other than to perform services for the benefit of the Employer. For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Employer. Anything herein to the contrary notwithstanding, the Executive shall not be terminated for “Cause” hereunder unless (A) written notice stating the basis for the termination is provided to the Executive, (B) as to clauses (ii), (iii) or (iv) of this paragraph, he is given 30 days to cure the neglect or conduct that is the basis of such claim (it being understood that any errors in expense reimbursement may be cured by repayment), (C) if he fails to cure such neglect or conduct, the Executive has an opportunity to be heard with counsel of his choosing before the full Board prior to any vote regarding the existence of Cause and (D) there is a vote of a majority of the members of the Board, excluding the Executive, to terminate him for Cause.

“Change in Control” means the occurrence of one or more of the following events: (i) any “person” (as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934 as amended (the “Act”)) or “group” (as such term is used in Section 14(d)(d) of the Act) is or becomes a “beneficial owner” (as such term is used in Rule 13d-3 promulgated under the Act) of more than 30% of the Voting Stock of the Employer; (ii) the majority of the Board of Directors of the Employer (the “Board”) consists of individuals other than Incumbent Directors, which term means the members of the Board on the Effective Date; provided that any person becoming a director subsequent to such date whose election or nomination for election was supported by two-thirds of the directors who then comprised the Incumbent Directors shall be considered to be an Incumbent Director; (iii) the Employer adopts any plan of liquidation providing for the distribution of all or substantially all of its assets; (iv) the Employer transfers all or substantially all of its assets or business (unless the shareholders of the Employer immediately prior to such transaction beneficially own, directly or indirectly, in substantially the same proportion as they owned the Voting Stock of the Employer, all of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Employer); or (v) any merger, reorganization, consolidation or similar transaction unless, immediately after consummation of such transaction, the shareholders of the Employer immediately prior to the transaction hold, directly or indirectly, more than 50% of the Voting Stock of the Employer or the Employer’s ultimate parent company if the Employer is a subsidiary of another corporation (there being excluded from the number of shares held by such shareholders, but not from the Voting Stock of the combined company, any shares received by Affiliates of such other company in exchange for stock of such other company). For purposes of this Change in Control definition, the “Employer” shall include any entity that succeeds to all or substantially all of the business of the Employer and “Voting Stock” shall mean securities of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

“Company Affiliate” means any entity controlled by, in control of, or under common control with, the Employer.

“Company Confidential Information” means information known to the Executive to constitute trade secrets or proprietary information belonging to the Employer or other confidential financial information, operating budgets, strategic plans or research methods, personnel data, projects or plans, or non-public information regarding the terms of any existing or pending lending transaction between Employer and an existing or pending client or customer (as the phrase “client or customer” is defined in Section 7(d)(i) hereof), in each case, received by the Executive in the course of his employment by the Employer or in connection with his duties with the Employer. Notwithstanding anything to the contrary contained herein, the general skills, knowledge and experience gained during the Executive’s employment with the Employer, information publicly available or generally known within the industry or trade in which the Employer competes and information or knowledge possessed by the Executive prior to his employment by the Employer, shall not be considered Company Confidential Information.

“Date of Termination” means (i) if the Executive’s employment is terminated by the Executive’s death, the date of the Executive’s death; (ii) if the Executive’s employment is terminated because of the Executive’s Disability pursuant to Section 8(a)(ii)(A), 30 days after Notice of Termination, provided that the Executive shall not have returned to the performance of the Executive’s duties on a full-time basis during such 30-day period; (iii) if the Executive’s employment is terminated by the Employer pursuant to Section 8(a)(ii)(B) or by the Executive pursuant to Section 8(a)(iii), the date specified in the Notice of Termination; or (iv) if the Executive’s employment is terminated during the Employment Period other than pursuant to Section 8(a), the date on which Notice of Termination is given.

“Extended Term” shall have the meaning set forth in Section 2.

“Good Reason” means, unless otherwise agreed to in writing by the Executive, (i) any diminution or adverse change in the Executive’s titles or positions; (ii) reduction in the Executive’s Base Compensation; (iii) a requirement that the Executive report to someone other than the Board (or the board of directors of the Employer’s ultimate parent company if it is a subsidiary of another entity); (iv) a material diminution in the Executive’s authority, responsibilities or duties or material interference with the Executive’s carrying out his duties; (v) the assignment of duties inconsistent with the Executive’s positions or status with the Employer as of the date hereof; (vi) a relocation of the Executive’s primary place of employment to a location more than 25 miles further from the Executive’s primary residence than the current location of the Employer’s offices; (vii) any other material breach of the terms of this Agreement or any other agreement that breach is not cured within ten days after the Executive’s delivery of a written notice of such breach to the Employer; (viii) any purported termination of the Executive’s employment by the Employer that is not effected in accordance with the applicable provisions of this Agreement; (ix) the failure of the Employer to obtain the assumption in writing of its obligations under this Agreement by any successor to all or substantially all of the assets of the Employer within 15 days after a merger, consolidation, sale or similar transaction; or (x) the delivery of a notice of Non-Renewal by the Employer at any time up to and including April 4,

2023. In order to invoke a termination for Good Reason, the Executive must terminate his employment, if at all, within 30 days of the occurrence of any event of "Good Reason".

"Non-Compete Period" means the period commencing on the Effective Date and ending twelve months after the earlier of the expiration of the Employment Period or the Executive's Date of Termination.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement, or have caused this Agreement to be duly executed and delivered on their behalf.

CAPITALSOURCE INC.

By: /s/ Steven A. Museles

Name: Steven A. Museles

Title: Chief Legal Officer

EXECUTIVE

/s/ Jason M. Fish

Jason M. Fish

Exhibit A

Option Agreement

CAPITALSOURCE INC.

THIRD AMENDED AND RESTATED EQUITY INCENTIVE PLAN

NON-QUALIFIED OPTION AGREEMENT

June 6, 2006

CapitalSource Inc., a corporation organized under the laws of Delaware (the "Company"), hereby grants an option to purchase its shares of common stock, par value \$0.01 per share ("Common Stock") to Jason M. Fish (the "Optionee"). The terms and conditions of the option are set forth below and in the Company's Third Amended and Restated Equity Incentive Plan (the "Plan"). Concurrently with the execution and delivery of this option agreement, the Company and the Optionee are entering into an employment agreement, dated as of the date hereof (the "Employment Agreement").

Grant Date	June 6, 2006 (the "Grant Date").
Number of Shares Covered	700,000 shares of Common Stock (the "Shares").
Option Price per Share	\$23.72 per share of Common Stock (the "Option Price").
Non-qualified Option	This option is not intended to be an incentive option under Section 422 of the Internal Revenue Code and will be interpreted accordingly.
Vesting	<p><u>General</u>. This option is exercisable only as to the vested portion of the Shares. The option may be exercised, in whole or in part, to purchase a whole number of vested Shares of not less than 100 Shares, unless the number of vested Shares purchased is the total number available for purchase under the option, by following the procedures set forth in the Plan and below in this Agreement.</p> <p><u>Normal Vesting</u>. Except as provided below, this option shall vest and become exercisable in full on January 1, 2007.</p> <p><u>Accelerated Vesting</u>. Notwithstanding anything to the contrary contained herein, this option shall become 100% vested and exercisable on the earliest to occur of (i) a Change in Control (as defined in the Employment Agreement) or, (ii) the Optionee's termination of employment pursuant to Section 9(a), 9(b) or 9(d) of the Employment Agreement.</p>

Term Except as set forth in the two immediately succeeding bullet points, this option will expire in any event on June 6, 2016 (the “Expiration Date”).

The unvested portion of this option (determined after giving effect to any provision of this agreement that provides for accelerated vesting) will expire upon your termination of employment with the Company and its affiliates for any reason.

The vested portion of this option will expire prior to the Expiration Date if (and only if) the Company terminates your employment for Cause (as defined in the Employment Agreement).

Leaves of Absence For purposes of this option, your Service does not terminate when you go on a *bona fide* employee leave of absence that was approved by the Board of Directors of the Company (the “Board”) in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

The Board determines, in its sole discretion, which leaves count for this purpose, and when your Service terminates for all purposes under the Plan.

Notice of Exercise When you wish to exercise this option, you must notify the Company by filing the proper “Notice of Exercise” form at the address given on the form. Your notice must specify how many Shares you wish to purchase (in a parcel of at least 100 Shares generally). Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse’s names as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise this option after your death, that person must prove to the Company’s reasonable satisfaction that he or she is entitled to do so.

Form of Payment When you submit your notice of exercise, you must include payment of the Option Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:

- Cash, your personal check, a cashier’s check, a money order or another cash equivalent acceptable to the Company.
 - Shares which have already been owned by you and which are surrendered to the Company as long as there is no accounting charge
-

resulting from such payment. The value of the Shares, determined as of the effective date of the option exercise, will be applied to the option price.

– To the extent a public market for the Shares exists as determined by the Company, by delivery (on a form prescribed by the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate option price and any withholding taxes.

Alternatively, you may exercise all or any portion of this option in a “cashless exercise”, meaning that upon exercise of all or a portion of this option you shall not be required to pay the applicable exercise price and the Company shall deliver you the number of Shares that have an aggregate fair market value equal to the aggregate spread with respect to the portion of the option that is exercised.

Withholding Taxes

You will not be allowed to exercise this option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the option exercise or sale of Shares acquired under this option. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the exercise or sale of Shares arising from this grant, the Company shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Company or any Affiliate. In lieu of paying the Company the amount of taxes required to be withheld, you may direct the Company to withhold the number of Shares that have an aggregate fair market value equal to the Company's withholding obligation.

Transfer of Option

During your lifetime:

only you (or, in the event of your legal incapacity or incompetency, your guardian or legal representative) may exercise the option; and

you cannot transfer or assign this option. For instance, you may not sell this option or use it as security for a loan.

If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or it may be transferred upon your death by the laws of descent and distribution. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in this option in any other way.

Notwithstanding the restrictions on transfer in this section of the Agreement, the Board may authorize, in their sole discretion, the transfer of a vested option (in whole or in part) to a member of your immediate family or a trust for the benefit of your immediate family.

Retention Rights

Unless otherwise specified in the Employment Agreement, the Company (and any Affiliate) reserve the right to terminate your Service at any time and for any reason.

Shareholder Rights

You, or your estate or heirs, have no rights as a shareholder of the Company until the Shares have been issued upon exercise of this option and either a certificate evidencing your Shares has been issued or an appropriate entry has been made on the Company's books. No adjustments are made for distributions or other rights if the applicable record date occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan or in this Agreement.

Adjustments

Notwithstanding any provision of the Plan to the contrary, in the event of a split, distribution, spin off or other similar transaction involving of any business or direct or indirect subsidiary of the Company (any such business, "Newco"), you will be granted a new option on Newco on such terms and conditions and this option will be equitably adjusted so that, on a combined basis immediately after such transaction, the economic benefit to you of this option will be preserved.

Notwithstanding any provision of the Plan to the contrary, in the event of a merger, reorganization, consolidation, amalgamation or other transaction in which all outstanding Shares are exchanged for, or converted into, stock of another entity, this option shall remain outstanding and shall be equitably converted into an option to acquire such stock on a basis so that immediately after such transaction, the economic benefit to you of this option (measured based on the total per Share consideration involved in such transaction) is preserved.

In the event of a liquidation of the Company or any transaction in which all outstanding Shares are exclusively exchanged for, or converted into, cash, this option shall be treated similarly to other outstanding options to acquire Shares granted by the Company to employees.

Unless otherwise consented to in writing by you, the "Adjustment" provisions set forth in this Agreement will exclusively govern this option and shall supersede any inconsistent provision of the Plan.

Applicable Law

This Non-Qualified Option Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

The Plan and the Employment Agreement

The text of the Plan and the Employment Agreement are incorporated in this Non-Qualified Option Agreement by reference. *Certain capitalized terms used in this Non-Qualified Option Agreement are defined in the Plan or the Employment Agreement, and have the meaning set forth therein.*

This Non-Qualified Option Agreement, the Plan and the Employment Agreement constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded.

[Signature Page Follows]

By signing this Non-Qualified Option Agreement, you agree to all of the terms and conditions described herein, in the Plan and the Employment Agreement, copies of which are also attached. You acknowledge that you have carefully reviewed the Plan, and agree that the Plan will control in the event any provision of this Non-Qualified Option Agreement should appear to be inconsistent.

Optionee: /s/ Jason M. Fish
(Signature)

CAPITALSOURCE INC.

By: /s/ Steven A. Museles
Name: Steven A. Museles
Title: Chief Legal Officer

This is not a stock certificate or a negotiable instrument.

Exhibit B

General Release of Claims

Consistent with Section 9(e) of the Employment Agreement dated June 6, 2006 between me and CapitalSource Inc. (the "Employment Agreement") and in consideration for and contingent upon my receipt of the Severance Payments set forth in Section 9 of the Employment Agreement, I, for myself, my attorneys, heirs, executors, administrators, successors, and assigns, do hereby fully and forever release and discharge CapitalSource and its affiliated entities, as well as their predecessors, successors, assigns, and their current or former directors, officers, partners, agents, employees, attorneys, and administrators from all suits, causes of action, and/or claims, demands or entitlements of any nature whatsoever, whether known, unknown, or unforeseen, which I have or may have against any of them arising out of or in connection with my employment by CapitalSource, the Employment Agreement, the termination of my employment with CapitalSource, or any event, transaction, or matter occurring or existing on or before the date of my signing of this General Release, except that I am not releasing any claims arising under Sections 10, 11, or 12 of the Employment Agreement, any other right to indemnification that I may otherwise have, or any claims arising after the date of my signing this General Release. I agree not to file or otherwise institute any claim, demand or lawsuit seeking damages or other relief and not to otherwise assert any claims, demands or entitlements that are lawfully released herein. I further hereby irrevocably and unconditionally waive any and all rights to recover any relief or damages concerning the claims, demands or entitlements that are lawfully released herein. I represent and warrant that I have not previously filed or joined in any such claims, demands or entitlements against CapitalSource or the other persons released herein and that I will indemnify and hold them harmless from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such claims, demands or lawsuits.

This General Release specifically includes, but is not limited to, all claims of breach of contract, employment discrimination (including any claims coming within the scope of Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, and Article 49B of the Maryland Code, all as amended, or any other applicable federal, state, or local law), claims under the Employee Retirement Income Security Act, as amended, claims under the Fair Labor Standards Act, as amended (or any other applicable federal, state or local statute relating to payment of wages), claims concerning recruitment, hiring, termination, salary rate, severance pay, stock options, wages or benefits due, sick leave, holiday pay, vacation pay, life insurance, group medical insurance, any other fringe benefits, worker's compensation, termination, employment status, libel, slander, defamation, intentional or negligent misrepresentation and/or infliction of emotional distress, together with any and all tort, contract, or other claims which might have been asserted by me or on my behalf in any suit, charge of discrimination, or claim against CapitalSource or the persons released herein.

I acknowledge that I have been given an opportunity of twenty-one (21) days to consider this General Release and that I have been encouraged by CapitalSource to discuss fully the terms of this General Release with legal counsel of my own choosing. Moreover, for a period of seven (7) days following my execution of this General Release, I shall have the right to revoke the

waiver of claims arising under the Age Discrimination in Employment Act, a federal statute that prohibits employers from discriminating against employees who are age 40 or over. If I elect to revoke this General Release within this seven-day period, I must inform CapitalSource by delivering a written notice of revocation to CapitalSource's Director of Human Resources, 4445 Willard Avenue, 12th Floor, Chevy Chase, Maryland 20815, no later than 11:59 p.m. on the seventh calendar day after I sign this General Release. I understand that, if I elect to exercise this revocation right, this General Release shall be voided in its entirety at the election of CapitalSource and CapitalSource shall be relieved of all obligations to make the Severance Payments described in Section 9 of the Employment Agreement. I may, if I wish, elect to sign this General Release prior to the expiration of the 21-day consideration period, and I agree that if I elect to do so, my election is made freely and voluntarily and after having an opportunity to consult counsel.

AGREED:

Jason M. Fish

Date

Exhibit C

General Release of Claims by CapitalSource

Consistent with Section 9(e) of the Employment Agreement dated June 6, 2006 between CapitalSource Inc. and Jason M. Fish (the "Employment Agreement") and in consideration for and contingent upon Executive's execution of a general release of claims in favor of CapitalSource in the form required by the Employment Agreement (and provided that he does not revoke it in the event that it is revocable), CapitalSource, for itself and its affiliated entities, as well as their predecessors, successors, assigns, and their current or former directors, officers, partners, agents, employees, attorneys, and administrators do hereby fully and forever release and discharge Executive and his attorneys, heirs, executors, administrators, successors, and assigns, from all suits, causes of action, and/or claims, demands or entitlements of any nature whatsoever which CapitalSource has or may have against any of them which are known to it as of the date of its executing this General Release and arising out of or in connection with Executive's employment by CapitalSource, the Employment Agreement, the termination of Executive's employment with CapitalSource, or any event, transaction, or matter occurring or existing on or before the date of CapitalSource's signing of this General Release. CapitalSource agrees not to file or otherwise institute any claim, demand or lawsuit seeking damages or other relief and not to otherwise assert any claims, demands or entitlements that are lawfully released herein. CapitalSource further hereby irrevocably and unconditionally waives any and all rights to recover any relief or damages concerning the claims, demands or entitlements that are lawfully released herein. CapitalSource represents and warrants that it has not previously filed or joined in any such claims, demands or entitlements against Executive or the other persons released herein and that it will indemnify and hold them harmless from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such claims, demands or lawsuits.

This General Release specifically includes, but is not limited to, all known claims of breach of contract, tortious conduct, or breach of fiduciary duty, together with any and all known tort, contract, or other known claims which might have been asserted by CapitalSource or on its behalf in any suit or claim against Executive or the persons released herein.

CapitalSource acknowledges and agrees that it has been given a more than sufficient period of time to consider this General Release and that it have been encouraged by Executive to discuss fully the terms of this General Release with legal counsel of its own

