

BEFORE THE)
SECRETARY OF STATE)
OF GEORGIA)
)
)
)
)

IN RE: APPLICATION OF PINNACLE
FINANCIAL CORPORATION PURSUANT
TO SECTION 10-5-11(9) OF THE GEORGIA
UNIFORM SECURITIES ACT OF 2008

Findings of Fact and Order of Approval

Pinnacle Financial Corporation has asked the Georgia Secretary of State, in his capacity as Commissioner of Securities, to hold a hearing and issue a determination on the fairness of its agreement to merge with SBT Bancorp. The Commissioner, having reviewed the above-referenced application (the “Application”) and conducting a hearing on the matter as authorized by Section 10-5-11(9) of the Georgia Uniform Securities Act of 2008 (the “Act”) and the Rules promulgated thereunder, makes the following findings of fact and enters the following order:

1. Pinnacle Financial Corporation, a Georgia corporation and a bank holding company registered with the Board of Governors of the Federal Reserve System, headquartered in Elberton, Georgia (“Buyer”), filed the Application on December 23, 2019, pursuant to Section 10-5-11(9) of the Act. The Application is for approval of the issuance of shares of Buyer’s common stock, no par value (the “Buyer Common Stock”), and cash in exchange for all of the outstanding shares of common stock, \$0.01 par value per share (the “Seller Common Stock”), of SBT Bancorp, Inc., a Georgia corporation and a bank holding company registered with the Board of Governors of the Federal Reserve System, headquartered in Clarkesville, Georgia (“Seller”). Such issuance will occur in connection with a proposed two-step merger transaction. In the first transaction, Pinnacle Merger Corporation, a Georgia corporation and wholly-owned subsidiary of Buyer (“Merger Sub”), will merge with and into Seller with Seller as the surviving corporation (the “First Step Merger”). In the second transaction, immediately following the First Step Merger, Seller will merge with and into Buyer with Buyer surviving (the “Second Step Merger” and, together with the First Step Merger, the “Merger”). The Merger will be effected pursuant to the Agreement and Plan of Merger, dated as of December 17, 2019, by and between Buyer, Merger Sub, and Seller (the “Merger Agreement”). A copy of the Merger Agreement is attached as Appendix A to the Application.
2. At the effective time of the First Step Merger, Merger Sub will merge with and into Seller and each outstanding share of Seller Common Stock will be converted into the right to receive either (i) cash in the amount of \$27.37 (the “Per Share Cash Consideration”) or (ii) 0.2027 shares of Buyer Common Stock (the “Per Share Stock Consideration” and, together with the Per Share Cash Consideration, the “Merger Consideration”); *provided, however*, that no more than 58% of the shares of Seller Common Stock to be converted as a result of the Merger will be converted into cash and the remaining shares of Seller Common Stock will be exchanged for Buyer Common Stock. Holders of Seller Common Stock will be entitled to elect the form of Merger Consideration they prefer to receive in the Merger, except that

Seller shareholders who hold 500 or fewer shares of Seller Common Stock will receive cash. If more than 58% of the shares of Seller Common Stock to be converted as a result of the Merger elect to receive the Per Share Cash Consideration, Buyer will allocate the shares electing to receive the Per Share Cash Consideration on a pro rata basis such that no more than 58% of the shares are exchanged for cash. Seller shareholders who would be entitled to receive a fractional share of Buyer Common Stock as a result of the Merger shall receive, in lieu of such shares of Buyer Common Stock, cash in an amount equal to such number of shares or fractional share of Buyer Common Stock multiplied by \$135.00. The Buyer Common Stock will be issued at a valuation of \$135.00 per share. Finally, for Seller shareholders residing outside of Georgia and in states in which the necessary state securities law or “blue sky” permits and approvals required to effect the Merger are not obtained, such Seller shareholders will be ineligible to receive the Per Share Stock Consideration and will instead receive the Per Share Cash Consideration. Following the effective time of the First Step Merger, at the effective time of the Second Step Merger, Seller will merge with and into Buyer, the separate existence of Seller will cease, and the corporate existence of Buyer will continue.

3. The Commissioner has authority to consider Buyer’s application. Buyer’s issuance and delivery, in connection with the Merger, of shares of Buyer Common Stock to the holders of Seller Common 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. Buyer has advised the Commissioner that Buyer’s issuance of shares of Buyer Common Stock to the holders of Seller Common 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”). Buyer intends to rely upon Section 3(a)(10) if the transaction is approved by the Commissioner.
6. Buyer is a Georgia corporation headquartered in Elberton, Georgia. Seller is a Georgia corporation headquartered in Clarkesville, Georgia. Buyer’s offer to exchange its securities for the shares of Seller Common Stock was made from Georgia and the sale, issuance, and delivery of the shares of Buyer 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, 279 record and

beneficial owners of Seller Common Stock, who constitute 73.4% of the overall number of holders of Seller Common Stock holding in the aggregate approximately 53.6% of the outstanding Seller Common Stock, are residents of Georgia. The Buyer Common Stock is not publicly traded. The Commissioner has jurisdiction over Buyer'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 Buyer's issuance of shares of Buyer Common Stock in exchange for Seller Common Stock and the fairness of such terms and conditions.

7. The Seller shareholders are required to approve the Merger under Georgia law, and Seller intends to hold a meeting of its shareholders for that purpose.
8. In connection with seeking the approval of the Application, on January 22, 2020, Buyer and Seller sent to each of the Seller shareholders, by United States mail, postage prepaid, a Shareholders' Notice of Fairness Hearing (the "Notice of Hearing"), which Notice of Hearing included information about the Merger, the Merger Agreement and the parties, and informed the Seller shareholders that the Application and supporting documentation annexed thereto was available for inspection at the office of the Commissioner and the principal offices of Buyer and Seller.
9. As described in the Notice of Hearing, the hearing requested by the Application was held before the Commissioner on February 11, 2020 at 2:00 p.m., pursuant to Section 10-5-11(9) of the Act, at least fourteen business days after the Application was filed with the Commissioner. All persons to whom Buyer proposes to issue shares of Buyer 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 Buyer, Seller, or the Commissioner. Evidence and testimony relating to the proposed exchange was presented to the Commissioner.
10. 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.
11. In the course of negotiations, both Buyer and Seller were represented by counsel experienced in commercial transactions similar to the Merger, and by financial advisors with experience in such transactions. Each of the boards of directors of Buyer and Seller 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 evidence presented at the hearing showed that the terms and conditions of the Merger Agreement and of the Merger are the result of arm's length negotiations under circumstances in which the boards of directors of each party to the Merger Agreement were positioned to act in the best interest of their respective corporation and shareholders.

12. L. Jackson McConnell, Jr., Chief Executive Officer of Buyer, testified that the Merger will benefit Buyer in that it is expected to expand Buyer's footprint in the north Georgia mountains through the addition of Seller's office locations, while also diversifying Pinnacle Bank's ("Buyer Bank") loan concentrations and increasing its deposit base. Tony E. Collins, President and Chief Executive Officer of Seller, testified that the Merger will benefit the holders of capital stock of Seller that receive Buyer Common Stock in that they will acquire an interest in a larger corporation with greater financial resources and a stronger market position. Mr. Collins further testified that the Merger will benefit the holders of capital stock of Seller that receive cash from Buyer by providing such holders with immediate liquidity.
13. Shareholders holding a majority of the issued and outstanding Seller Common Stock are required to approve the terms and conditions of the Merger Agreement. Seller shareholders who oppose the Merger may exercise appraisal rights pursuant to Georgia law and seek to obtain payment of the fair value of their shares.
14. Seller's shareholders will receive proxy materials in connection with the Meeting of Shareholders to be held for considering approval of the Merger. These materials will include:
 - Notice of the Meeting of Shareholders, including the matters to be decided and the date, time, and place of the meeting;
 - A recommendation of the board of directors of Seller that the shareholders vote "FOR" approval of the Merger Agreement and the Merger;
 - A description of the terms and conditions of the Merger and a copy of the Merger Agreement;
 - A description and a copy of the fairness opinion issued by The Burke Group, LLC with respect to whether, in its opinion, the consideration to be provided to shareholders of Seller is fair from a financial point of view; and
 - A proxy card providing the shareholders with the opportunity to vote "FOR" or "AGAINST" approval of the Merger Agreement and the Merger.
15. Sufficient information has been provided to the Commissioner to permit the Commissioner to determine the fairness of the relative values that the Buyer and Seller have placed on the securities to be exchanged and the securities to be issued in the Merger.
16. The terms and conditions of the Merger, the Merger Agreement, and the issuance and delivery of shares of Buyer Common Stock to the holders of Seller Common 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 Buyer, Seller, and the holders of Seller Common Stock.

NOW, THEREFORE, IT IS HEREBY ORDERED that the terms and conditions of the Merger Agreement providing for the issuance of shares of Buyer Common Stock to the holders of Seller Common Stock as described in the Application, are determined to be both procedurally and substantively fair and reasonable within the purview of the Act to the holders of Seller Common 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 February, 2020.

BRAD RAFFENSPERGER
COMMISSIONER OF SECURITIES
STATE OF GEORGIA

By: 
C. Ryan Germany
Assistant Commissioner of Securities