

## OFFICE OF THRIFT SUPERVISION

### APPROVAL OF APPLICATION FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK

**Order No.:** 99- 59

**Date:** October 6, 1999

William B. Pendleton, Robert F. Tomain, Frederick D. Clemente, James Don Edwards, and Peter H. Isop (the "Organizers"), have applied to the Office of Thrift Supervision (the "OTS"), pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. § 552.2-1, to organize Cornerstone Bank, Atlanta, Georgia (the "Savings Bank"), a federal stock savings bank. The Savings Bank will be a member of the Savings Association Insurance Fund.

The OTS has considered the Application under the factors set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3 and 552.2-1 and other applicable statutes and regulations. The OTS also has considered the Application under the Community Reinvestment Act (the "CRA"), 12 U.S.C. § 2901 *et seq.*, and the OTS regulations thereunder at 12 C.F.R. Part 563e. The OTS has considered analyses prepared by the Office of Examination and Supervision and the Southeast Regional Office ("Regional Office"), and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee ("Regional Director"). Accordingly, the Application is hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated within one hundred twenty (120) calendar days from the date of this Order or within such additional period as the Regional Director may grant;
2. The Savings Bank must receive all required regulatory approvals prior to the establishment of the de novo institution with copies of all such approvals provided to the Regional Director;
3. At least twenty days prior to opening for business, the Organizers must provide to the Regional Director a list of the stockholders of the Savings Bank, including names, addresses, number of shares, and percentage of total shares. Any individuals presumed to be acting in concert pursuant to 12 C.F.R. Section 574.4 shall also be listed and all relationships disclosed;
4. Prior to opening for business, the Savings Bank must establish detailed policies and procedures for all operations. Such policies and procedures must specifically address activities between the Savings Bank and Primary Capital Advisors, LC ("PCA"), including compliance with 12 C.F.R. Sections 563.41 and 563.42. Prior to opening, Cornerstone must provide copies of such policies and procedures and a resolution of its board of directors that indicates the directorate

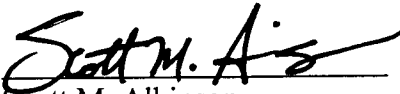
has reviewed, approved, and implemented such policies and procedures to the Regional Director;

5. Prior to opening for business, the Savings Bank and PCA must enter into an intercompany agreement regarding Mr. Pendleton's dual employment. Such agreement must address Mr. Pendleton's compensation, time commitment, and duties related to each organization, and compliance with regulatory standards. Prior to opening for business, the Savings Bank must provide a copy of the intercompany agreement and a resolution of its board of directors that indicates the directorate has reviewed and approved such agreement to the Regional Director. Such agreement must receive the written non-objection of the Regional Director;
6. Prior to opening for business, the Savings Bank must appoint a Chief Financial Officer and Chief Credit Officer and provide notice to, and receive the written non-objection of, the Regional Director;
7. On the business day prior to opening for business, the Organizers of the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank, respectively, as disclosed in the Application, including but not limited to directors, major shareholders, or the business plan; and provided further, that no additional information having an adverse bearing on any feature of the Application has been brought to the attention of the Savings Bank or the OTS;
8. No later than five days from the date the Savings Bank opens for business, it must file with the Regional Office a certification by legal counsel stating the effective date of the Savings Bank's insurance of accounts and its opening, and that the completion of the establishment of the Savings Bank was consummated in accordance with all applicable laws and regulations, the Application and this Order;
9. No later than five days from the date the Savings Bank opens for business, the chief financial officer shall provide to the Regional Director a reconciliation of capital for the Savings Bank;
10. Prior to their execution, all stock option and incentive plans and agreements that are to be implemented within the Savings Bank's first year of operations must be submitted to the Regional Director for his written non-objection and must receive the prior approval of the Savings Bank's shareholders;
11. Mr. Pendleton's dual employment must be limited to the eighteen month period after Cornerstone opens for business. During the eighteen month period, the Savings Bank's board of directors must implement a plan and eliminate Mr. Pendleton's dual employment, and provide a copy of the plan to the Regional Director. Such plan must receive the written non-objection of the Regional Director. If during the eighteen month period, the OTS notifies the Savings Bank's board of directors of safety and soundness concerns with Mr. Pendleton's dual employment, the directorate must eliminate such dual role immediately;

12. During the first three years of the Savings Bank's operations, notice must be provided to the Regional Director prior to the appointment of a director or senior official or change in responsibilities of any senior executive officer for his non-objection;
13. The Savings Bank must operate within the parameters of its business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan, including the level of capital, for the prior, written approval of the Regional Director. The request for change must be submitted a minimum of 30 calendar days before the proposed change is implemented;
14. The Savings Bank must submit independent audit reports to the Regional Director for its first three fiscal years. These reports must comply with the audit rules set forth in 12 C.F.R. § 562.4;
15. At least 50% of the directors of the Savings Bank must be individuals who are not officers or employees of any affiliate of the Savings Bank and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Savings Bank or any affiliate thereof. At least 50% of the directors who serve on the Savings Bank's Audit and Loan Committees must be comprised of directors who are not officers or employees of the Savings Bank or any affiliate thereof;
16. All contracts or agreements pertaining to transactions with affiliates must be provided to the Regional Director at least 30 days prior to execution and must receive his written non-objection prior to implementation; and
17. At least 30 days prior to opening for business, the Savings Bank must submit written evidence, acceptable to the Regional Director, that its data systems, programs, software and business applications will operate properly on and after January 1, 2000. The submission must include a copy of the business resumption contingency plan and evidence of successful Year 2000 testing.

Any time period set forth herein may be extended for up to 30 days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or her designee, effective October 6, 1999.

  
Scott M. Albinson  
Managing Director  
Office of Supervision