

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

STATE OF GEORGIA
DEPARTMENT OF BANKING AND FINANCE
ATLANTA, GEORGIA

Written Agreement by and among

COMMUNITY BANKSHARES, INC.
Cornelia, Georgia

FEDERAL RESERVE BANK OF
ATLANTA
Atlanta, Georgia

and

BANKING COMMISSIONER OF
THE STATE OF GEORGIA
Atlanta, Georgia

Docket No. 09-131-WA/RB-HC

WHEREAS, Community Bankshares, Inc., Cornelia, Georgia (“Bankshares”), a registered bank holding company, owns and controls Community Bank & Trust, Cornelia, Georgia, Community Bank & Trust – Alabama, Union Springs, Alabama, and Community Bank & Trust – West Georgia, La Grange, Georgia, each a state nonmember bank (collectively, the “Subsidiary Banks”), and a nonbank subsidiary;

WHEREAS, it is the common goal of Bankshares, the Federal Reserve Bank of Atlanta (the “Reserve Bank”), and the Banking Commissioner of the State of Georgia (the “Commissioner”) to maintain the financial soundness of Bankshares so that Bankshares may serve as a source of strength to the Subsidiary Banks;

WHEREAS, Bankshares, the Reserve Bank, and the Commissioner have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on September 8, 2009, the board of directors of Bankshares, at a duly constituted meeting, adopted a resolution authorizing and directing Charles Miller to enter into this Agreement on behalf of Bankshares, and consenting to compliance with each and every provision of this Agreement by Bankshares and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Bankshares, the Reserve Bank, and the Commissioner agree as follows:

Dividends and Distributions

1. (a) Bankshares shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors of the Federal Reserve System (the “Board of Governors”), and the Commissioner.

(b) Bankshares shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Subsidiary Banks without the prior written approval of the Reserve Bank and the Commissioner.

(c) Bankshares and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank, the Director, and the Commissioner.

(d) All requests for prior approval shall be received by the Reserve Bank and the Commissioner at least 30 days prior to the proposed dividend declaration date, proposed

distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Bankshares' capital, earnings, and cash flow; the Subsidiary Banks' capital, asset quality, earnings, and allowance for loan and lease losses ("ALLL"); and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Bankshares 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), and the Georgia Department of Banking and Finance Statement of Policies.

Debt and Stock Redemption

2. (a) Bankshares and any nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the Commissioner. 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) Bankshares shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the Commissioner.

Capital Plan

3. Within 60 days of this Agreement, Bankshares shall submit to the Reserve Bank and the Commissioner an acceptable written plan to maintain sufficient capital at Bankshares, on

a consolidated basis, and at each of the Subsidiary Banks, as separate legal entities on a stand-alone basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Subsidiary Banks' 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), and the applicable capital adequacy guidelines for the Subsidiary Banks issued by the Subsidiary Banks' federal regulator;

(b) the adequacy of each of the Subsidiary Banks' capital, taking into account each bank's volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds to fulfill the consolidated organization's and the Subsidiary Banks' future capital requirements;

(d) supervisory requests for additional capital at any one of the Subsidiary Banks or the requirements of any supervisory action imposed on any one of the Subsidiary Banks by their federal or state regulator; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that Bankshares serve as a source of strength to the Subsidiary Banks.

4. Bankshares shall notify the Reserve Bank and the Commissioner, in writing, no more than 30 days after the end of any quarter in which the consolidated organization's or any one of the Subsidiary Banks' capital ratio (total risk-based, Tier 1, or leverage) falls below the plan's minimum ratios. Together with the notification, Bankshares shall submit an acceptable

capital plan that details the steps Bankshares will take to increase the consolidated organization's or the Subsidiary Banks' capital ratios to or above the plan's minimums.

Regulatory Reports

5. Bankshares shall immediately take steps to ensure that all required regulatory reports and notices filed with the Federal Reserve and the Federal Financial Institutions Examination Council accurately reflect Bankshares' financial condition and are filed in accordance with the applicable instructions for preparation.

Affiliate Transactions

6. (a) Bankshares shall take all necessary actions to ensure that the Subsidiary Banks comply with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Subsidiary Banks and their affiliates, including but not limited to Bankshares and its nonbank subsidiary.

(b) Bankshares and its nonbank subsidiary shall not cause the Subsidiary Banks or any other depository institution subsidiary of Bankshares to violate any provision of sections 23A and 23B of the Federal Reserve Act or Regulation W of the Board of Governors.

Compliance with Laws and Regulations

7. (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, Bankshares 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.*), and also provide written notice to the Commissioner.

(b) Bankshares 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).

Progress Reports

8. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank and the Commissioner written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, a report of changes in stockholders' equity.

Approval and Implementation of Plan

9. (a) Bankshares shall submit a written plan that is acceptable to the Reserve Bank and the Commissioner within the applicable time period set forth in paragraph 3 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Commissioner, Bankshares shall adopt the approved plan. Upon adoption, Bankshares shall promptly implement the approved plan and thereafter fully comply with it.

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

Communications

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

- (a) Mr. Robert D. Hawkins
Assistant Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470
- (b) Mr. Robert M. Braswell
Commissioner
Georgia Department of Banking and Finance
2990 Brandywine Road, Suite 200
Atlanta, Georgia 30341
- (c) Mr. Charles Miller
President & CEO
Community Bankshares, Inc.
448 North Main Street
Cornelia, Georgia 30531-9853

Miscellaneous

11. Notwithstanding any provision of this Agreement, the Reserve Bank and the Commissioner may, in their sole discretion, grant written extensions of time to Bankshares to comply with any provision of this Agreement.

12. The provisions of this Agreement shall be binding upon Bankshares and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

14. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Commissioner, or any other federal or state agency from taking any other action affecting Bankshares, the Subsidiary Banks, any nonbank

subsidiary of Bankshares, or any of their current or former institution-affiliated parties and their successors and assigns.

15. 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) and by the Commissioner pursuant to the Official Code of Georgia Annotated § 7-1-91.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 16th day of September, 2009.

COMMUNITY BANKSHARES, INC.

FEDERAL RESERVE BANK OF ATLANTA

By: /s/ Charles Miller
Charles Miller
President & CEO

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

BANKING COMMISSIONER OF THE
STATE OF GEORGIA

By: /s/ Robert M. Braswell
Robert M. Braswell
Commissioner