

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Bank of the Carolinas Corporation

Point of Contact:	Megan W. Patton	RSSD: (For Bank Holding Companies)	3447398
UST Sequence Number:	1008	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	13,179,000	FDIC Certificate Number: (For Depository Institutions)	34903
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	April 17, 2009	City:	Mocksville
Date Repaid ¹ :	N/A	State:	North Carolina

¹If 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.

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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.).

[Empty response area for increased lending]

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

[Empty response area for increased securities purchased]

Make other investments.

[Empty response area for other investments]

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Increase reserves for non-performing assets.

The CPP investment provided the Company and the Bank with sufficient capital to support additional reserves on foreclosed properties at \$3.5 million and additional provisions for loan losses of \$17.6 million in 2011.

Reduce borrowings.

Increase charge-offs.

The CPP investment provided the Company and the Bank with sufficient capital to support \$16.3 million of net-chargeoffs during 2011.

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

Held as non-leveraged increase to total capital.

As of December 31, 2011, the Company retained approximately \$500,000 available as future capital additions to the Bank.

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

The Company was able to avoid reductions in customer service offerings and reductions in the availability of credit with the infusion of capital under the CPP program.

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

The Company was able to work with troubled borrowers more effectively and restructure credit to help its customers with the addition of CPP capital.

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

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.