



**QUEENSBOROUGH**  
NATIONAL BANK & TRUST COMPANY

205 East Broad Street, P.O. Box 467, Louisville, Georgia 30434  
Phone: (478) 625-2000 Fax: (478) 625-2008

March 6, 2009

Via Email (SIGTARP.response@do.treas.gov) (w/o supporting documentation) and FedEx

Special Inspector General - TARP  
1500 Pennsylvania Avenue, NW  
Suite 1064  
Washington, D. C. 20220

Attn: Neil M. Barofsky  
Special Inspector General

Re: SIGTARP Request for Information  
The Queensborough Company

Dear Mr. Barofsky:

The Queensborough Company, a Georgia corporation (the "Company"), is the parent of Queensborough National Bank & Trust Co. (the "Bank"), a \$880 million asset financial institution with 21 full service banking offices in the eastern section of Georgia serving the rural counties between Augusta and Savannah as well the two cities. On January 9, 2009, the Company received an investment of \$12 million under the Troubled Asset Relief Program Capital Purchase Program (CPP).

We are responding to your letter, dated February 6, 2009, with respect to our use of CPP funds and compliance with the executive compensation requirements of the Emergency Economic Stabilization Act of 2008 ("EESA"). We have restated and responded to each of your requests below.

- (1) *A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.*



**(a), (c) and (d).** Our anticipated use of CPP funds is, our actual use of CPP funds to date has been, and our expected use of unspent CPP funds is (i) to make loans to credit worthy customers, and (ii) to facilitate resolution of problem assets on our books.

**(b)** The CPP funds were not segregated.

**Additional Information.**

The Queensborough Company received CPP funds on January 9, 2009. The CPP funds were initially placed in the Company's demand deposit account with the Bank, providing liquidity to the Bank while preserving the Company's flexibility in how to best support the Bank, including the Bank's lending efforts.

On January 20, 2009, the Company contributed \$5 million to the Bank as capital, increasing the Bank's capital level from 10.8% of total risk weighted assets to 11.63% of total risk weighted assets. Due to the Bank's Capital Policy, which requires the Bank to maintain *no less than* 10% capital, the Bank has been able to increase its lending capacity by approximately \$45,000,000.

The Company is ready to contribute additional funds as capital to the Bank to support further increases in lending when and if loan demand increases. CPP funds have strengthened our capacity to respond to the legitimate credit needs of our customers and communities. We have advised our customers, employees and community of our commitment to support our communities' growth and of our receipt of CPP funds, which strengthens our ability to make loans. We have seen many banks, both recipients of the CPP funds and not, who have begun protecting their capital ratios by deliberately not expanding and by turning good customers away. We hear anecdotally, from potential customers and from bankers, of banks refusing to renew legitimate performing loans, and refusing to approve good legitimate applications. By protecting our capital ratios with the CPP injection we have not found it necessary to send good customers away.

We are in a deepening recession and loan demand is lower than in recent years, but we remain committed to supporting the future growth of our markets. Specifically, we recently approved a \$5 million loan request from a high quality potential new customer. The customer builds bridges and uses the line of credit to buy the steel inventory required in their construction contracts. We also recently approved a loan for a young farmer to purchase farm land and begin developing his own operation separate from that of his father's. Neither of these loans would have been possible if we were in the position of protecting our capital ratios by shrinking our balance sheet. The CPP injection gives us the flexibility and strength to pursue these and other legitimate credit requests.



CPP funds have not only provided us with additional lending capacity, but have also permitted us to strengthen our balance sheet. That strength allows us the flexibility to work with our problem borrowers, both commercial and retail, to give them the time needed to work out of their problems. Specifically, the board of directors of the Bank approved a mortgage foreclosure prevention policy that ensures that we will not act precipitously in dealing with troubled homeowners. A copy of that policy is attached. Also, we have not found it necessary or desirable, as some larger banks have, to apply a 'scorched earth' policy when dealing with problem commercial borrowers. We are able to work with the borrowers and give them the time necessary to solve their own problems.

On January 9, 2009, we paid a dividend of \$.30 per share or \$360,000 representing an 8% reduction from the previous year. On February 2, 2009 the company repaid \$400,000 debt as planned. These capital transactions would have taken place without the CPP injection.

- (2) *Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.*

We will fully comply with the executive compensation requirements associated with the CPP funds.

(b) (4)

We are currently in the process, with the assistance of counsel, of reviewing the American Recovery and Reinvestment Act of 2009 ("ARRA") to determine whether further modifications to our executive compensation arrangements or other actions will be required pending adoption of regulations by Treasury.

In connection with the policy, our Compensation Committee will review the incentive compensation arrangements of the senior executive officers to ensure that such



arrangements do not encourage senior executive officers to take unnecessary or excessive risks. This review will be completed by April 15, 2009.

We have segregated and preserved all documents referring to our use or anticipated of CPP funds, including any internal emails, budgets or memoranda.

As a duly authorized senior executive officer of the Company, I hereby certify, on behalf of the Company, and subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001, that all statements, representations and supporting information provided herein are true and complete to the best of my knowledge.

Thank you for your consideration of our responses to your comments. If you have any questions, or if we can be of further assistance to you, please call me at (b) (6)

Very truly yours,

A handwritten signature in black ink that reads "William F. Easterlin, III".

William F. Easterlin, III  
President / CEO

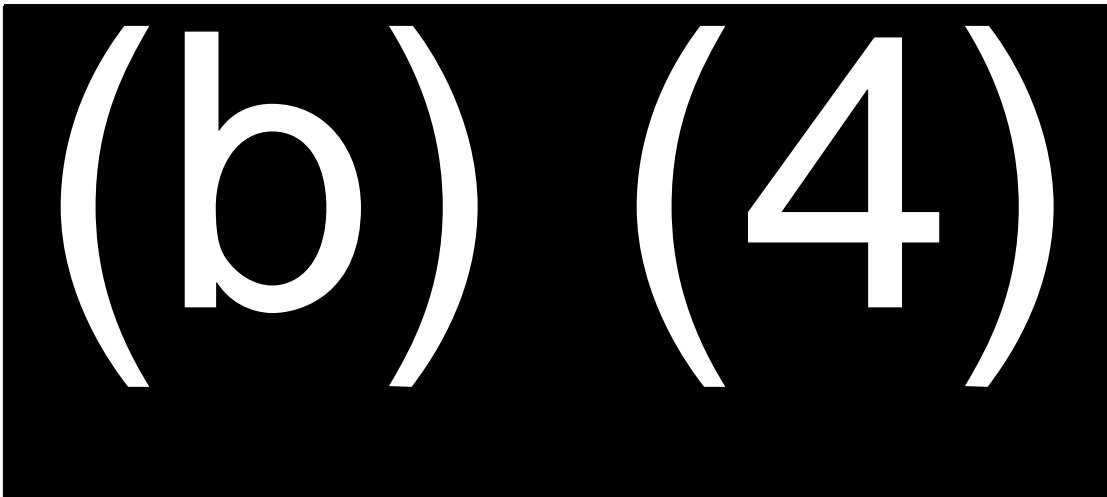
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## **MORTGAGE FORECLOSURE PREVENTION POLICY**

### **POLICY STATEMENT AND BOARD APPROVAL**

The Board of Directors (Board) of the Queensborough National Bank and Trust Company of Louisville, Georgia recognizes the need to adopt a definitive policy, which governs how it will handle the bank's mortgage customers who are in default. Loan Officers are instructed to give the customer every opportunity to retain his personal residence and refrain from proceeding with foreclosure if at all possible.

The goal of Queensborough National Bank and Trust is to keep customers in their homes. In order to insure this, lending staff will have the appropriate guidance and a framework to work within to make this happen. The basic guidelines are as follows:



This policy was approved on February 11, 2009.