

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

CedarStone Bank

Point of Contact:	Ken Mattox	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	647	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	3,564,000	FDIC Certificate Number: (For Depository Institutions)	57684
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 06, 2009	City:	Lebanon
Date Repaid <sup>1</sup> :	N/A	State:	Tennessee

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

**Increase lending or reduce lending less than otherwise would have occurred.**

The CPP funds have allowed the Bank to maintain a constant level of lending since December 2008. The increase by November 2009 was as high as 5.0%.

**To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Residential mortgages increased 39.3%. Commercial business loans secured by real estate increased 44.1%. These increases were offset by a decrease of 34.1% in Commercial loans and a 34.7% decrease in consumer loans.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

CedarStone Bank

**Increase securities purchased (ABS, MBS, etc.).**

The Bank significantly increased (13.7%) its portfolio of securities heavily weighted in government guaranteed mortgage backed securities and SBA securities by reinvesting monthly principal and interest payments. This helps promote mortgage and small business lending.

**Make other investments.**

**Increase reserves for non-performing assets.**

The use of CPP has enabled the Bank to increase its Allowance for Loan and Lease Losses by 63.0%.

**Reduce borrowings.**

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

CedarStone Bank

**Increase charge-offs.**

The use of CPP has allowed the Bank to charge off \$1.7 million in loans relating to the failed Silverton Bank and a fraudulent loan and still remain well capitalized.

**Purchase another financial institution or purchase assets from another financial institution.**

**Held as non-leveraged increase to total capital.**

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

CedarStone Bank

**What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?**

The Bank's ability to fund small business and consumer mortgages was not limited as a result of its participation in the CPP program.

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

CedarStone Bank

**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

The Bank originally had a private common stock offering to raise an additional six million dollars in the fall of 2007. This capital was intended to support increased growth in lending. The Bank was successful in raising three million dollars before the economy began to struggle in 2008. CPP enabled the Bank to obtain the additional three million dollars in capital and maintain a balanced strategy of growth and an appetite for lending.

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

CedarStone Bank

**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDI funds.**

By receiving the CPP funds, the Bank was able to remain well capitalized and maintain an appropriate and positive strategy for business.