

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

Written Agreement by and among

ROBERTSON HOLDING COMPANY, L.P.  
Harrogate, Tennessee

UNIFIED SHARES, LLC  
Harrogate, Tennessee

COMMERCIAL BANCGROUP, INC.  
Harrogate, Tennessee

COMMERCIAL BANK  
Harrogate, Tennessee

and

FEDERAL RESERVE BANK  
OF ATLANTA  
Atlanta, Georgia

Docket No. 12-039-WA/RB-BHC  
12-039-WA/RB-SM

WHEREAS, Robertson Holding Company, L.P., Harrogate, Tennessee (“Robertson”) and Unified Shares, LLC, Harrogate, Tennessee (“Unified”), are registered bank holding companies that own and control Commercial Bancgroup, Inc., Harrogate, Tennessee (“Bancgroup”), a registered bank holding company that owns and controls Commercial Bank, Harrogate, Tennessee (the “Bank”), a state chartered bank that is a member of the Federal Reserve System;

WHEREAS, in recognition of their common goal to maintain the financial soundness of Robertson, Unified, Bancgroup (collectively, the “Companies”) and the Bank, the Companies,

the Bank and the Federal Reserve Bank of Atlanta (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on May 22, 2012, the managing partners of Robertson at a duly constituted meeting adopted a resolution authorizing and directing Edwin G. Robertson to enter into this agreement on behalf of Robertson, and consenting to compliance with each and every applicable provision of this Agreement by Robertson, and its respective institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3));

WHEREAS, on May 31, 2012, the managing directors of Unified at a duly constituted meeting adopted a resolution authorizing and directing James A. Sigmon to enter into this agreement on behalf of Unified, and consenting to compliance with each and every applicable provision of this Agreement by Unified, and its respective institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act;

WHEREAS, on May 21, 2012, Bancgroup’s and the Bank’s boards of directors, at duly constituted meetings, adopted resolutions authorizing and directing Edwin G. Robertson, and Terry L. Lee, respectively, to consent to this Agreement on behalf of Bancgroup and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by Bancgroup, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act.

NOW, THEREFORE, Robertson, Unified, Bancgroup, the Bank, and the Reserve Bank agree as follows:

## **Source of Strength**

1. The managing partner of Robertson, the managing director of Unified, and the board of directors of Bancgroup shall take appropriate steps to fully utilize the Companies' financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with this Agreement and any other supervisory action taken by the Bank's federal or state regulators.

## **Board Oversight**

2. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, lending and credit administration, asset quality, and audit;

(b) the responsibility of the board of directors to monitor management's adherence to approved policies and procedures, and applicable laws and regulations and to monitor exceptions to approved policies and procedures; and

(c) steps to improve the information and reports that will be regularly reviewed by the board of directors and its committees in their oversight of the operations and management of the Bank, including information on the Bank's credit risk management, lending

and credit administration, adversely classified assets, allowance for loan and lease losses (“ALLL”), capital, liquidity, audit, earnings, and conflicts of interest.

### **Credit Risk Management**

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

(a) Procedures to identify, limit and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1);

(b) procedures for the timely and accurate identification of problem loans;

(c) enhancements to the internal loan grading system to ensure timely and accurate risk ratings; and

(d) improvements to the Bank’s management information systems to ensure that the board of directors and senior management obtain timely and accurate information regarding the condition of the Bank’s loan portfolio.

### **Lending and Credit Administration**

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written lending and credit administration program that shall, at a minimum, address, consider, and include:

(a) Loan underwriting and credit administration procedures that include and provide for, at a minimum, documented analysis of: (i) the borrower’s repayment sources, global cash flow, and overall debt service ability; and (ii) the value of any collateral;

(b) procedures to ensure that appraisals conform to accepted appraisal standards, as defined in the Uniform Standards of Professional Appraisal Practice, and comply with the requirements of Subpart G of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50), and the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55);

(c) procedures for monitoring purchased mortgage loans;

(d) policies and procedures to minimize and monitor underwriting and document exceptions;

(e) enhancements to the loan workout process to ensure that workout plans for problem loans are consistent with the Interagency Guidance on Prudent Commercial Real Estate Loan Workouts, dated October 30, 2009 (SR 09-7); and

(f) standards for the timely movement of loans to non-accrual status.

### **Asset Improvement**

5. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the report of the joint examination conducted by the Reserve Bank and the Tennessee Department of Financial Institutions that commenced on April 4, 2011 (the “Report of Examination”) or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank’s risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is

necessary to improve and protect the Bank's interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review.

6. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan, relationship, or other asset in excess of \$500,000, including other real estate owned ("OREO"), that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan, relationship, or other asset in excess of \$500,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any

subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report.

#### **Allowance for Loan and Lease Losses**

7. (a) The Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

### **Capital Plan**

8. Within 60 days of this Agreement, Bancgroup shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at Bancgroup on a consolidated basis, and Bancgroup and the Bank shall submit an acceptable joint written plan to maintain sufficient capital at the Bank as a separate legal entity on a stand-alone basis. The plans shall, at a minimum, address, consider, and include:

(a) Bancgroup's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D);

(b) the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(c) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ALLL, current and projected asset growth, projected retained earnings, and anticipated and contingency funding needs;

(d) the source and timing of additional funds to fulfill Bancgroup's and the Bank's future capital requirements; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that Bancgroup serve as a source of strength to the Bank.

9. Bancgroup and the Bank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any calendar quarter in which any of Bancgroup's consolidated capital ratios or the Bank's capital ratios (total risk-based, Tier 1 risk-based, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, Bancgroup and the Bank shall submit an acceptable written plan that details the steps Bancgroup or the Bank, as appropriate, will take to increase Bancgroup's or the Bank's capital ratios to or above the approved capital plan's minimums.

### **Conflicts of Interest Policy**

10. Within 60 days of this Order, the Bank shall submit to the Reserve Bank an acceptable written code of ethics and conflicts of interest policy applicable to the Bank's directors, officers, employees, agents, and contractors ("Covered Persons") to set out the fiduciary duties of all Covered Persons and the avoidance of conflicts of interest. The code of

ethics and conflicts of interest policy shall be suitable for the activities and structure of the Bank.

The policy, at a minimum, shall address, consider, and include:

- (a) The duty of care and loyalty owed by Covered Persons to the Bank;
- (b) the avoidance of conflicts of interest and the appearance of a conflict of interest;
- (c) the designation of a person (Ethics Officer) responsible for developing, implementing, and administering the Bank's code of ethics and conflicts of interest policy;
- (d) a requirement that a Covered Person identify and promptly report to the Ethics Officer situations involving potential conflicts of interest;
- (e) a requirement that a Covered Person not participate in the underwriting, approval, or renewal of any loan, the proceeds of which are transferred to or used for the tangible economic benefit of such Covered Person or related interest, as defined in section 215.2(n) of Regulation O (12 C.F.R. § 225.2(n)) thereof;
- (f) internal controls that monitor compliance with the code of ethics and conflicts of interest policy, investigate allegations of misconduct, and report any noncompliance or exceptions to the policy to the board of directors; and
- (g) training for all Covered Persons within 60 days of approval of the code of ethics and conflicts of interest policy.

### **Dividends and Payments**

11. (a) The Companies and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors.

(b) The Companies shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date. All requests shall contain, at a minimum, current and projected information, as appropriate, on the parent's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, the Companies and the Bank, as appropriate, must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Debt and Stock Redemption**

12. (a) The Companies shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) The Companies shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Compliance with Laws and Regulations**

13. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior

executive officer position, the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

(c) The Bank shall not, directly or indirectly, violate Regulation O of the Board of Governors (12 C.F.R. Part 215), in any extension of credit to executive officers, directors, principal shareholders, or their related interests, as defined in section 215.2 of Regulation O.

(d) Within 10 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable program to ensure compliance with the provisions of Regulation O. At a minimum, the program shall require: (i) training for the directors and executive officers of the Bank, as well as all personnel responsible for authorizing the payment of overdrafts, regarding Regulation O, and the Bank's policies and procedures on Regulation O; (ii) the amendment of the Bank's policies and procedures to ensure that extensions of credit to all executive officers, directors, principal shareholders, or their related interests, including, but not limited to the payment of overdrafts, are in compliance with the restrictions and limitations of Regulation O; (iii) appropriate reporting to the Bank's board of directors and its audit committee concerning any overdrafts by executive officers, directors, principal shareholders, or their related interests; and (iv) the retention of appropriate documentation and their retention for supervisory review.

## **Compliance with the Agreement**

14. Within 30 days after the end of each calendar quarter following the date of this Agreement, the boards of directors of the Companies and the Bank shall jointly submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

## **Approval and Implementation of Plans and Programs**

15. (a) The Bank, and as applicable, the Companies shall submit written plans and programs that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 3, 4, 6(a), 7(c), 8, 10, and 13(d), of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, the Bank, and as applicable the Companies, shall adopt the approved plans and programs. Upon adoption, the Bank, and as applicable the Companies, shall promptly implement the approved plans and programs and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

## **Communications**

16. All communications regarding this Agreement shall be sent to:

- (a) Mr. Robert Hawkins  
Assistant Vice President  
Federal Reserve Bank of Atlanta  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470
  
- (b) Mr. Edwin Robertson  
Managing Partner  
Robertson Holding Company, L.P.  
6710 Cumberland Gap Parkway  
Harrogate, Tennessee 30318

- (c) Mr. James Sigmon  
Managing Director  
Unified Shares, LLC  
6710 Cumberland Gap Parkway  
Harrogate, Tennessee 30318
- (d) Mr. Edwin Robertson  
Chairman of the Board  
Commercial Bancgroup, Inc.  
6710 Cumberland Gap Parkway  
Harrogate, Tennessee 37752
- (e) Mr. Terry L. Lee  
President and Chief Executive Officer  
Commercial Bank  
6710 Cumberland Gap Parkway  
Harrogate, Tennessee 37752

### **Miscellaneous**

17. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Companies and the Bank to comply with any provision of this Agreement.

18. The provisions of this Agreement shall be binding upon the Companies and the Bank and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

19. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

20. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Companies and the Bank or any of their current or former institution-affiliated parties and their successors and assigns.

21. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 8<sup>th</sup> day of June, 2012.

ROBERTSON HOLDING  
COMPANY, L.P.

FEDERAL RESERVE BANK OF  
ATLANTA

By: /s/ Edwin G. Robertson  
Edwin G. Robertson  
Managing Partner

By: /s/ Robert Hawkins  
Robert Hawkins  
Assistant Vice President

UNIFIED SHARES, LLC

By: /s/ James A. Sigmon  
James A. Sigmon  
Managing Director

COMMERCIAL BANCGROUP, INC.

By: /s/ Edwin G. Robertson  
Edwin G. Robertson  
Chairman of the Board

COMMERCIAL BANK

By: /s/ Terry L. Lee  
Terry L. Lee  
President and Chief Executive Officer