

## **FEDERAL DEPOSIT INSURANCE CORPORATION**

**In Re: Community & Southern Bank (In Organization)  
Atlanta, Georgia**

**Application for Federal Deposit Insurance**

### **ORDER**

The undersigned, acting on behalf of the Board of Directors of the Federal Deposit Insurance Corporation ("FDIC") pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act regarding the application for Federal deposit insurance with membership in the Deposit Insurance Fund for Community & Southern Bank, a proposed new institution that will be located in Atlanta, Georgia ("Bank"), and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED, for the reasons set forth in the attached Statement, that the application submitted by the Bank for Federal deposit insurance be approved, and the same is hereby approved, subject to the following conditions:

1. Initial paid-in-capital funds of not less than \$110,000,000 shall be provided.
2. Federal deposit insurance shall not become effective unless Bank is the successful bidder for, and subsequently acquires certain assets and assumes deposits and certain other liabilities from the FDIC as receiver for First National Bank of Georgia, Carrollton, Georgia.
3. Each Investor; Bank; Community & Southern Holdings, Inc. ("Company"); Messrs Patrick Frawley, Stacey Mann, John Brothers, David Edwards, Greg Jones, and Don Hooper; and Resource Financial Institutions Group, Inc., shall comply with all applicable provisions of the FDIC's Statement of Policy on Qualifications for Failed Bank Acquisitions ("SOP") including but not limited to, the requirement of Section B of the SOP that Bank maintain its Tier 1 common equity to total assets ratio at not less than ten percent (10%) throughout the first three years of operation. For purposes of this Order, "Investor" means any investor with more than five percent (5%) of the voting interests of Company.
- 4 (i) Bay Resource Partners, L.P., Bay II Resource Partners, L.P., Bay Resource Partners Offshore Master Fund, L.P., BRP Financial Investments, LLC, and Thomas Claugus (an individual) shall each keep and maintain their aggregate investment in the Company at no more than 9.9 percent; (ii) the investment of Bay Resource

Partners Offshore Master Fund, L.P. in the Company shall be made and maintained by BRP Financial Investments, LLC, which shall remain a Delaware entity during the life of the investment; (iii) Bay Resource Partners Offshore Master Fund, L.P. shall update the complete list of investors in Bay Resource Partners Offshore Master Fund, L.P. from time to time as needed to reflect any changes, and provide such list to the appropriate FDIC Regional Director ("Regional Director"); and (iv) Bay Resource Partners Offshore Master Fund, L.P. and BRP Financial Investments, LLC shall elect to be treated as a corporation by checking Box 6a on IRS Form 8832, and shall not change this election during the life of the investment in the Company. By this election we understand that the beneficial owners participating in the Bay Resource Partners Offshore Master Fund, L.P. will effectively pay U.S. tax on the income from their equity ownership, including dividends and capital gains, at the same time, and at the same tax rate, as if they had made their investments directly in Company.

5. Bank shall maintain its Tier 1 common equity to total assets ratio, as defined in the SOP, at least at ten percent (10%) throughout the first three years following the commencement of banking operations. After such three-year period and for as long as the Investors, directly or indirectly, own Bank, Bank shall maintain no lower level of capital adequacy than "well capitalized" as defined in the appropriate capital regulations and guidance of the FDIC. Bank shall at all times maintain an adequately funded allowance for loan and lease losses.
6. Any change in the proposed management of Bank prior to the commencement of banking operations shall be approved by the Regional Director before the change becomes effective. Any change in the proposed ownership of the Bank or Company prior to the commencement of banking operations shall be approved by the Regional Director before the change becomes effective.
7. Within 60 days of the commencement of banking operations, Bank shall have appointed and shall thereafter retain a board of directors and senior executive officers who possess the knowledge, experience, and capability to carry out the responsibilities of those positions in a safe and sound manner. For purposes of this Order, such senior executive officers shall include the President and Chief Executive Officer, Chief Credit Officer, Chief Financial Officer, and Chief Operations Officer (or those employees that have duties and responsibilities typical for persons with the foregoing titles).
8. Within 60 days of the commencement of banking operations, the board of directors of Bank shall approve written policies and procedures pertaining to the functions of Bank. These policies are to include, but are not limited to, policies addressing credit administration, asset and liability management, consumer compliance, information technology, BSA/AML, and audit.
9. With respect to any proposed director and senior executive officer for whom background checks have not been completed prior to the commencement of banking operations, Bank must take such action as required by the Regional Director and the

Georgia Department of Banking and Finance ("State"), if either objects to any such person based on information obtained during the background check.

10. Bank shall obtain the prior written non-objection of the Regional Director before executing final employment agreements and compensation arrangements (including bonus plans) for the Bank's senior executive officers, and shall provide a copy of each executed agreement to the Regional Director and the State. The submission shall include a compensation study or similar documentation to support the reasonableness of the proposed compensation.
11. For three years following the commencement of banking operations, Bank shall obtain the prior written non-objection of the Regional Director prior to implementing any stock benefit plans, including stock options, stock warrants, and other similar stock-based compensation plans developed for either Bank or Company.
12. Bank and Company shall receive prior approval from the Board of Governors of the Federal Reserve System ("FRB"), State, and the Regional Director before submitting a bid on any assets or liabilities of any failed institution.
13. Bank shall obtain adequate fidelity coverage prior to the date Federal deposit insurance becomes effective and shall maintain such coverage thereafter.
14. The board of directors or a committee thereof shall adopt an accrual accounting system for maintaining the books of Bank.
15. Federal deposit insurance shall not become effective until Bank has been granted a charter, has authority to conduct banking business, and its establishment and operation as a depository institution has been fully approved by the State.
16. Federal deposit insurance shall not become effective until Company has obtained approval from the FRB to acquire voting stock control of Bank prior to the commencement of banking operations.
17. Bank shall submit a detailed, revised business plan to the Regional Director within 60 days of the commencement of banking operations, and shall obtain the prior written non-objection of the Regional Director prior to implementing the revised plan. For three years following the commencement of banking operations, the Bank shall provide to the Regional Director quarterly variance reports detailing compliance with and any material deviations from the revised business plan.
18. For three years following the commencement of banking operations, Bank shall provide to the Regional Director at least 60 days prior notice of any proposed material changes to the revised business plan.

19. Bank shall provide to the Regional Director copies of the monthly reports provided to the FDIC pursuant to any Loss-Share Agreement by and between the FDIC, as receiver for First National Bank of Georgia, and Bank.
20. Bank shall obtain an audit of its financial statements by an independent public accountant annually for at least the first three years following the commencement of banking operations and shall submit to the Regional Director (i) a copy of the audited annual financial statements and the independent auditor's report thereon within 90 days after the end of Bank's fiscal year; (ii) a copy of any other reports by the independent auditor (including any management letters) within 15 days after their receipt by Bank; and (iii) written notification within 15 days after a change in Bank's independent auditor occurs.
21. Full disclosure shall be made to all proposed directors and stockholders of Bank of the facts concerning the interest of any insider in any transactions being effected or then contemplated, including the identity of the parties to the transaction and the terms and costs involved. An "insider" is a person who (i) is or is proposed to be a director, officer, or incorporator of Bank; (ii) a shareholder who directly or indirectly controls ten percent (10%) or more of any class of Bank's outstanding voting stock; or (iii) an associate or affiliate of any such person.
22. Bank shall not execute any agreement with, or obtain any services from New Millennium Banking Solutions LLC, without prior written consent of the Regional Director and the State.
23. Until Federal deposit insurance becomes effective, the FDIC retains the right to alter, suspend, or withdraw its approval should an interim development be deemed, in the FDIC's sole discretion, to warrant such action.
24. If Federal deposit insurance has not become effective within six months from the date of this ORDER, and if, within such six month period, a request for an extension of time has been approved by the Regional Director, this approval shall expire at the end of said six-month period.

Dated at Washington, D.C. this 29 day of January, 2010.

**FEDERAL DEPOSIT INSURANCE CORPORATION**

By: \_\_\_\_\_  
Lisa Arquette  
Associate Director  
Division of Supervision and Consumer Protection

## **FEDERAL DEPOSIT INSURANCE CORPORATION**

**In Re: Community & Southern Bank (In Organization)  
Atlanta, Georgia**

**Application for Federal Deposit Insurance**

### **STATEMENT**

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. §1815), the Federal Deposit Insurance Corporation ("FDIC") received an Interagency Charter and Federal Deposit Insurance Application on behalf of Community & Southern Bank, a proposed state nonmember bank chartered in Georgia and located principally in Atlanta ("Bank"). The application is intended to establish a newly chartered state nonmember bank for the purpose of acquiring certain assets and assuming certain liabilities of the First National Bank of Georgia, a national bank chartered by the Office of the Comptroller of the Currency ("FNB Georgia"), from the FDIC in its capacity as receiver in a purchase and assumption transaction. The Bank will be wholly-owned by Community & Southern Holdings, Inc. ("Company"), a Georgia corporation organized to become a bank holding company. In accordance with FDIC regulations, the deposit insurance application will not be subject to public notice, as the application is in furtherance of the resolution of a failing institution, FNB Georgia (12 C.F.R. section 303.23 (b)). FDIC Staff has analyzed the deposit insurance application based upon the Bank and Company being the successful bidder. FDIC Staff also considered the Company's successful capital raise of which \$110 million will be provided by the Company to capitalize the Bank.

The organizers of the Bank concurrently filed an application for a state bank charter from the Georgia Department of Banking & Finance ("State") to facilitate the proposed acquisition. On January 20, 2010, the State granted conditional approval for the organization of the Bank as a Georgia state nonmember bank.

The organizers, on behalf of the Company, also filed a bank holding company application with the Board of Governors of the Federal Reserve System ("Board"). On January 20, 2010, the Board staff advised the Company that it could bid on insured depository institutions in which the FDIC is named receiver. We are advised that the Board waived the public notice requirements for the establishment of a bank holding company pursuant to its regulations, which is permitted where immediate action is necessary to prevent the failure of an insured depository institution. 12 CFR 225.16(b)(3). On January [28], 2010, the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority, approved the Company's bank holding company application.

The Company intends to provide the Bank with sufficient capital, funding, and managerial resources to accomplish several strategic priorities. The high-level strategy proposed by the organizers is to stabilize the operations of FNB Georgia with strong capitalization and an established management team, transition away from FNB Georgia's business model of originating acquisition, development, and construction and commercial real estate loans into a more diversified loan portfolio mix, and reemphasize traditional retail branch deposit generation.

The long-term goal of the Company and the Bank is to create a well-managed, conservative, efficient and profitable banking institution.

The financial projections show that the Bank will be capitalized with an amount sufficient to achieve a Tier I common equity to total assets ratio, as defined in the FDIC's Statement of Policy on Qualifications for Failed Bank Acquisitions (Tier 1 capital ratio), of not less than 10 percent upon acquiring FNB Georgia and throughout the first three years of operation. Future earnings prospects appear attainable, and management is considered satisfactory. Corporate powers to be exercised are consistent with the purpose of the FDI Act, and no undue risk to the Deposit Insurance Fund is apparent.

Accordingly, based upon a careful evaluation of all available facts and information and in consideration of the factors of Section 6 of the FDI Act, the Associate Director, pursuant to delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**ASSOCIATE DIRECTOR  
DIVISION OF SUPERVISION AND CONSUMER PROTECTION  
FEDERAL DEPOSIT INSURANCE CORPORATION**