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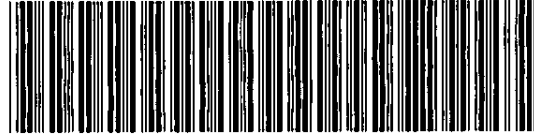
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*[Signature]*

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ORDER TIME : 9:52 AM

ORDER NO. : 144185-005

CUSTOMER NO: 4307993

ARTICLES OF MERGER

REPUBLIC ACQUISITION CORP.

INTO

CORNERSTONE BANCORP, INC.

PLEASE RETURN THE FOLLOWING AS PROOF OF FILING:

XX CERTIFIED COPY

CONTACT PERSON: Courtney Williams

EXAMINER'S INITIALS: \_\_\_\_\_

ARTICLES OF MERGER OF  
REPUBLIC ACQUISITION CORP.,  
A KENTUCKY CORPORATION,  
WITH AND INTO  
CORNERSTONE BANCORP, INC.,  
A FLORIDA CORPORATION

SECRET-FILED STATE  
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Pursuant to the provisions of the Florida Business Corporation Act (the "Act"), Republic Acquisition Corp., a Kentucky corporation ("Republic"), and Cornerstone Bancorp, Inc., a Florida corporation ("Cornerstone"), do hereby adopt the following Articles of Merger:

**FIRST:** The corporations which are parties to the merger (the "Merger") contemplated by these Articles of Merger are Republic and Cornerstone. The surviving corporation in the Merger is Cornerstone.

**SECOND:** The Plan of Merger is set forth in the Agreement and Plan of Merger by and between Republic Bancorp, Inc. and Cornerstone dated as of October 6, 2015. A copy of the Agreement and Plan of Merger is attached hereto as Exhibit A and made a part hereof by reference as if fully set forth herein.

**THIRD:** The Merger shall become effective at 5:01 p.m. Eastern Standard Time on May 17, 2016 in accordance with the provisions of the Act (the "Effective Date").

**FOURTH:** The Agreement and Plan of Merger was adopted by the board of directors of Republic on October 6, 2015 and by the shareholder of Republic on October 6, 2015. The Agreement and Plan of Merger was adopted by the board of directors of Cornerstone on October 6, 2015 and by the shareholders of Cornerstone on December 10, 2015. The Agreement and Plan of Merger was approved by Cornerstone in accordance with the applicable provisions of the Act and was approved by Republic in accordance with the applicable provisions of Kentucky law.

**FIFTH:** The Articles of Incorporation of Cornerstone shall serve as the Articles of Incorporation of the surviving corporation, until subsequently amended in accordance with applicable law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have caused these Articles of Merger to be executed effective as of the Effective Date.

CORNERSTONE BANCORP, INC.

By: David P. Feaster  
David P. Feaster, President and CEO

REPUBLIC ACQUISITION CORP.

By: \_\_\_\_\_  
Kevin Sipes, President

IN WITNESS WHEREOF, the undersigned have caused these Articles of Merger to be executed effective as of the Effective Date.

CORNERSTONE BANCORP, INC.

By: \_\_\_\_\_  
David P. Feaster, President and CEO

REPUBLIC ACQUISITION CORP.

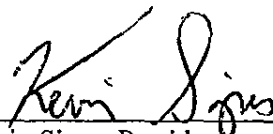
By:  \_\_\_\_\_  
Kevin Sipes, President

Exhibit A

Agreement and Plan of Merger

[Attached]

AGREEMENT AND PLAN OF MERGER

DATED AS OF OCTOBER 6, 2015

BY AND AMONG

REPUBLIC BANCORP, INC.,

AND

CORNERSTONE BANCORP, INC.

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## AGREEMENT AND PLAN OF MERGER

This is an Agreement and Plan of Merger, dated as of the 6th day of October, 2015 ("Agreement"), by and between (a) Republic Bancorp, Inc., a Kentucky corporation ("Republic"); and (b) Cornerstone Bancorp, Inc., a Florida corporation ("Cornerstone").

### RECITALS

Whereas, the Boards of Directors of Republic and Cornerstone have approved, and deem it advisable and in the best interests of their respective corporations and shareholders to consummate, the merger transaction contemplated by this Agreement in which Republic will, on the terms and subject to the conditions set forth in this Agreement, acquire Cornerstone through the merger of [Republic Acquisition Corp.], a wholly-owned subsidiary of Republic ("Merger Subsidiary") with and into Cornerstone, with Cornerstone surviving the merger as a wholly-owned subsidiary of Republic;

Whereas, Republic and Cornerstone each desire to make certain representations, warranties, covenants and agreements in connection with the merger and related transactions provided for in this Agreement and to prescribe various conditions to such transactions; and

Whereas, as a condition and material inducement to Republic's willingness to enter into this Agreement, certain shareholders of Cornerstone have entered into an agreement with Republic dated as of the date hereof in the form attached hereto as Exhibit A (each, a "Voting Agreement"), pursuant to which each such person has agreed, among other things, to vote all of the shares of Cornerstone owned by such person in favor of the approval of this Agreement and the transactions contemplated hereby.

### AGREEMENT

Now, Therefore, in consideration of the premises and of the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

#### Article 1. Definitions.

For purposes of this Agreement:

"Acquisition Proposal" means any inquiry, proposal or offer, filing of any regulatory application or notice (whether in draft or final form) or disclosure of an intention to do any of the foregoing from any person relating to any (w) direct or indirect acquisition or purchase of a business that constitutes a substantial portion of the consolidated net revenues, net income or assets of Cornerstone, (x) direct or indirect acquisition or purchase of any class of equity securities representing 20% or more of the voting power of any class of equity securities of Cornerstone or Subsidiary of Cornerstone or 20% or more of the consolidated assets of Cornerstone, (y) tender offer or exchange offer that if consummated would result in any person beneficially owning 20% or more of the voting power of any class of equity securities of Cornerstone or a Subsidiary of Cornerstone, or (z) merger, consolidation, share exchange,

business combination, reorganization, recapitalization, liquidation, dissolution or similar transaction involving Cornerstone or a Subsidiary of Cornerstone, in each case other than the transactions contemplated by this Agreement.

"Agreement" means this Agreement, as amended, modified, or amended and restated from time to time in accordance with its terms.

"BHC Act" means the Bank Holding Company Act of 1956, as amended.

"CRA" means the Community Reinvestment Act.

"Environmental Law" means any federal, state or local law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, order, directive, executive or administrative order, judgment, decree, injunction, or agreement with any Governmental Entity relating to (i) the protection, preservation or restoration of the environment (which includes, without limitation, air, water vapor, surface water, groundwater, drinking water supply, soil, surface land, subsurface land, plant and animal life or any other natural resource), or to human health or safety as it relates to Hazardous Materials, or (ii) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of, Hazardous Materials, in each case as amended and as now in effect. The term Environmental Law includes, without limitation, the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976, the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970 as it relates to Hazardous Materials, the Federal Hazardous Substances Transportation Act, the Emergency Planning and Community Right-To-Know Act, the Safe Drinking Water Act, the Endangered Species Act, the National Environmental Policy Act, the Rivers and Harbors Appropriation Act or any so-called "Superfund" or "Superlien" law, each as amended and as now in effect.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any corporation, company, trade or business that, together with Cornerstone or Republic, as applicable, is treated, or has been treated, as a "single employer" under Sections 414(b), (c), (m), or (o) of the IRC.

"Excess Transaction Costs" means the amount, if any, by which Transaction Costs exceed the Transaction Costs Cap.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, together with any Federal Reserve Bank acting under delegated authority.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied.

"Government Regulator" means any federal or state governmental authority charged with the supervision or regulation of depository institutions or depository institution holding companies or engaged in the insurance of bank deposits.

"Governmental Entity" means any court, administrative agency or commission or other governmental authority or instrumentality.

"Hazardous Material" means any substance (whether solid, liquid or gas) which is or could be detrimental to human health or safety or to the environment, currently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law, whether by type or by quantity, including any substance containing any such substance as a component. Hazardous Material includes, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance, oil or petroleum, or any derivative or by-product thereof, radon, radioactive material, asbestos, asbestos-containing material, urea formaldehyde foam insulation, lead and polychlorinated biphenyl.

"IRC" means the Internal Revenue Code of 1986, as amended.

"IRS" means the Internal Revenue Service.

"Knowledge" of a particular fact or other matter means, (a) with respect to Cornerstone, the actual knowledge of David P. Feaster, Karen L. Patterson, Jim Roberts, and Covington Sharp, and (b) with respect to Republic, the actual knowledge of Kevin Sipes and Steven E. Trager.

"Lien" means any charge, mortgage, pledge, security interest, claim, lien, restriction, proxy or encumbrance.

"Loan" means a loan, lease, advance, credit enhancement, guarantee or other extension of credit.

"Material Adverse Effect" means, (A) with respect to Cornerstone, a material adverse effect on (i) the business, operations, results of operations, or financial condition of Cornerstone and Cornerstone Subsidiaries taken as a whole or (ii) the ability of Cornerstone to timely consummate the transactions contemplated hereby and (B) with respect to Republic, a material adverse effect on the ability of Republic and/or Merger Subsidiary to timely consummate the transactions contemplated hereby; provided, however, that the following shall not be deemed to have a Material Adverse Effect: any change or event caused by or resulting from (I) changes, after the date hereof, in prevailing interest rates, currency exchange rates or other economic or monetary conditions in the United States or elsewhere, (II) changes, after the date hereof, in United States or foreign securities markets, including changes in price levels or trading volumes, (III) changes or events, after the date hereof, affecting the financial services industry generally and not specifically relating to Republic or Cornerstone or their respective Subsidiaries, as the case may be, (IV) changes, after the date hereof, in GAAP or regulatory accounting requirements applicable to banks and their holding companies generally, (V) changes, after the date hereof, in laws, rules or regulations of general applicability or interpretations thereof by any Governmental Entity, (VI) actions or omissions of Republic or Merger Subsidiary, on the one hand, or

Cornerstone, on the other, taken with the prior written consent of the other or required hereunder, (VII) the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby or the announcement thereof, or (VIII) any outbreak of major hostilities in which the United States is involved or any act of terrorism within the United States or directed against its facilities or citizens wherever located.

"Person" means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization or other entity or any group acting in concert.

"Subsidiary" means, with respect to any party, any bank, savings bank, corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which is consolidated with such party for financial reporting purposes under GAAP. A "Cornerstone Subsidiary" means a Subsidiary of Cornerstone, and a "Republic Subsidiary" means a Subsidiary of Republic.

"Superior Proposal" means a bona fide written Acquisition Proposal which the Board of Directors of Cornerstone concludes in good faith, after consultation with its financial advisors and outside legal counsel, taking into account the likelihood of consummation of such transaction on the terms set forth therein and all legal, financial, regulatory and other aspects of the proposal and the person making the proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation), (i) is more favorable to the shareholders of Cornerstone from a financial point of view than the transactions contemplated by this Agreement (including any adjustment to the terms and condition of this Agreement proposed by Republic in response to such Acquisition Proposal) and (ii) is fully financed or reasonably capable of being fully financed, reasonably likely to receive all required governmental approvals on a timely basis and otherwise reasonably capable of being completed on the terms proposed; provided that, for purposes of this definition of Superior Proposal, the term Acquisition Proposal shall have the meaning assigned to such term in this Article 1 except that the reference to "20% or more" in the definition of Acquisition Proposal shall be deemed to be a reference to 50% or more.

"Tax" or "Taxes" means (i) all federal, state, local, and foreign income, excise, gross receipts, gross income, ad valorem, profits, gains, property, capital, sales, transfer, use, payroll, employment, severance, withholding, duties, intangibles, franchise, backup withholding, and other taxes, charges, levies or like assessments together with all penalties and additions to tax and interest thereon and (ii) any liability for Taxes described in clause (i) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law).

"Transaction Costs" mean, collectively, all costs, fees and expenses incurred by Cornerstone and the Cornerstone Subsidiaries in connection with this Agreement and the consummation of the transactions contemplated hereby, including legal, professional, investment banking and financial advisory fees and expenses (including any cost to obtain any opinion as to the financial fairness of the Merger), any change in control payments, any costs and expenses to fully fund Cornerstone's obligations under Cornerstone Employee Plans as of the Effective Time (to the extent unfunded or underfunded as of October 31, 2015), and all of the costs, fees, expenses and penalties associated with the termination of any contract of Cornerstone or the Cornerstone Subsidiaries, including, without limitation, all costs, fees, expenses and penalties

associated with the termination of the data processing or technology contracts of Cornerstone Community Bank and core system conversion fees payable to FiServ Solutions, Inc. (and its affiliates).

"Transaction Costs Cap" means \$2,171,000 subject to the following provision: This dollar amount assumes core system conversion fees payable to FiServ Solutions, Inc. (and its affiliates) of \$350,000; the dollar amount of the Transaction Costs Cap will be reduced dollar for dollar to the extent the estimated conversion fees on the Closing Date are less than \$350,000.

The following is an index of additional terms defined in other sections of this Agreement:

"Adverse Recommendation Change"	Section 7.10(d)
"Articles of Merger"	Section 2.3
"Bank Merger"	Section 2.9
"Burdensome Provision"	Section 8.2(h)
"Cash Out Amount"	Section 2.6(a)
"Certificate"	Section 2.5(b)
"Closing"	Section 2.2
"Closing Date"	Section 2.2
"Confidentiality Agreement"	Section 10.14
"Continuing Employee"	Section 7.8(a)
"Cornerstone"	Preamble
"Cornerstone Bank"	Section 2.9
"Cornerstone Common Stock"	Section 2.5(a)(i)
"Cornerstone Employee Plans"	Section 4.20(a)
"Cornerstone Qualified Plan"	Section 4.20(f)
"Cornerstone Regulatory Filings"	Section 4.7
"Cornerstone Preferred Stock"	Section 4.3(a)
"Cornerstone Stock Options"	Section 2.6(a)
"Cornerstone Stock Plan"	Section 2.6(a)
"D&O Insurance"	Section 7.9(d)
"Disclosure Letter"	Section 10.1
"Dissenters' Shares"	Section 2.5(c)
"Effective Time"	Section 2.3
"Exchange Agent"	Section 3.2
"Exchange Fund"	Section 3.2
"FDIA"	Section 4.2(d)
"FDIC"	Section 4.2(d)
"Republic"	Preamble.
"Republic Bank"	Section 2.9
"Indemnified Party"	Section 8.1(b)
"Maximum D&O Tail Premium"	Section 7.9(d)
"Merger"	Section 2.1
"Merger Consideration"	Section 2.5(a)(i)
"Merger Subsidiary"	Recitals

"Premium Cap" .....	Section 7.9(b)
"Proxy Statement" .....	Section 7.6
"Public Proposal" .....	Section 9.3(ii)
"Requisite Regulatory Approvals" .....	Section 8.1(b)
"Shareholder Meeting" .....	Section 7.6
"Surviving Corporation" .....	Section 2.1
"Termination Fee" .....	Section 9.3(a)
"TPS Assumption" .....	Section 7.11

## Article 2. The Merger.

Section 2.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, Merger Subsidiary will merge with and into Cornerstone ("Merger") at the Effective Time. At the Effective Time, the separate corporate existence of Merger Subsidiary shall cease. Cornerstone shall be the surviving corporation (hereinafter sometimes referred to in such capacity as the "Surviving Corporation") in the Merger and shall continue to be governed by the Florida Business Corporation Act and its name and separate corporate existence, with all of its rights, privileges, immunities, powers and franchises, shall continue unaffected by the Merger.

Section 2.2 Closing. The closing of the Merger (the "Closing") will take place in the offices of Wyatt, Tarrant & Combs, LLP, 500 W. Jefferson Street, Suite 2800, Louisville, Kentucky 40202, at 10:00 a.m. on the date designated by Republic, which date (subject to the following sentence) shall be within ten (10) days following the satisfaction or waiver of the last of conditions to Closing set forth in Article 8 (other than those conditions that by their nature are to be satisfied at the Closing) and which date shall be reasonably acceptable to Cornerstone, or such later date as the parties may otherwise agree in writing (the "Closing Date"). The parties agree that the Closing Date will not occur prior to January 1, 2016, and Republic shall not be required to designate any date prior to the first business day in January, 2016 as the Closing Date.

Section 2.3 Effective Time. In connection with the Closing, Merger Subsidiary and Cornerstone shall duly execute and deliver articles of merger (the "Articles of Merger") to the Florida Secretary of State for filing pursuant to the Florida Business Corporation Act and to the Kentucky Secretary of State for filing pursuant to the Kentucky Business Corporation Act. The parties will make all other filings or recordings required under Florida and Kentucky law. The Merger shall become effective at such time as the Articles of Merger are duly filed with the Florida Secretary of State and the Kentucky Secretary of State or at such later date or time as Republic and Cornerstone agree and specify in the Articles of Merger (the date and time the Merger becomes effective being the "Effective Time").

Section 2.4 Effects of the Merger. The Merger will have the effects set forth in the Florida Business Corporation Act and the Kentucky Business Corporation Act. Without limiting the generality of the foregoing, and subject thereto, from and after the Effective Time, Cornerstone shall possess all of the properties, rights, privileges, powers and franchises of Cornerstone and Merger Subsidiary and be subject to all of the debts, liabilities and obligations of Cornerstone and Merger Subsidiary.



Section 2.5 Conversion of Cornerstone Common Stock.

(a) At the Effective Time, automatically by virtue of the Merger and without any action on the part of Cornerstone, Republic or the holder of any of the following securities:

(i) Outstanding Cornerstone Shares. Except as otherwise provided in Section 2.5(a)(ii), Section 2.5(a)(iii) or Section 2.5(a)(iv), and subject to Section 2.5(a)(v), at the Effective Time, each share of common stock, \$0.10 par value per share, of Cornerstone (the "Cornerstone Common Stock") issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and at the Effective Time, be converted into the right to receive cash in the amount of \$18.00, without interest (the "Merger Consideration").

(ii) Treasury Shares. Each share of Cornerstone Common Stock held by Cornerstone as a treasury share immediately prior to the Effective Time shall be canceled and retired at the Effective Time and no consideration shall be issued in exchange therefor.

(iii) Cornerstone Shares held by Republic. Each share of Cornerstone Common Stock held by Republic immediately prior to the Effective Time shall be canceled and retired at the Effective Time and no consideration shall be issued in exchange therefor.

(iv) Dissenting Shares. No Dissenting Shares (as defined in Section 2.5(c) below) shall be converted into the Merger Consideration pursuant to this Section 2.5(a), but instead shall be treated in accordance with the provisions set forth in Section 2.5(c).

(v) Adjustment for Transaction Costs. In the event the Transaction Costs are more than Transaction Costs Cap, the Merger Consideration into which each share of Cornerstone Common Stock shall be converted pursuant to Section 2.5(a)(i) shall be reduced by an amount equal to (A) the after-tax (e.g., at an assumed income tax rate of 38.575%) of the Excess Transaction Costs *divided by* (B) the number of shares of Cornerstone Common Stock outstanding immediately prior to the Effective Time.

(b) All of the shares of Cornerstone Common Stock converted into the right to receive the Merger Consideration pursuant to Section 2.5(a)(i) shall no longer be outstanding and shall automatically be cancelled and shall cease to exist as of the Effective Time, and each certificate previously representing any such shares of Cornerstone Common Stock (each, a "Certificate") shall thereafter represent only the right to receive the Merger Consideration deliverable with respect to the shares of Cornerstone Common Stock represented by such Certificate, into which the shares of Cornerstone Common Stock represented by such Certificate have been converted pursuant to this Section 2.5. Certificates previously representing shares of Cornerstone Common Stock other than shares of Cornerstone Common Stock owned by Cornerstone as treasury shares or by Republic or Dissenting Shares shall be exchanged for the Merger Consideration in consideration therefor upon the surrender of such Certificates in accordance with Article 3, without any interest thereon, if, prior to the Effective Time and not

prohibited by the terms of this Agreement, the outstanding shares of Cornerstone Common Stock shall have been increased, decreased or changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, an equitable and proportionate adjustment shall be made to the Merger Consideration payable pursuant to this Agreement.

(c) Notwithstanding anything in this Agreement to the contrary, shares of Cornerstone Common Stock which are outstanding immediately prior to the Effective Time and with respect to which appraisal rights shall have been properly demanded in accordance with Sections 607.1302, *et. seq.* of the Florida Business Corporation Act ("Dissenting Shares") shall not be converted into the right to receive, or to be exchangeable for, the Merger Consideration but, instead, the holders thereof shall be entitled to payment of the appraised value of such Cornerstone Dissenting Shares in accordance with the provisions of Sections 607.1302, *et. seq.* of the Florida Business Corporation Act; *provided, however*, that (i) if any holder of Cornerstone Dissenting Shares shall subsequently deliver a written withdrawal of such holder's demand for appraisal of such shares, or (ii) if any holder fails to establish such holder's entitlement to dissenters' rights as provided in Sections 607.1302, *et. seq.* of the Florida Business Corporation Act, such holder or holders (as the case may be) shall forfeit the right to appraisal of such shares of Cornerstone Common Stock and each of such shares shall thereupon be deemed to have been converted into the right to receive, and to have become exchangeable for, as of the Effective Time, the Merger Consideration, without any interest thereon, as provided in Sections 2.5(a)(i) and Article 3.

Section 2.6 Options. Except to the extent otherwise agreed in writing by Cornerstone and Republic prior to the Effective Time:

(i) Cornerstone shall ensure that, (i) immediately prior to the Effective Time, each outstanding option to acquire shares of Cornerstone Common Stock (the "Cornerstone Stock Options") issued pursuant to Cornerstone's equity-based compensation plans identified in Section 4.20 of Cornerstone's Disclosure Letter (the "Cornerstone Stock Plans"), shall become fully vested and exercisable (without regard to whether the Cornerstone Stock Options are then vested or exercisable), (ii) at the Effective Time all Cornerstone Stock Options not theretofore exercised shall be cancelled and, in exchange therefor, converted into the right to receive a cash payment from the Surviving Corporation (the "Cash Out Amount") in an amount equal to the product of (x) the excess, if any, of \$18.00 over the exercise price of each such Cornerstone Stock Option and (y) the number of shares of Cornerstone Common Stock subject to such option to the extent not previously exercised (such payment, if any, to be net of applicable Taxes withheld pursuant to Section 3.3), and (iii) after the Effective Time, any such cancelled Cornerstone Stock Option shall no longer be exercisable by the former holder thereof, but shall only entitle such holder to the payment of the Cash Out Amount, without interest. In the event the exercise price per share of Cornerstone Common Stock subject to a Cornerstone Stock Option is equal to or greater than the Cash Consideration, such Cornerstone Stock Option shall be cancelled without consideration and have no further force or effect.

(ii) Cornerstone shall use its reasonable best efforts to ensure that, as of the Effective Time, the Cornerstone Stock Plans shall terminate and that no person shall have any right under the Cornerstone Stock Plans, except as set forth herein (including, to the extent necessary, using reasonable best efforts to obtain any necessary consents of the holders of Cornerstone Stock Options in order to give effect to this Section 2.6).

(iii) At and after the Effective Time, Republic shall deliver, or cause to be delivered, the Cash Out Amount to the holders of Cornerstone Stock Options, without interest, as follows:

(A) With respect to Cornerstone Stock Options that were awarded to non-employee directors of Cornerstone and its Subsidiaries, the Cash Amount, without interest, shall be delivered at (or immediately following) the Effective Time; and

(B) With respect to Cornerstone Stock Options that were awarded to employees of Cornerstone and its Subsidiaries, the Cash Amount, without interest, shall be delivered no later than Republic's first regularly scheduled payroll date occurring no earlier than seven (7) days and no later than twenty-one (21) days after the Effective Time.

(b) Effect on Outstanding Shares in Merger Subsidiary. At the Effective Time, each share in Merger Subsidiary issued and outstanding immediately prior to the Effective Time shall, automatically by virtue of the Merger, be converted into and thereafter represent one share of common stock of the Surviving Corporation.

Section 2.7 Directors of Surviving Corporation after Effective Time. Immediately after the Effective Time, until their respective successors are duly elected or appointed and qualified, the directors of the Surviving Corporation shall consist of the directors of the Merger Subsidiary immediately prior to the Effective Time.

Section 2.8 Articles of Incorporation and Bylaws. The articles of incorporation of Cornerstone, as in effect immediately prior to the Effective Time, shall be the articles of incorporation of the Surviving Corporation as of the Effective Time. The bylaws of Cornerstone, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Corporation as of the Effective Time.

Section 2.9 Bank Merger. After the execution and delivery of this Agreement, Cornerstone Community Bank, a Florida banking corporation and a wholly owned subsidiary of Cornerstone ("Cornerstone Bank"), and Republic Bank and Trust Company, a Kentucky banking corporation and a wholly owned subsidiary of Republic ("Republic Bank"), shall enter into the Plan of Bank Merger, substantially in the form attached hereto as Exhibit B, pursuant to which Cornerstone Bank will merge with and into Republic Bank (the "Bank Merger") after the Effective Time. The parties intend that the Bank Merger may become effective immediately following the Effective Time.

Section 2.10 Alternative Structure. Notwithstanding anything to the contrary contained in this Agreement, prior to the Effective Time, Republic may specify that the structure of the transactions contemplated by this Agreement be revised and the parties shall use commercially reasonable efforts to enter into such alternative transactions as Republic and Cornerstone mutually may reasonably determine to effect the purposes of this Agreement; *provided, however*, that such revised structure shall not (i) alter or change the amount or kind of the Merger Consideration or (ii) materially impede the receipt, or the timely receipt, of any regulatory approval referred to in, or the consummation of the transactions contemplated by, this Agreement. In the event that Republic and Cornerstone elect to make such a revision, the parties agree to execute appropriate documents to reflect the revised structure.

### Article 3. Delivery of Merger Consideration

Section 3.1 Deposit of Merger Consideration. On or prior to the Closing Date, Republic shall appoint its transfer agent or a bank or trust company reasonably acceptable to Cornerstone (the "Exchange Agent"), and shall deposit, or cause to be deposited, with the Exchange Agent, for exchange in accordance with this Article 3, the Merger Consideration (the "Exchange Fund").

#### Section 3.2 Delivery of Merger Consideration.

(a) Provided Cornerstone has made available to the Exchange Agent no later than the Closing Date complete records regarding its shareholders in the electronic format requested by the Exchange Agent, the Exchange Agent shall, as soon as practicable (and no later than five (5) days) after the Effective Time, mail to each holder of record of one or more Certificates a letter of transmittal in customary form as reasonably agreed by the parties hereto (which shall specify that delivery shall be effected, and risk of loss of and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon proper surrender to the Exchange Agent of a Certificate or Certificates for exchange and cancellation, together with such properly completed and duly executed letter of transmittal in such form as the Exchange Agent may reasonably require, the holder of such Certificate or Certificates shall be promptly entitled to receive in exchange therefor, the Merger Consideration that such holder of the Certificate shall have become entitled pursuant to the provisions of Section 2.1(a)(i), and the Certificate or Certificates so surrendered shall forthwith be cancelled. No interest will be paid or accrued on any cash or on any unpaid dividends and distributions payable to holders of Certificates.

(b) After the Effective Time, there shall be no transfers on the stock transfer books of Cornerstone of the shares of Cornerstone Common Stock that were issued and outstanding immediately prior to the Effective Time. If, after the Effective Time, certificates representing such shares are presented for transfer to the Exchange Agent, they shall be cancelled and exchanged for the Merger Consideration in accordance with this Article 3.

(c) Any portion of the Exchange Fund that remains unclaimed by the shareholders of Cornerstone as of the first anniversary of the Effective Time shall be delivered to Republic. Any former shareholders of Cornerstone who have not theretofore complied with this

Article 3 shall thereafter look only to Republic for payment of the Merger Consideration to which such shareholder is entitled as determined pursuant to this Agreement, without any interest thereon. Notwithstanding the foregoing, none of Cornerstone, Republic, Merger Subsidiary, the Exchange Agent or any other person shall be liable to any former holder of shares of Cornerstone Common Stock for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

(d) Republic and the Exchange Agent shall be entitled to rely upon Cornerstone's stock transfer books to establish the identity of those Persons entitled to receive the Merger Consideration, which books shall be conclusive with respect thereto. In the event of a dispute with respect to ownership of stock represented by any Certificate, Republic and the Exchange Agent shall be entitled to deposit any Merger Consideration represented thereby in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

(e) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by Republic, the posting by such person of a bond in such amount as Republic may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will pay the Merger Consideration in exchange for such lost, stolen or destroyed Certificate.

Section 3.3 Withholding. Each of Republic, Merger Subsidiary and the Surviving Corporation is entitled to deduct and withhold, or cause the Exchange Agent to deduct and withhold, from any amounts payable or otherwise deliverable pursuant to this Agreement to any holder or former holder of shares of Cornerstone Common Stock or Cornerstone Stock Options such amounts as are required to be deducted or withheld therefrom under the IRC, or any provision of state, local or foreign Tax law or under any other applicable legal requirement. To the extent such amounts are so deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the person to whom such amounts would be otherwise have been paid.

#### Article 4. Representations and Warranties of Cornerstone

Cornerstone represents and warrants to Republic that, except as disclosed in the Disclosure Letter delivered by Cornerstone prior the execution of this Agreement and specifically reference the section as to which a disclosure is required:

Section 4.1 Organization and Qualification. Cornerstone is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and is registered as a bank holding company under the BHC Act. Cornerstone has all requisite corporate power and authority to own, lease and operate its properties and to conduct the business currently being conducted by it. Cornerstone is duly qualified or licensed as a foreign corporation to transact business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed and in good standing would not have a Material Adverse Effect on Cornerstone.

#### Section 4.2 Subsidiaries.

(a) Cornerstone's Disclosure Letter sets forth with respect to each of Cornerstone's Subsidiaries its name, its jurisdiction of incorporation, Cornerstone's percentage ownership, the number of shares of stock owned or controlled by Cornerstone and the name and number of shares held by any other Person who owns any stock of the Subsidiary. Cornerstone owns of record and beneficially all the capital stock or other equity ownership interests of each of its Subsidiaries free and clear of any Liens. There are no contracts, commitments, agreements or understandings relating to Cornerstone's right to vote or dispose of any equity securities of its Subsidiaries. Cornerstone's ownership interest in each of its Subsidiaries is in compliance with all applicable laws, rules and regulations relating to equity investments by bank holding companies or by and in Florida banking corporations.

(b) Each of Cornerstone's Subsidiaries is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, has all requisite corporate power and authority to own, lease and operate its properties and to conduct the business currently being conducted by it and is duly qualified or licensed as a foreign corporation to transact business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed and in good standing would not have a Material Adverse Effect on such Subsidiary.

(c) Cornerstone owns, directly or indirectly, all of the issued and outstanding shares of capital stock or other equity ownership interests of the Cornerstone Subsidiaries, free and clear of any Liens, and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. Each Cornerstone Subsidiary is not, and has not been, bound by any outstanding subscription, option, warrant, call, commitment or agreement of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such Cornerstone Subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such Cornerstone Subsidiary.

(d) No Subsidiary of Cornerstone other than Cornerstone Bank is an "insured depository institution" as defined in the Federal Deposit Insurance Act, as amended ("FDIA") and the applicable regulations thereunder. The deposits of Cornerstone Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") to the fullest extent permitted by law. Cornerstone Bank is a Florida banking corporation, duly organized, validly existing and in good standing under the laws of the State of Florida, and is authorized to transact banking business in Florida. Cornerstone Bank is a member in good standing of the Federal Home Loan Bank System.

#### Section 4.3 Capital Structure.

(a) The authorized capital stock of Cornerstone consists of: 6,000,000 shares of Cornerstone Common Stock, of which 1,724,774 shares of Cornerstone Common Stock are issued and outstanding as of the date of this Agreement; and 2,000,000 shares of preferred stock

("Cornerstone Preferred Stock"), none of which are (or will be at the Effective Time) issued or outstanding. As of the date hereof, no shares of Cornerstone Common Stock were reserved for issuance except for 161,150 shares of Cornerstone Common Stock reserved for issuance upon the exercise of outstanding Cornerstone Stock Options issued pursuant to Cornerstone Stock Plans. Section 4.3(a) of Cornerstone's Disclosure Letter sets forth the name of each holder of Cornerstone Stock Options, and the number of Cornerstone Stock Options held by each such holder. All of the issued and outstanding shares of Cornerstone Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof.

(b) No bonds, debentures, notes or other indebtedness having the right to vote on any matters on which shareholders of Cornerstone may vote are issued or outstanding.

(c) Except for (i) this Agreement, and (ii) the rights under the Cornerstone Stock Options which, as of the date of this Agreement, represent the right to acquire up to an aggregate of 161,150 shares of Cornerstone Common Stock, there are no options, subscriptions, warrants, calls, rights, commitments or agreements of any character to which Cornerstone or any of the Cornerstone Subsidiaries is a party or by which it or any of the Cornerstone Subsidiaries is bound obligating Cornerstone or any of the Cornerstone Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of Cornerstone Common Stock or any Cornerstone Preferred Stock or stock appreciation rights of Cornerstone or any of the Cornerstone Subsidiaries obligating Cornerstone or any of the Cornerstone Subsidiaries to extend or enter into any such option, subscription, warrant, call, right, commitment or agreement. There are no outstanding contractual obligations of Cornerstone or any of the Cornerstone Subsidiaries (A) to repurchase, redeem or otherwise acquire any shares of Cornerstone Common Stock or capital stock of any of the Cornerstone Subsidiaries or (B) pursuant to which Cornerstone or any of the Cornerstone Subsidiaries is or could be required to register shares of Cornerstone Common Stock or other securities under the Securities Act of 1933, as amended. Other than the Voting Agreements, there are no agreements, arrangements or other understandings with respect to the voting of Cornerstone Common Stock binding on Cornerstone or any of the Cornerstone Subsidiaries. All of the Cornerstone Stock Plans have been approved by Cornerstone's shareholders to the extent required by the Florida Business Corporation Act and the IRC.

(d) A complete and accurate list of Cornerstone's shareholders as of a date not more than ten (10) days prior to the date of this Agreement, indicating the name and address of, and the number of shares held of record by, each shareholder, has been made available to Republic, and such list shall be updated as of a date not more than ten (10) days prior to the Effective Time and delivered or made available to Republic prior to the Effective Time.

#### Section 4.4 Authority.

(a) Cornerstone has all requisite corporate power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate actions on the part of Cornerstone's Board of Directors, and no other

corporate proceedings on the part of Cornerstone are necessary to authorize this Agreement or to consummate the transactions contemplated by this Agreement other than the approval and adoption of this Agreement by the affirmative vote of the holders of a majority of the outstanding shares of Cornerstone Common Stock. This Agreement has been duly and validly executed and delivered by Cornerstone and constitutes a valid and binding obligation of Cornerstone, enforceable against Cornerstone in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally and to general principles of equity, whether applied in a court of law or a court of equity.

(b) Cornerstone Bank has all requisite corporate power and authority to enter into the Plan of Bank Merger, to perform its obligations thereunder and to consummate the Bank Merger. The execution and delivery of the Plan of Bank Merger and the consummation of the transactions contemplated by the Plan of Bank Merger have been duly authorized by all necessary corporate actions on the part of Cornerstone Bank's Board of Directors, and no other corporate proceedings on the part of Cornerstone Bank are necessary to authorize the Plan of Bank Merger or to consummate the transactions contemplated by the Plan of Bank Merger. The Plan of Bank Merger will be duly and validly executed and delivered by Cornerstone Bank and will constitute a valid and binding obligation of Cornerstone Bank, enforceable against Cornerstone Bank in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally and to general principles of equity, whether applied in a court of law or a court of equity.

Section 4.5 No Violations. The execution, delivery and performance of this Agreement by Cornerstone do not, and the consummation of the transactions contemplated by this Agreement (including the Bank Merger) by Cornerstone and Cornerstone Bank will not, (i) assuming all required governmental approvals have been obtained and the applicable waiting periods have expired, violate any law, rule or regulation or any judgment, decree, order, governmental permit or license to which Cornerstone or any of its Subsidiaries (or any of their respective properties) is subject, (ii) violate the articles of incorporation or bylaws of Cornerstone or the similar organizational documents of any of its Subsidiaries or (iii) constitute a breach or violation of, or a default under (or an event which, with due notice or lapse of time or both, would constitute a default under), or result in the termination of, accelerate the performance required by, or result in the creation of any Lien upon any of the properties or assets of Cornerstone or any of its Subsidiaries under, any of the terms, conditions or provisions of any note, bond, indenture, deed of trust, loan agreement or other agreement, instrument or obligation to which Cornerstone or any of its Subsidiaries is a party, or to which any of their respective properties or assets may be subject except, in the case of (iii), for any such breaches, violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect on Cornerstone.

Section 4.6 Consents and Approvals. No consents or approvals of, or filings or registrations with, any Governmental Entity or any other Person are required to be made or obtained in connection with the execution and delivery by Cornerstone of this Agreement, the execution and delivery by Cornerstone Bank of the Plan of Bank Merger, or the consummation by Cornerstone of the Merger, the consummation by Cornerstone Bank of the Bank Merger, or the consummation by Cornerstone of the other transactions contemplated by this Agreement, except for filings of applications and notices with, receipt of approvals or nonobjections from,



and expiration of the related waiting period required by, the federal and state banking authorities. As of the date hereof, Cornerstone knows of no reason pertaining to Cornerstone or Cornerstone Bank why any of the approvals referred to in this Section 4.6 should not be obtained without the imposition of any material condition or restriction described in Section 7.1(a).

Section 4.7 Regulatory Filings. Cornerstone and each Subsidiary of Cornerstone has filed with any Government Regulator, and has made available to Republic, all reports, schedules, registrations, and statements that it has been required to file since December 31, 2011 (collectively, "Cornerstone Regulatory Filings"). As of their respective dates, each of the Cornerstone Regulatory Filings complied in all material respects with all of the laws, rules and regulations of the Government Regulator with which they were filed. None of the Cornerstone Regulatory Filings contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Section 4.8 Financial Statements. Cornerstone has previously made available to Republic copies of (i) the consolidated balance sheets of Cornerstone and its Subsidiaries as of December 31, 2014, 2013 and 2012 and related consolidated statements of income, cash flows and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2014, together with the notes thereto, accompanied by the audit report of Cornerstone's independent public auditors, and (ii) the unaudited consolidated balance sheet of Cornerstone and its Subsidiaries as of June 30, 2015 and the related consolidated statements of income for the six months ended June 30, 2015. Such financial statements were prepared from the books and records of Cornerstone and its Subsidiaries, fairly present in all material respects the consolidated financial position of Cornerstone and its Subsidiaries in each case at and as of the dates indicated and the consolidated results of operations, retained earnings and cash flows, were applicable, of Cornerstone and its Subsidiaries for the periods indicated, and, except as otherwise set forth in the notes thereto, were prepared in accordance with GAAP consistently applied throughout the periods covered thereby; *provided, however*, that the unaudited financial statements for interim periods are subject to normal year-end adjustments (which will not be material individually or in the aggregate) and lack a statement of changes in shareholders' equity, footnotes and cash flows to the extent permitted under applicable regulations. All loans, discounts and financing leases reflected on Cornerstone's financial statements have been, or, as the context requires, shall be (i) evidenced by notes or other evidences of indebtedness which are true, genuine and what they purport to be, and (ii) adequately reserved against in an amount sufficient to provide for all losses reasonably anticipated in the ordinary course of business as of the date thereof based on information available as of their respective dates in accordance with GAAP. The books and records of Cornerstone and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other legal and accounting requirements and reflect only actual transactions.

Section 4.9 Internal Controls. Cornerstone and the Cornerstone Subsidiaries have implemented and maintain in accordance with applicable legal requirements a system of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Cornerstone has made available to Republic a summary of any disclosure made by management to Cornerstone's auditors and audit committee since January 1,

2012 regarding any significant deficiencies and material weaknesses in Cornerstone's internal controls over financial reporting or any fraud, whether or not material, that involved management or other employees of Cornerstone who had a significant role in the preparation of Cornerstone's financial statements.

Section 4.10 Undisclosed Liabilities. Neither Cornerstone nor any of its Subsidiaries has incurred any debt, liability or obligation of any nature whatsoever (whether accrued, contingent, absolute or otherwise and whether due or to become due) other than liabilities reflected on or reserved against in the consolidated balance sheet of Cornerstone as of December 31, 2014, except for liabilities incurred since December 31, 2014 in the ordinary course of business consistent with past practice that, either alone or in the aggregate, have not had, and would not reasonably be expected to have, a Material Adverse Effect on Cornerstone.

Section 4.11 Absence of Certain Changes or Events. Except as set forth in Section 4.11 of Cornerstone's Disclosure Letter, since December 31, 2014, Cornerstone and the Cornerstone Subsidiaries have conducted their business only in the ordinary course of business consistent with past practice and Cornerstone and the Cornerstone Subsidiaries have not:

(a) experienced a change or development in the business, operations, assets, liabilities, condition (financial or otherwise), results of operations, cash flows or prospects of Cornerstone or any of the Cornerstone Subsidiaries which, individually or in the aggregate, has had, or would reasonably be expected to have a Material Adverse Effect with respect to Cornerstone;

(b) other than in the ordinary course of business consistent with past practice, incurred any indebtedness for borrowed money or assumed, guaranteed, endorsed or otherwise as an accommodation become responsible for the obligations of any other person;

(c) adjusted, split, combined or reclassified the Cornerstone Common Stock or any capital stock of any of the Cornerstone Subsidiaries;

(d) granted any stock options, warrants, stock appreciation rights, performance shares, restricted stock units, restricted shares or other equity-based awards or interests, or granted any person any right to acquire any shares of Cornerstone Common Stock or any shares of the capital stock of any of the Cornerstone Subsidiaries;

(e) issued, sold or otherwise permitted to become outstanding any additional shares of Cornerstone Common Stock or shares of capital stock of any of the Cornerstone Subsidiaries or securities convertible or exchangeable into, or exercisable for, any shares of Cornerstone Common Stock or shares of capital stock of any of the Cornerstone Subsidiaries, except for the issuance of shares of Cornerstone Common Stock upon the exercise of Cornerstone Stock Options;

(f) settled any material claim, suit, action or proceeding, except in the ordinary course of business consistent with past practice, in an amount and for consideration not in excess of \$25,000 individually or \$50,000 in the aggregate or that did not or would not impose any material restriction on the business of Cornerstone, any of the Cornerstone Subsidiaries or,

after the Effective Time, Republic or adversely affect in any material respect the parties' ability to consummate the Merger and the other transactions contemplated hereby;

(g) received notice of, or obtained Knowledge that, any of its credit or deposit customers has terminated or intends to terminate its relationship with Cornerstone or any of its Subsidiaries, which termination either singly or in the aggregate would reasonably be expected to have a Material Adverse Effect on Cornerstone;

(h) merged or consolidated Cornerstone or any of the Cornerstone Subsidiaries with any other Person, or restructured, reorganized or completely or partially liquidated or dissolved Cornerstone or any of the Cornerstone Subsidiaries;

(i) materially restructured or materially changed Cornerstone's or any of the Cornerstone Subsidiaries' investment securities or derivatives portfolio or its interest rate exposure, through purchases, sales or otherwise;

(j) made any material changes in its policies and practices with respect to (i) underwriting, pricing, originating, acquiring, selling, servicing or buying or selling rights to service Loans or (ii) its hedging practices and policies, in each case except as may have been required by such policies and practices or by any applicable laws, regulations, guidelines or policies imposed by any Government Regulator or other Governmental Entity;

(k) made, or committed to make, any capital expenditures in excess of the amounts specified in the capital expenditure budget made available to Republic prior to the date hereof plus 5%;

(l) other than in the ordinary course of business consistent with past practice, made, changed or revoked any material Tax election, changed an annual Tax accounting period, adopted or materially changed any Tax accounting method, filed any amended Tax return, entered into any closing agreement with respect to Taxes, or settled any material Tax claim, audit, assessment or dispute or surrendered any right to claim a refund of a material amount of Taxes;

(m) made an application for the opening, relocation or closing of any, or opened, relocated or closed any, branch office, loan production office or other significant office or operations facility of Cornerstone or any of the Cornerstone Subsidiaries;

(n) changed its accounting methods, principles or practices, other than changes required by applicable law or GAAP or regulatory accounting as concurred by Cornerstone's independent public accountants;

(o) entered into any contract or commitment (i) of more than \$25,000 individually or \$50,000 in the aggregate, per annum, other than purchases or sales of investment securities, the creation of deposit liabilities, and the making of loans and loan commitments, all in the ordinary course of business consistent with past practice, or (ii) having a term extending beyond one year;

(p) granted any increase in the base pay of any employee or granted any increase in or established any bonuses, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options), stock purchase or other employment benefit plan, or any other increase in the compensation payable or to become payable to any directors, officers, or employees of Cornerstone or any of the Cornerstone Subsidiaries (other than normal salary adjustments to employees made in the ordinary course of business consistent with past practice), or any grant of severance or termination pay, or any contract or arrangement entered into to make or grant any severance or termination pay, any payment of any material bonus, or the taking of any action not in the ordinary course of business consistent with past practice with respect to the compensation or employment of directors and officers of Cornerstone or any of the Cornerstone Subsidiaries;

(q) amended the articles of incorporation or bylaws of Cornerstone or comparable documents of any of the Cornerstone Subsidiaries;

(r) made any material change in the credit policies or procedures of Cornerstone, the effect of which was or is to make any such policy or procedure less restrictive in any respect;

(s) made any material acquisition or disposition of any assets or properties, or entered into any contract for any such acquisition or disposition other than (i) investments in securities in Cornerstone's or any of the Cornerstone Subsidiaries' investment portfolio in the ordinary course of business consistent with past practice or (ii) loans and loan commitments purchased, sold, made or entered into in the ordinary course of business consistent with past practice;

(t) entered into any lease of real or personal property, other than in connection with foreclosed property or in the ordinary course of business consistent with past practice;

(u) declared, set aside or paid any dividend or distribution (whether in cash, securities or property or any combination thereof) in respect of any shares of Cornerstone Common Stock or any redemption, purchase or other acquisition of Cornerstone's securities or any of the Cornerstone Subsidiaries' securities; or

(v) entered into any agreement, whether oral or written, to do or make any commitment to do or adopted any board resolution or committee resolution to do any of the foregoing.

Section 4.12 Litigation. There are no suits, actions or legal, administrative or arbitration proceedings pending or, to the Knowledge of Cornerstone, threatened against or affecting Cornerstone or any of its Subsidiaries or any property or asset of Cornerstone or any of its Subsidiaries that (i) individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Cornerstone or (ii) challenge the validity or propriety of any of the transactions contemplated by this Agreement. To the Knowledge of Cornerstone, there are no investigations, reviews or inquiries by any court or Governmental Entity pending or threatened against Cornerstone or any of its Subsidiaries. There are no judgments, decrees, injunctions,

orders or rulings of any Governmental Entity or arbitrator outstanding against Cornerstone or any of its Subsidiaries that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Cornerstone.

Section 4.13 Absence of Regulatory Actions. Since December 31, 2011, neither Cornerstone nor any of its Subsidiaries has been, nor is it currently, a party to any cease and desist order, written agreement or memorandum of understanding with, or any commitment letter or similar undertaking to, or has been since December 31, 2011, or is subject to, any action, proceeding, order or directive by any Government Regulator, or has adopted any board resolutions at the request of any Government Regulator, or has been advised by any Government Regulator that it is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such action, proceeding, order, directive, written agreement, memorandum of understanding, commitment letter, board resolutions or similar undertaking. Except for normal examinations conducted by a Government Regulator in the ordinary course of the business of Cornerstone or any of the Cornerstone Subsidiaries, no Regulatory Agency has initiated any investigation into the business or operations of Cornerstone or any of the Cornerstone Subsidiaries since January 1, 2012, except where such proceedings or investigation, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Cornerstone. There (x) is no unresolved violation, criticism, or exception by any Government Regulator with respect to any written report or statement relating to any examinations or inspections of Cornerstone or any of the Cornerstone Subsidiaries, and (y) have been no material formal or informal inquiries by (other than in the ordinary course of routine regulatory examinations and visitations), or material disagreements or disputes with, any Regulatory Agency with respect to the business, operations, policies or procedures of Cornerstone or any of the Cornerstone Subsidiaries since January 1, 2012.

Section 4.14 Compliance with Laws.

(a) Except as set forth in Section 4.14(a) of the Cornerstone Disclosure Schedule, Cornerstone and the Cornerstone Subsidiaries hold, and have at all times since January 1, 2012 held, all material licenses, franchises, permits, and authorizations necessary for the lawful conduct of their respective businesses under and pursuant to each (and have paid all material fees and assessments due and payable in connection therewith), and to the knowledge of Cornerstone, no suspension or cancellation of any such necessary license, franchise, permit, or authorization is threatened, and Cornerstone and the Cornerstone Subsidiaries have since January 1, 2012 complied in all material respects with, and are not in default in any material respect under, any applicable law, statute, order, rule, regulation, policy, agreement and/or guideline of any Governmental Entity or Government Regulator relating to Cornerstone or any of the Cornerstone Subsidiaries, except where the failure to hold such license, franchise, permit, or authorization or such noncompliance or default would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Cornerstone, including, without limitation, laws related to data protection or privacy, the USA PATRIOT Act, the Bank Secrecy Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, any regulations promulgated by the Consumer Financial Protection Bureau, and any other law relating to discriminatory lending, financing or leasing practices and Sections 23A and 23B of the Federal Reserve Act.