

BEFORE THE) IN RE: APPLICATION OF
SECRETARY OF STATE) FIRST CHATSWORTH BANKSHARES, INC.
OF GEORGIA) PURSUANT TO SECTION 10-5-11(9) OF THE
) GEORGIA UNIFORM SECURITIES ACT OF 2008

Findings of Fact and Order of Approval

The above-referenced application (the “*Application*”), having been considered by the Secretary of State of Georgia as the Commissioner of Securities of the State of Georgia, acting by and through the undersigned (the “*Commissioner*”), and the Commissioner, having received the Application and having reviewed the same and the Appendices thereto, and after conducting the hearing as requested thereunder and as authorized by Section 10-5-11(9) of the Georgia Uniform Securities Act of 2008 (the “*Act*”) and the Rules promulgated thereunder, and having received proof of the proper notice of said hearing was given to all persons entitled thereto on a timely basis, makes the following findings of fact and enters the following order:

1. First Chatsworth Bankshares, Inc. (“*FCBI*”), a Georgia Corporation and a bank holding company headquartered in Chatsworth, Georgia, filed the Application on March 29, 2019, pursuant to Section 10-5-11(9) of the Act. FCBI is the registered bank holding company for First National Community Bank (“*First National*”), a national bank organized under the laws of the United States. The Application is for approval of the issuance of shares of FCBI’s common stock, \$0.10 par value per share (the “*FCBI Common Stock*”), and cash in exchange for all of the outstanding shares of common stock, \$0.01 par value per share, of NorthSide Bancshares, Inc. (“*NorthSide*”), a Georgia corporation and a bank holding company headquartered in Adairsville, Georgia. Northside is the registered bank holding company for NorthSide Bank, a Georgia banking corporation. Such issuance will occur in connection with the proposed merger of NorthSide with and into FCBI (“the “*Merger*”). The Merger will be effected pursuant to the Agreement and Plan of Merger, dated as of January 10, 2019, by and between FCBI and NorthSide (the “*Merger Agreement*”).
2. At the effective time of the Merger, NorthSide will merge with and into FCBI, the separate existence of NorthSide will cease, and the corporate existence of FCBI will continue. Each outstanding share of NorthSide’s common stock, \$0.01 par value per share, (“*NorthSide Stock*”), will be converted into the right to receive (i) 0.00804 shares of FCBI Common Stock, or (ii) \$26.26 per share in cash for any resulting fractional share of FCBI Common Stock. Immediately following, NorthSide Bank will be merged with and into First National, with First National surviving the merger.
3. The Commissioner has authority to consider FCBI’s Application. FCBI’s issuance and delivery, in connection with the Merger, of shares of FCBI Common Stock to the holders of NorthSide Stock constitutes “A transaction in a security . . . in exchange for one or more bona fide outstanding securities, claims, or property interests or partly in

such exchange and partly for cash ...” within the meaning of Section 10-5-11(9) of the Act.

4. Section 10-5-11(9) was adopted from and contains the same language as Section 202(9) of the Uniform Securities Act of 2002. Official Comment 10 to the Uniform Securities Act of 2002 provides in pertinent part as follows “Section 202(9) provides a state counterpart to the exemption in Section 3(a)(10) of the Securities Act of 1933.”
5. FCBI has advised the Commissioner that FCBI’s issuance of shares of FCBI Common Stock to the holders of NorthSide Stock as described above is a transaction which involves the issuance and exchange of securities, which, if approved by the Commissioner, is intended to be exempt from the registration requirements of the federal securities laws under Section 3(a)(10) of the Securities Act of 1933, as amended (the “*Securities Act*”). FCBI intends to rely upon Section 3(a)(10) of the Securities Act if the transaction is approved by the Commissioner.
6. FCBI is headquartered in Chatsworth, Georgia. NorthSide is a Georgia corporation headquartered in Adairsville, Georgia. FCBI’s offer to exchange its securities for the shares of NorthSide Stock was made from Georgia and the sale, issuance, and delivery of the shares of FCBI Common Stock in the Merger will be initiated from Georgia and consummated at a closing to be held in Georgia pursuant to the Merger Agreement. In addition, 314 record and beneficial owners of NorthSide Stock, holding in the aggregate approximately 37,581,349 of the outstanding NorthSide Stock (and who constitute 89.2% of the overall number of holders of NorthSide Stock), are residents of Georgia. FCBI Common Stock is not publicly traded. The Commissioner has jurisdiction over FCBI’s issuance and delivery of securities pursuant to Section 10-5-11(9) of the Act and the Rules promulgated thereunder and is authorized to hold a hearing on and to thereafter approve the terms and conditions of FCBI’s issuance of shares of FCBI Common Stock in exchange for NorthSide Stock and the fairness of such terms and conditions.
7. NorthSide shareholders are required to approve the Merger under Georgia law. On June 19, 2019, NorthSide shareholders approved the Merger at NorthSide’s 2019 Annual Meeting of Shareholders by a vote of 87.15 percent. Additionally, on June 21, 2019, FCBI and NorthSide sent to each of the NorthSide shareholders, by United States mail, postage prepaid, a Shareholders’ Notice of Hearing regarding the Application, which Notice of Hearing included information about the Merger, the Merger Agreement and the parties, and informed the NorthSide shareholders that the Application and supporting documentation annexed thereto was available for inspection at the office of the Commissioner and the principal offices of FCBI and NorthSide (the “*Shareholders’ Notice of Hearing*”).
8. As described in the Shareholders’ Notice of Hearing, the hearing requested by the Application was held before the Commissioner on July 9, 2019 at 2:00 p.m., pursuant

to Section 10-5-11(9) of the Act, at least ten (10) business days after the Application was filed with the Commissioner. All persons to whom FCBI proposes to issue shares of FCBI Common Stock in consummation of the Merger had the right to appear and be heard at the hearing. No one was prevented from appearing by action of FCBI, NorthSide, or the Commissioner. Evidence and testimony relating to the proposed exchange was presented to the Commissioner.

9. As provided by the Merger Agreement, the exchange of securities pursuant to the Merger Agreement will be accomplished as soon as reasonably practicable after the effective time of the Merger.
10. In the course of negotiations, both FCBI and NorthSide were represented by counsel experienced in commercial transactions similar to the Merger. Northside engaged Olsen Palmer LLC (“Olsen Palmer”) as a financial adviser to advise NorthSide’s Board of Directors as to whether the exchange ratio and the Merger as a whole was fair for NorthSide shareholders. Olsen Palmer determined that the terms of the Merger were fair from NorthSide’s perspective. Following that determination, each of the boards of directors of FCBI and NorthSide approved the terms and conditions of the Merger Agreement and of the Merger by vote of those present at a meeting of such board (at which a quorum was present). The parties testified that the terms and conditions of the Merger Agreement and of the Merger are the result of arms’ length negotiations.
11. At the hearing, Brian Abercrombie, CFO of FCBI, testified that the transaction will benefit FCBI in that it is expected to expand FCBI’s footprint in the North Georgia area through the addition of NorthSide’s branches in Gordon and Bartow counties. Larry Flowers, President and CEO of NorthSide, testified that the transaction will benefit the holders of NorthSide Stock in that they will acquire an interest in a larger corporation with greater financial resources and a stronger market position.
12. Shareholders holding at least a majority of the issued and outstanding NorthSide Stock were required to approve the terms and conditions of the Merger Agreement. NorthSide shareholders who opposed the Merger could exercise dissenter’s rights pursuant to Georgia law and seek to obtain payment of the fair value of their shares.
13. NorthSide’s shareholders received proxy materials in connection with the 2019 Annual Meeting of Shareholders held for, among other purposes, considering approval of the Merger. These materials included:
 - Notice of the 2019 Annual Meeting of the Shareholders, including the matters to be decided, and the date, time, and place of the meeting;
 - A recommendation of the board of directors of NorthSide that the shareholders vote “FOR” approval of the Merger and Merger Agreement;
 - A description of the terms and conditions of the Merger and a copy of the Merger Agreement;

- A description and copy of the fairness opinion issued by Olsen Palmer with respect to whether, in their opinion, the consideration to be provided to shareholders of NorthSide is fair from a financial point of view; and
 - A proxy providing the shareholders with the opportunity to vote “FOR” or “AGAINST” approval of the Merger and the Merger Agreement.
14. The terms and conditions of the Merger and the Merger Agreement and the issuance and delivery of shares of FCBI Common Stock to the holders of NorthSide Stock as contemplated by the Merger Agreement, are determined to be both procedurally and substantively fair and reasonable within the purview of the Act to FCBI, NorthSide, and the holders of NorthSide Stock.

NOW, THEREFORE, IT IS HEREBY ORDERED that the terms and conditions of the Merger Agreement providing for the issuance of shares of FCBI Common Stock to the holders of NorthSide Stock substantially upon the terms described herein and in the Application, are determined to be both procedurally and substantively fair and reasonable within the purview of the Act to the holders of NorthSide Stock; and the terms and conditions of the Merger Agreement and the procedural and substantive fairness thereof are hereby approved by the Commissioner in accordance with and pursuant to the authority conferred on him by Section 10-5-11(9) of the Georgia Uniform Securities Act of 2008 and the regulations promulgated thereunder.

This 17th day of July, 2019.

**BRAD RAFFENSPERGER
COMMISSIONER OF SECURITIES
STATE OF GEORGIA**

By: C. Ryan Germany
C. Ryan Germany
Assistant Commissioner of Securities