

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Community Bank of the Carolinas
(In Organization)
Winston-Salem, Forsyth County, North Carolina

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 and relating to the application for Federal deposit insurance for Community Bank of the Carolinas ("Bank"), a proposed new State nonmember bank to be located in Winston-Salem, Forsyth County, North Carolina, 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, and the same hereby is, approved subject to the following conditions:

- (1) That beginning paid-in capital funds of not less than \$25,000,000 be provided.
- (2) That the Tier 1 capital to assets leverage ratio (as defined in the capital regulations of the institution's primary federal regulator) be maintained at not less than eight percent (8.00%) throughout the first three years of operation and that an adequate allowance for loan and lease losses be provided.
- (3) That the Bank shall pay no dividends during the first three years of operations without prior written approval of the FDIC Atlanta Regional Director.
- (4) That any changes in proposed management or proposed ownership of ten percent (10.00%) or more of the Bank's stock, including new acquisitions of or subscriptions to ten percent (10.00%) or more of the stock, must be approved by the FDIC prior to the Bank's opening.
- (5) During the first three years of operation, the Bank shall notify the FDIC Atlanta Regional Director of any plans to establish a loan production office at least 60 days prior to opening the facility.
- (6) The Bank shall operate within the parameters of the business plan submitted to the FDIC. During the first three years of operation, the Bank must obtain prior written non-objection from the FDIC Atlanta Regional Director of any proposed major deviation or material change from the submitted business plan. The notice of any proposed change must be submitted at least 60 days before the intended consummation of the change.
- (7) That, during the Bank's first three years of operation, the Bank must obtain the written non-objection of the FDIC's Atlanta Regional Director

prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer of the Bank. With respect to any proposed director or senior executive officer of the Bank, the Bank shall take such action(s) as the FDIC Atlanta Regional Director may require if the FDIC objects to any such person based on information obtained during a background check. The term "senior executive officer" shall have the meaning set forth in 12 C.F.R. 303.101.

- (8) That the Bank shall provide to the FDIC Atlanta Regional Director, the final employment agreements, Organizer's Stock Warrant Plan, and compensation arrangements (including bonus plans) for the Bank's senior executive officers, and obtain the prior written non-objection of the FDIC Atlanta Regional Director for those agreements and compensation arrangements prior to execution if they were not previously reviewed by the FDIC as part of the application for deposit insurance.
- (9) During the first three years of operation, the institution shall submit copies of and obtain the written non-objection of the FDIC Atlanta Regional Director prior to implementing any stock benefit plan, including with respect to stock options, stock warrants, stock grants, or other similar stock-based compensation.
- (10) During the first three years of operation, the institution shall submit written notice at least 60 days prior to, and obtain the FDIC Atlanta Regional Director's written non-objection prior to implementing any major change to or material deviation from any previously submitted stock benefit plan.
- (11) That the persons selected to serve as the Chief Credit Officer shall be acceptable to the FDIC Atlanta Regional Director.
- (12) That the third party IT contracts are subject to regulatory review and non-objection.
- (13) That an accrual accounting system be adopted for maintaining the financial records of the Bank in accordance with U.S. Generally Accepted Accounting Principles.
- (14) That sufficient fidelity coverage on the bank's active officers and employees to conform with generally accepted banking practices be obtained prior to opening for business;
- (15) That the bank obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance is effective and submit to the Atlanta Regional Office: (i) a copy of the audited annual financial statements and the independent auditor's report within 90 days following the end of the bank's fiscal year; (ii) a copy of any other reports by the independent auditor (including any management letters) within 15 days of receipt by the Bank; and (iii) written notification within 15 days when a change in its independent auditor occurs.

- (16) That Federal deposit insurance will not become effective until the Bank has been granted a charter and has authority to conduct a banking business, and that its establishment and operation as a depository institution has been fully approved by the appropriate federal and state supervisory authorities.
- (17) That, until deposit insurance becomes effective, the FDIC retains the right to alter, suspend, or withdraw its commitment should any interim development be deemed by the FDIC to warrant such action.
- (18) That if deposit insurance has not become effective within twelve months from the date of this ORDER, or unless, in the meantime, a request for an extension of time has been approved by the Corporation, the consent granted shall expire at the end of the said twelve-month period.

By Order of the Regional Director of the Atlanta Regional Office, acting pursuant to delegated authority for the Board of Directors of the FDIC.

Dated in Atlanta, Georgia this 3rd day of December, 2018.

By: _____ /S/
Michael J. Dean
Regional Director

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Community Bank of the Carolinas
(In Organization)
Winston-Salem, Forsyth County, North Carolina

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 Bank of the Carolinas, a proposed new state nonmember-bank that will be located in Winston-Salem, North Carolina ("Bank"). The organizers concurrently applied to the North Carolina Commissioner of Banking ("State") for a state bank charter and is awaiting the State's conditional approval.

Notice of the Federal deposit insurance application, in a form approved by the FDIC, was published pursuant to the FDI Act on May 14, 2018.

The organizers have not established a bank holding company. The opening capital of the Bank will be obtained from a private offering of 2,466,522 shares of common stock at a price of \$11.00 per share. The Bank's business plan is to operate a state nonmember bank that serves individuals and small- and medium-sized businesses located in Forsyth County, North Carolina. The Bank will offer traditional products and services and will be overseen by an experienced management team, including a diversified and knowledgeable Board of Directors who is committed to serving the Bank's local community.

The Bank will operate with sufficient capital and managerial resources to accomplish the strategies and goals in the business plan. The Bank will be capitalized with an amount sufficient to achieve and maintain a Tier 1 capital to assets leverage ratio, as defined in the capital regulations of the FDIC, of not less than eight percent (8.00%) throughout the Bank's first three years of operation. Projected growth and earnings appear attainable. The Bank's plans appear to satisfy the convenience and needs of the community. Corporate powers to be exercised are consistent with the purposes of the FDI Act, and no undue risk to the Deposit Insurance Fund is evident.

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 Atlanta Regional Director, pursuant to delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**REGIONAL DIRECTOR
DIVISION OF RISK MANAGEMENT SUPERVISION
FEDERAL DEPOSIT INSURANCE CORPORATION**