



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

CedarStone Bank

Person to be contacted regarding this report:	Ken Mattox	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	647	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Received:	3,564,000	FDIC Certificate Number: (For Depository Institutions)	57684
CPP Funds Repaid to Date:	0	City:	Lebanon
Date Funded (first funding):	Feb 6, 2009	State:	Tennessee
Date Repaid <sup>1</sup> :	N/A		

<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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The CPP funds have allowed the Bank to increase lending by 3.5% since December 2008. The increase by November 2009 was as high as 5.0%.
<input checked="" type="checkbox"/>	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 32.5%. Commercial business loans secured by real estate increased 31.4%. These increases were offset by a decrease of 20.7% in Commercial loans and a 28.5% decrease in consumer loans.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Bank has been able to maintain a constant portfolio of securities heavily weighted in government guaranteed mortgage backed securities and SBA securities by reinvesting the monthly principal and interest payments. This helps promote mortgage and small business lending.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The use of CPP has enabled the Bank to increase its Allowance for Loan and Lease Losses by 42.8%.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	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.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP 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.

What actions were you able to take that you may not have taken without the capital infusion of CPP 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 \$3 million in capital and maintain a balanced strategy of growth and an appetite for lending.

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

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