



March 6, 2009

Via E-mail (SIGTARP.response@do.treas.gov) (w/o supporting documentation) and FedEx

Special Inspector General - TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, D. C. 20220

Attn: Neil M. Barofsky
Special Inspector General

Re: SIGTARP Request for Information
Metro City Bank

Dear Mr. Barofsky:

Metro City Bank, a Georgia chartered bank (the "Bank"), is a \$289 million asset financial institution with 4 full service banking offices in northern Georgia. On January 30, 2009, the Bank received an investment of \$7.7 million under the Troubled Asset Relief Program (TARP) Capital Purchase Program.

We are responding to your letter, dated February 6, 2009, with respect to our use of TARP funds and compliance with the executive compensation requirements of the Emergency Economic Stabilization Act of 2008 ("EESA"). We have restated and responded to each of your requests below.

(1) *A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.*

(a). Before receiving the \$7,700,000 TARP funds we anticipated following our original bank plan of making loans in our market area under sound underwriting guidelines which is conservative in nature. We thought we could loan out the \$7,700,000 over a period of 2-3 months.

(b). The TARP funds were not segregated from other institutional funds.

(c). Our actual use of TARP funds to date, was immediately placed into Federal Funds Sold, and through February 4, 2009 we used those funds along with others we had to fund loans in excess of \$9,500,000.

(d). We have no unspent funds but the additional Capital will strengthen our position and allow us to continue to grow and provide Banking services in our market area. The

(b) (4)

Additional Information.

The Bank received TARP funds on January 30, 2009. The TARP funds were initially placed in the Bank's Federal Funds Sold at (b) (4). The Bank then invested \$7,700,000 of the TARP funds in loans, providing liquidity to the Bank while preserving the Bank's flexibility, including the Bank's lending efforts.

These TARP funds increased the Bank's capital level from 12.41% of total risk weighted assets to 15.52% of total risk weighted assets. As a result of the increase in the Bank's capital, its lending capacity has increased by approximately \$2,000,000, pending the Board of Directors approval.

The Bank is ready to increase lending when and if loan demand by credit-worthy borrowers increases. TARP funds have strengthened our capacity to respond to the legitimate credit needs of our customers and communities. We have advised our customers, employees, and community of our commitment to support our communities' growth and of our receipt of TARP funds, which strengthens our ability to make loans. Presently, our communities are in a deepening recession, and new loan applications are slow, but we are committed to supporting the future growth of our markets.

TARP funds are not segregated, but because of our receipt of TARP funds, we have made new loans or advances of \$9,572,000, through March 4, 2009. In addition, we have increased our outstanding loan commitments by \$4,330,500. We have also received applications for \$15,980,000 in new loans, which are currently being processed.

- (2) *Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.*

We will fully comply with the executive compensation requirements associated with the TARP funds.

We have amended our senior executive officers' compensation arrangements to comply with Section 111(b) of EESA. The senior executive officers were not otherwise compensated for these amendments and have not been awarded any other forms of executive compensation to offset the EESA limits.

We are currently in the process, with the assistance of counsel, of reviewing the American Recovery and Reinvestment Act of 2009 ("ARRA") to determine whether further modifications to our executive compensation arrangements or other actions will be required pending adoption of regulations by Treasury. In light of the provisions of ARRA, The Board of Directors will elect two new members of the Bank's Compensation Committee at the next board meeting. The Bank's Compensation Committee, which then will be comprised entirely of independent directors, will meet on March 18, 2009 to consider a proposed TARP Capital Purchase Program Compensation Compliance Policy (the "Policy"). The Policy addresses each of the requirements contained in EESA, ARRA, and the related Treasury guidelines and is designed to ensure that we are and will remain compliant with the requirements of EESA, ARRA, and the related Treasury Guidelines. We anticipate that the Compensation Committee will adopt the Policy. We have enclosed a copy of our proposed Policy.

In connection with the Policy, our Compensation Committee will review the incentive compensation arrangements of the senior executive officers to ensure that the arrangements do not encourage senior executive officers to take unnecessary or excessive risks. This review will be completed by May 3, 2009.

* * * * *

We have segregated and preserved all documents, including any internal e-mails, budgets, or memoranda, referring to our use or anticipated use of TARP funds.

As a duly authorized senior executive officer of the Bank, I hereby certify, on behalf of the Bank, and subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001, that all statements, representations, and supporting information provided herein are true and complete to the best of my knowledge.

Thank you for considering our responses to your comments. If you have any questions, or if we can be of further assistance to you, please call me at (b) (6)

Very truly yours,
For Metro City Bank



Farid Tan
President and Chief Executive Officer

**METRO CITY BANK
TARP CAPITAL PURCHASE PROGRAM COMPENSATION
COMPLIANCE POLICY**

The Compensation Committee has enacted the TARP Capital Purchase Program Compensation Compliance Policy (the "Policy") to provide for overall compliance with applicable Troubled Asset Relief Program ("TARP") Capital Purchase Program executive compensation requirements. These requirements are contained in the Letter Agreement by and between Metro City Bank (the "Bank") and the United States Department of the Treasury (the "Treasury"), the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009, and applicable Treasury guidelines (collectively, the "Compensation Rules").

All compensation for employees of the Bank is subject to this Policy during the period in which an obligation arising from Treasury's investment in the Bank remains outstanding, as contemplated by the Compensation Rules.

The Compensation Committee shall enforce the Policy and resolve all questions of method, form, and detail. Further, the Compensation Committee shall review the Policy from time to time and amend the Policy, as necessary, to reflect any subsequent modifications or guidance regarding the Compensation Rules.

Executive Compensation and Corporate Governance

All bonus, retention award, and incentive compensation payments paid to a "senior executive officer," as such term is defined by the Compensation Rules, or any of the next 20 most highly-compensated employees, are subject to recovery or "clawback" by the Bank if such payments were based on financial statements or other criteria that are later found to be materially inaccurate.

The Bank prohibits the payment of any compensation that provides incentives for senior executive officers to take unnecessary and excessive risks that threaten the value of the Bank.

The Bank prohibits the payment of any "golden parachute payments," as such term is defined by the Compensation Rules, to senior executive officers or any of the next five most highly-compensated employees.

The Bank prohibits the payment or accrual of any bonus, retention award, or incentive compensation to its most highly-compensated employee. The Bank may, however pay any bonus payment required to be paid pursuant to a written employment contract executed on or before February 11, 2009. Further, the prohibition does not apply to the payment of long-term restricted stock, provided that such long-term restricted stock adheres to the following:

- (i) the long-term restricted stock does not vest during the period in which an obligation arising from Treasury's investment in the Bank remains outstanding;

- (ii) the long-term restricted stock has a value in an amount that is not greater than one-third of the employee's total annual compensation; and
- (iii) the long-term restricted stock is subject to other terms and conditions determined by Treasury.

The Bank prohibits any compensation plan that encourages manipulation of reported earnings to enhance the compensation of any employee.

Board Compensation Committee

The Compensation Committee shall, within 90 days of the Bank's TARP Capital Purchase Program closing date, review the incentive compensation arrangements of the senior executive officers with the Bank's senior risk officers to ensure that the senior executive officer incentive compensation arrangements do not encourage such senior executive officers to take unnecessary and excessive risks that could threaten the value of the Bank.

The Compensation Committee shall meet at least semi-annually to discuss and evaluate employee compensation plans in light of an assessment of any risk posed to the Bank from such plans.

The Compensation Committee shall meet at least once annually with the senior risk officers of the Bank to discuss and review the relationship between the Bank's risk management policies and practices and the Bank's senior executive officer incentive compensation arrangements to ensure that such arrangements do not encourage the senior executive officers to take unnecessary and excessive risks that threaten the value of the Bank.

The Compensation Committee shall be comprised entirely of independent directors.

Policy Regarding Luxury Expenditures

The Compensation Committee shall prepare a company-wide policy regarding excessive or luxury expenditures, which may include excessive expenditures on entertainment or events, office and facility renovations, aviation or other transportation services, and other activities or events that are not reasonable expenditures for sales conferences, staff development, reasonable performance incentives, and other similar measures conducted in the Bank's normal business operations.

Shareholder Approval of Executive Compensation

The Bank's proxy for its annual meeting of shareholders shall permit a separate shareholder vote to approve the compensation of senior executive officers, as required by the Compensation Rules, with the proxy including, to the extent applicable, disclosures in similar form and substance as required by the compensation disclosure rules of the Securities and Exchange Commission.

The above referenced shareholder vote shall not be binding on the Board of Directors and may not be construed as overruling a decision by the Board of Directors, nor create or imply any additional fiduciary duty by the Board of Directors. Further, the shareholder vote shall not be construed to restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation.

Certifications

In conjunction with the Bank's annual filings, the Bank's principal executive officer and the principal financial officer shall provide written certification of compliance with the Compensation Rules.

Within 120 days of the Bank's TARP Capital Purchase Program closing date, the Bank's principal executive officer shall provide written certification to the Treasury that the Compensation Committee reviewed has reviewed the senior executive officer's incentive compensation arrangements.

Within 135 days of the completion of a fiscal year of the Bank during any part of which the Bank participated in the TARP Capital Purchase Program, the Bank's principal executive officer shall provide written certification to the Treasury of compliance with the Compensation Rules.