

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Cypress Bank & Trust (In Organization)
Melbourne, Brevard County, Florida

Application for Federal Deposit Insurance
Application for Consent to Exercise Trust Powers
Application to Establish Three Branches

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, including financial history and condition, capital adequacy, future earnings prospects, general character of management, risk to the Deposit Insurance Fund, convenience and needs of the community, and consistency of corporate powers, as they relate to the application for Federal deposit insurance, for consent to exercise trust powers, and to establish three branches of Cypress Bank & Trust, Palm Beach, Florida (Bank), a proposed new Florida state nonmember bank, to be located at 6115 North Wickham Road, Melbourne, Brevard County, Florida 32940, upon its conversion from a state-chartered noninsured trust company, 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 applications submitted by the Bank for Federal deposit insurance, for consent to exercise trust powers, and to establish three branches be, and the same hereby is, approved, subject to the following conditions:

1. That initial paid-in-capital funds of not less than \$16,500,000 shall be provided.
2. That the Bank's Tier 1 capital to assets leverage ratio (as defined in the capital regulations of the FDIC) will be maintained at not less than eight percent (8.00%) throughout the first three years of operation and an adequate allowance for loan and lease losses be provided from the date insurance is effective.
3. That any changes in the Bank's 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 stock must be approved by the FDIC prior to the Bank's opening.
4. That, with respect to any proposed director or senior executive officer for whom a background check has not been completed; the depository institution will take such action as required by the regional director, if the FDIC objects to any such person based on information obtained through the background check.
5. That the Bank will adopt an accrual accounting system for maintaining the financial records of the Bank in accordance with U.S. Generally Accepted Accounting Principles.

6. That the Bank will have an independent public accountant review the conversion transaction to ensure compliance with U.S. Generally Accepted Accounting Principles in the Bank's first Report of Condition and Income (Call Report).
7. That the Bank must obtain adequate fidelity coverage prior to the Bank's opening.
8. That prior to the Bank's opening, full disclosure shall be made to all proposed directors of the Bank of the facts concerning the interest of any insider in any transactions being effected or 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 the Bank; (ii) is a shareholder who directly or indirectly controls ten percent (10%) or more of any class of the Bank's outstanding voting stock; or (iii) is an associate or related interest of any such persons.
9. 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. The term "senior executive officer" shall have the meaning set forth in 12 C.F.R. 303.101.
10. That the Bank shall pay no dividends during the first three years of operation without the prior written approval of the FDIC's Atlanta Regional Director.
11. That the institution shall operate within the parameters of the business plan submitted to the FDIC. During the first three years of operation, management shall provide 60 days prior notification to the FDIC Atlanta Regional Director for any proposed material deviation or material changes from the submitted business plan.
12. That the bank shall 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. The Bank shall submit to the FDIC Atlanta Regional Office (i) a copy of the audited annual financial statements and the independent public auditor's report thereon within 90 days after 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 after their receipt by the Bank, and (iii) written notification within 15 days when a change in the Bank's independent auditor occurs.
13. That 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.
14. That deposit insurance will not become effective until the Bank has been granted a charter as a depository institution, has authority to conduct a banking business, and its establishment and operation as a depository institution has been fully approved by the FDIC and the Florida Office of Financial Regulation.

15. That the proposed bank holding company has obtained all necessary and final approvals of the Board of Governors of the Federal Reserve System to acquire voting stock control of the Bank prior to its opening for business.
16. That if deposit insurance has not become effective within one year from the date of this ORDER, or unless, in the meantime, a request for an extension of time by the Bank has been approved by the FDIC, the consent granted shall expire at the end of this time period on said date.
17. That approval of the application to establish three branches expires 18 months after date of this ORDER, unless a request for an extension of time by the Bank has been approved by the FDIC.
18. That, prior to exercising trust powers, the Bank will provide to the FDIC Atlanta Regional Director a certified copy of the resolution of the Bank's board of directors adopting the Statement of Principles of Trust Department Management.
19. That during the first three years of operation, prior to implementing an incentive compensation plan, bonus plan, or employment agreement that was not previously submitted, the Bank will submit copies of, and obtain the appropriate Regional Director's written non-objection to the plan or agreement.
20. That prior to the Bank executing final employment agreements and compensation arrangements for any director or senior executive officer of the Bank, and prior to the Bank commencing operations, the Bank shall submit copies of, and obtain the FDIC's written non-objection to, such final employment agreements and compensation arrangements.
21. That prior to the Bank's opening for business, the Bank shall have implemented the management changes proposed in the application for Federal deposit insurance.
22. That prior to the Bank's opening, the rights, preferences, privileges, and any other terms and or conditions of Cypress Capital Group, Inc.'s preferred shares shall be modified to remove any and all features permitting conversion of the preferred shares into common or other voting equity of the converted Bank. This modification shall be effected by the appropriate action taken by the Board of Directors as required by law. No other convertible shares, rights, options, or warrants shall be issued by the Bank during its first three years of operation without prior notice and approval of the FDIC Regional Director.
23. That until the FDIC's conditional commitment 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.

By Order of the Director, Division of Risk Management Supervision, acting pursuant to delegated authority for the Board of Directors of the FDIC.

Dated at Washington, D.C. this 22nd day of July, 2021.

FEDERAL DEPOSIT INSURANCE CORPORATION

/S/

By: Doreen R. Eberley
Director

FEDERAL DEPOSIT INSURANCE CORPORATION

**Re: Cypress Bank & Trust (In organization)
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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 Cypress Bank & Trust ("Bank"), a proposed new Florida state nonmember bank, to be located at 6115 North Wickham Road, Melbourne, Brevard County, Florida 32940. The organizers have applied to and received approval from the Florida Office of Financial Regulation to convert Cypress Trust Company, Palm Beach, Florida ("CTC") from an operating noninsured Florida-chartered trust company to a Florida-chartered bank. CTC is a trust company in existence since 1995.

The FDIC must consider the statutory factors of section 6 of the FDI Act (12 U.S.C. §1816) when evaluating an application for deposit insurance. These factors relate to the financial history and condition of the depository institution, the adequacy of the capital structure, the future earnings prospects, the general character and fitness of management, the risk to the Deposit Insurance Fund, the convenience and needs of the community to be served, and the consistency of corporate powers with the FDI Act.

Section 18(d) of the FDI Act (12 U.S.C. § 1828(d)) prohibits a state nonmember bank from establishing and operating a new domestic branch without the FDIC's prior consent and requires the FDIC to consider the statutory factors in 12 U.S.C. § 1816 in granting or withholding its consent.

The Bank will be a wholly owned subsidiary of Cypress Capital Group, Inc., ("Holding Company"), an existing corporation located in Palm Beach, Florida, which wholly owns CTC. The Holding Company is a Registered Investment Advisor in existence since 1995. The Holding Company will become a bank holding company upon the conversion of CTC to a state nonmember bank and receipt of Federal Reserve approval.

The Bank plans to offer a full range of traditional banking and trust products and services through its main office in Melbourne, Brevard County, Florida. In addition, the Bank plans to establish three branches by converting three CTC trust offices to bank branches to be located in Jacksonville, Duval County, Florida; Vero Beach, Indian River County, Florida; and Palm Beach, Palm Beach County, Florida. In connection with providing trust services, the Bank also requested the FDIC's consent to exercise trust powers as provided for in 12 C.F.R. § 333.3.

The Bank's financial history and condition, capital, and management are satisfactory, and projections for future earnings prospects are favorable. Corporate powers to be exercised, including trust powers, are consistent with the **FDI Act**, and no adverse findings are evident regarding the convenience and needs of the community. No undue risk to the Deposit Insurance Fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, and in consideration of the factors of sections 6 and 18(d) of the FDI Act, the Director of the Division of Risk Management Supervision, with the concurrence of the General Counsel, acting pursuant to authority delegated from the Board of Directors of the Federal Deposit Insurance Corporation, has concluded that approval of the application for Federal deposit insurance and to establish three branches and consent to exercise trust powers is warranted, subject to certain prudential conditions.

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