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November 23, 2016

Shivan Govindan
Chairman of the Board
First NBC Bank Holding Company
210 Baronne Street
New Orleans, Louisiana 70112

***PUBLIC LETTER TO MR. SHIVAN GOVINDAN, CHAIRMAN, FIRST NBC BANK
HOLDING COMPANY***

Dear Mr. Govindan:

As you know, we published three public letters to First NBC Bank Holding Company (“FNBC”) on August 12, 2016, August 17, 2016, and October 25, 2016, and a standalone press release on August 26, 2016.¹ In our letters, we asked questions; expressed genuine opinions; provided detailed backup and methodology for those opinions; explained the basis of our assumptions; disclosed the limitations of our imperfect knowledge and data; asked FNBC to respond and “set the record straight” if it disagreed with us; and transparently disclosed our economic position in FNBC’s securities (including us being long FNBC’s subordinated debt and short FNBC’s common stock).

We made these letters public because, among other reasons, (i) unlike most public companies, FNBC does not hold regular conference calls, so we couldn’t just dial into a call and ask you our questions and (ii) we did not want to engage in a private dialogue with you that could have resulted in us receiving selective or nonpublic material information.² Moreover, we hold a significant interest in your publicly registered subordinated debt, which we purchased in early 2016 in part due to statements made by FNBC that we do not believe were accurate, and while we are also short your stock, which we began shorting several months after our purchase of the subordinated debt, we and other stakeholders have an interest in obtaining accurate information about FNBC and ultimately seeing the bank raise capital and regain health. Lastly, our team has put substantial effort

¹ For your reference, the letters we sent to FNBC can be found at the following links:

August 12, 2016: http://holdcoam.com/wp-content/uploads/Letter_to_FNBC.pdf

August 17, 2016: http://holdcoam.com/wp-content/uploads/Second_Letter_to_FNBC.pdf.

October 25, 2016: http://holdcoam.com/wp-content/uploads/Third_Letter_to_FNBC.pdf.

² As we wrote in our August 12 letter, “We’re making this letter public because we frankly don’t know how else to get answers to these questions. Although it was nice to meet you in person, the meeting was short and extremely high-level. You don’t hold investor conference calls, so we can’t just dial into a call and ask you our questions. It also appears that research analysts that cover your stock are unable to get you on the phone very easily. A recent report by a sell-side analyst that has your stock rated ‘Outperform’ stated that ‘we believe that a more periodic/timely and detailed discussions with investors and analysts alike would be a good start.’ And our discussions with analysts – some very smart ones – have led us to the conclusion that they truly do not understand your tax business and particularly how it relates to Basel III regulatory capital. In short, we are in an uncomfortable position of being long your debt and significantly short your stock, and we’d like a response from you, which we believe is more likely to come if this letter is public. We also don’t want to receive selective or nonpublic information – to the extent you are willing to provide us with answers to our numerous questions, we think it’s appropriate that the public receive the benefit of that information as well and at the same time.”

into analyzing FNBC and formulating well-researched questions and opinions, but we have always been humble about our limitations. In our August 12 letter we even wrote, “Your tax credit business is complicated, and the lack of restated SEC financials makes an analysis here far from simple. We don’t profess to have all the answers and none of us are accountants or lawyers (or, for that matter, have graduate degrees). But while our views could be wrong, we do have a lot of questions, and we do think these are the right questions.”

Since the publication of our first letter, FNBC has (i) restated and issued certain financial statements;³ (ii) provided new disclosures and risk factors including clarifications of various issues raised in our letters;⁴ (iii) disclosed that First NBC Bank classified a large exploration and production loan as nonperforming;⁵ (iv) disclosed a material weakness related to its control environment and risk assessment;⁶ (v) recorded an impairment charge of an approximately \$69.9 million receivable related to an ethanol company;⁷ (vi) disclosed that its 10 largest borrowing relationships averaged approximately \$76.4 million in total commitments;⁸ (vii) disclosed that the SEC has commenced an investigation relating to FNBC’s financial reporting;⁹ (viii) seen its debt ratings downgraded and then subsequently withdrawn by Kroll Bond Rating Agency;¹⁰ (ix) disclosed that its auditor, Ernst & Young, has declined to stand for re-appointment as FNBC’s

³ See page 27 of FNBC’s 2015 10K: “The historical financial information for the years ended December 31, 2014, 2013, 2012 and 2011 has been restated to reflect the correction of an error to give effect to the equity method of accounting for our investments in federal and state tax credit investments by utilizing an impairment model and recognition of additional impairment on its investments in Federal and State Historic Rehabilitation Tax Credit entities and the consolidation of certain Federal Low Income Housing Tax Credit entities, for which we are considered the primary beneficiary and which are accounted for as variable interest entities and as such are consolidated with our operating results.”

⁴ See Item 1 and Item 1A of FNBC’s 2015 10K, which included certain disclosures and risk factors including, but not limited, to (A) deferred tax asset treatment under Basel III (see page 7) and (B) risk factors related to investments in tax credits and deferred tax assets (see page 18).

⁵ See page 41 of FNBC’s 2015 10K: “Total nonperforming assets increased \$135.1 million compared to December 31, 2014, and total nonperforming assets as a percentage of loans and other real estate owned increased by 366 basis points over the period. The increase resulted from an increase in the Company’s impaired loans at December 31, 2015 primarily relating to its exploration and production loan of \$90.2 million and commercial real estate loans of \$20.5 million.”

⁶ See the “Report of Independent Registered Public Accounting Firm” on page 151 of FNBC’s 2015 10K: “Material weaknesses in internal control over financial reporting have been identified in the following categories and included in management’s assessment:

- Ineffective control environment and risk assessment
- Monitoring of credit to borrowers, application of the allowance for loan loss methodology, and investments in short-term receivables
- Accounting for investment in tax credit entities
- Identification, evaluation, and consolidation of variable interest entities
- Accounting for business combinations
- Review of journal entries”

⁷ See page 18 of FNBC’s 2015 10K: “As a result of the material weakness, we recognized \$69.9 million in impairment with respect to our investment in short-term receivables.”

⁸ See page 14 of FNBC’s 2015 10K; “As of December 31, 2015, our 10 largest borrowing relationships ranged from approximately \$51.8 million to \$96.0 million (including unfunded commitments) and averaged approximately \$76.4 million in total commitments.”

⁹ See page 125 of FNBC’s 2015 10K: “The SEC has commenced an investigation relating to the Company’s financial reporting. The Company is fully cooperating with the SEC. The Company cannot predict the duration or outcome of this investigation.”

¹⁰ See “Kroll Bond Rating Agency Downgrades the Ratings of First NBC Bank Holding Company and Maintains the Watch Downgrade Status” <https://www.krollbondratings.com/announcements/pdf/2683> and “Kroll Bond Rating Agency Withdraws All Ratings of First NBC Bank Holding Company” <https://www.krollbondratings.com/announcements/pdf/3034>.

independent auditor for the year ending 2016;¹¹ (x) disclosed that FNBC was informed by the Federal Reserve Bank of Atlanta and the Louisiana Office of Financial Institutions that it is deemed to be in “troubled condition,” a designation which results in certain limitations upon the holding company;¹² (x) disclosed that the Federal Reserve Bank of Atlanta has advised FNBC that it should not distribute any interest on its subordinated debt or pay dividends on its equity securities without prior regulatory approval;¹³ and (xi) disclosed that First NBC Bank entered into a Consent Order with the FDIC and the Louisiana Office of Financial Institutions, which requires First NBC Bank to submit a plan to achieve heightened regulatory capital ratios.¹⁴ This list is neither exhaustive nor chronological.

Over this same period of time, FNBC did not respond to our letters or contact us even once to engage in constructive dialogue or even to express its disagreement or displeasure with our opinions. This uncommunicative stance changed three days ago.

On Friday, November 18, 2016, our general counsel received a call from Andrew Glenn of Kasowitz Benson Torres & Friedman LLP, a law firm engaged by FNBC. A few hours later, we received an email from Mr. Glenn which is attached as Exhibit A. On Saturday, as a courtesy, we provided Mr. Glenn with a copy of a public letter addressed to Mr. Govindan that we planned to release on Monday, which is attached as Exhibit B. Late Sunday night, Mr. Glenn emailed us a letter. Although we have expressly requested that FNBC publicly release any communications to us (because of our desire not to receive selective or nonpublic information and because we believe all FNBC stakeholders should be given an opportunity to read FNBC’s response to our letters), Mr. Glenn’s Sunday night letter was not released to the public. Consequently, we are attaching it to this letter as Exhibit C. In his letter, Mr. Glenn threatened us and implied legal action if we continued

¹¹ See 8-K dated August 30, 2016: “On August 30, 2016, Ernst & Young LLP (‘Ernst & Young’) notified the Audit Committee of the Board of Directors of First NBC Bank Holding Company (‘First NBC’) that it was declining to stand for re-appointment as the independent auditors of First NBC’s financial statements for the year ending December 31, 2016, and the effectiveness of First NBC’s internal control over financial reporting as of December 31, 2016. Ernst & Young’s audit services to First NBC are expected to cease upon the filing of First NBC’s Quarterly Reports on Form 10-Q for the periods ended March 31, 2016 and June 30, 2016.”

¹² See page 38 of FNBC’s 2nd Quarter 2016 10Q: “On October 11, 2016, the holding company was informed in writing by the Federal Reserve Bank of Atlanta (‘FRB’) and Louisiana Office of Financial Institutions (‘OFI’) that it is deemed to be in ‘troubled condition’ under Section 225.71 of Regulation Y. This regulatory designation results in two primary limitations upon the holding company. First, the Company will be required to seek the prior approval of the FRB before adding any new director or senior executive officer at the holding company level or changing the responsibilities of any current senior executive officer. Second, the Company may not make indemnification or severance payments to, or enter into agreements providing for such indemnification or severance payments with, institution-affiliated parties, which include key employees and directors of the Company, without complying with certain statutory restrictions including prior approval of the FRB and FDIC.”

¹³ See page 38 of FNBC’s 2nd Quarter 2016 10Q: “The FRB has also advised the Company that in light of its obligation to serve as a source of financial and managerial strength to the Bank, the Company should not incur indebtedness; distribute any interest, principal or other sums on subordinate debentures; declare or pay dividends on any of the Company’s equity securities; redeem any corporate stock; or make any other payment representing a reduction in capital, except for the payment of normal and routine operating expenses, without prior FRB and OFI approval.”

¹⁴ See Form 8K dated November 11, 2016: “On November 10, 2016, First NBC Bank (the ‘Bank’), the wholly-owned banking subsidiary of First NBC Bank Holding Company (the ‘Company’), entered into a Consent Order with the Federal Deposit Insurance Corporation (‘FDIC’) and the Louisiana Office of Financial Institutions (‘OFI’). . . . With respect to capital, the order requires the Bank to submit a plan to achieve and maintain a Tier 1 Leverage Capital ratio equal to or greater than 10 percent of the Bank’s Average Total Assets, a Tier 1 Risk-Based Capital ratio equal to or greater than 13 percent of the Bank’s Total Risk-Weighted Assets, and a Total Risk-Based Capital ratio equal to or greater than 15 percent of the Bank’s Total Risk Weighted Assets.”

engaging in public discourse. Mr. Glenn also stated that he would be following up with a more detailed response to our letters.

It should go without saying that we strongly disagree with your counsel's accusations and his characterization of HoldCo Asset Management and its motives. But our way of handling this disagreement will not be to tell you – or hire a lawyer to tell you – that you're not allowed to ask questions or express opinions. That position is inconsistent with the laws and Constitution of the United States, and besides, the conversations surrounding the health and capitalization of FNBC are of paramount concern to the public at large and all of its diverse stakeholders – (i) publicly registered subordinated debt holders such as insurance companies and institutions such as ourselves; (ii) your preferred stock holder, which is the U.S. Treasury and which provided you with \$37.9 million in 2011 pursuant to the Small Business Lending Fund Program;¹⁵ (iii) publicly registered common equity holders, which include a number of institutions and individuals, some of whom lend their stock to parties such as ourselves who have borrowed and sold short such stock; (iv) depositors which may be institutions and/or individuals; (v) the taxpayer-backed Deposit Insurance Fund that guarantees insured deposits of First NBC Bank and thereby provides a lifeline to all stakeholders; (vi) the Federal Home Loan Bank, which provides funding to First NBC Bank; (vii) lending counterparties; (viii) employees of FNBC and First NBC Bank; (ix) banking regulators, including the Federal Reserve Bank of Atlanta, the FDIC, and the Louisiana Office of Financial Institutions; and (x) citizens and other parties who have an interest in the strength and solvency of the United States financial system. In short, while it's more pleasant to agree than to disagree, we don't intend to resort to strong-arm tactics designed to muzzle the type of true and honest discussion which undergirds our financial system and is embodied in the First Amendment of the U.S. Constitution.

Instead, we'll await your detailed letter. Once we receive it, we'll publicly respond point-by-point so that you and others can judge its merits. And, if in that letter you are able to demonstrate that any of our opinions or assumptions are false (the letter sent to us Sunday night by your chosen law firm – the same one Donald Trump hired to threaten the New York Times when it recently published an article he didn't like – did not do that for the reasons provided in our responses below), we promise to publicly acknowledge such errors. While HoldCo will refrain from a thorough response until your final letter is complete, and which we look forward to receiving from you shortly, we feel compelled to issue the following, non-exhaustive responses to certain of the points raised in your attorney's letter:

- **FNBC's Statement:** "HoldCo's malicious intent to cause public panic and drive FNBC's stock down is evident from its calculated portrayal of the worst set of assumptions as the only set of assumptions and the inevitable reality."
- **HoldCo's Response:** Just because we have a more bearish view of FNBC's business than FNBC's management does not mean that we have "malicious intent." You state that "HoldCo claims FNBC only has an economic book value of \$87 million based on distorted and faulty assumptions." In reality, your statement was incorrect; we ascribe an economic book value of \$87 million to First NBC Bank, FNBC's subsidiary. That valuation is our genuine opinion after carefully considering the information available to us. While FNBC clearly considers our opinion to be overly bearish, others may consider our opinions to be overly optimistic. To illustrate this point, we value our subordinated debt at a valuation provided to us by a nationally recognized investment bank that focuses on community banks, and are currently

¹⁵ See page 24 of FNBC's 2015 10-K: "We have issued 37,935 shares of our Series D preferred stock to the U.S. Treasury in connection with our participation in the Small Business Lending Fund Program."

carrying our subordinated debt at 50% of face value. FNBC currently has \$60 million of subordinated debt, and the valuation provided by this investment bank implies a \$30 million market capitalization associated with the subordinated debt. One could very reasonably conclude, based on this measure, that our \$87 million valuation is overly optimistic rather than reflecting “the worst set of assumptions.” In other words, valuation is necessarily subjective (many have referred to it as more of an art than a science), and it’s okay to have a different opinion than us. That’s what makes discourse, and that’s what makes markets.

- **FNBC’s Statement:** “HoldCo’s letter writing campaign is nothing but a transparent attempt to put FNBC into bankruptcy in order to acquire the company on the cheap.”
- **HoldCo’s Response:** This accusation is patently false. First, when we proposed a transaction structure in our October 25 letter, our goal was to propose a realistic and executable transaction that would enable FNBC to raise much-needed capital and preserve its tax assets without limitation. We made this goal clear on page 2 of the letter (“WHAT IS THE PURPOSE OF THIS LETTER?”).¹⁶ Contrary to your accusations, we also made clear in our letter that avoiding a disorderly bankruptcy was of paramount importance: “the consequences of a ‘free-fall’ bankruptcy (i.e. neither prepackaged nor pre-arranged) could be significant, and we would strongly recommend against it.” Second, we understood and advocated that the Board try to raise capital outside of a bankruptcy structure if possible, but we recognized that a “do-nothing” approach could imperil the bank and FNBC’s other stakeholders, such as the subordinated debt and preferred stockholders: “if we believed that FNBC could raise sufficient capital prior to February 2017 (when a non-payment of subordinated debt interest would trigger an event of default) without needing to restructure its parent-company balance sheet and without needing to cancel its common stock, we would strongly suggest that this be done. We just don’t think it can be. And given your bank’s need for capital and the recent prohibitions placed on you by the Federal Reserve and your bank-level regulator, we do not believe that a ‘do nothing’ approach is advisable. For this reason, we’ve proposed a less optimal but executable transaction that could be consummated reasonably easily and quickly, and we’ve agreed to invest nearly half the required capital ourselves.” Lastly, we even suggested that you treat our proposed transaction as a backup plan while you simultaneously pursue other transactions including a traditional bank recapitalization: “We recognize that a prepackaged bankruptcy plan that cancels the common equity is not your preference. But because the regulatory order creates significant urgency. . . we urge you to engage with us now so that we can move forward with this ‘backup plan’ if necessary.” In short, your accusation is completely unsubstantiated and plainly incorrect.
- **FNBC’s Statement:** “Your letter also incorrectly claims that FNBC has to purportedly raise \$276 million in capital today to satisfy the 15% Total Risk-Based Capital ratio required under the consent order. First, FNBC’s Form 8-K did not state that the ratio had to be met today so that is an unfounded assertion. Second, your \$276 million ‘projection’ of what is needed in capital is premised upon assumptions that are divorced from the reality of how FNBC operates

¹⁶ “In this letter we provide you with a proposed transaction and indicative term sheet that will (i) bring much-needed capital to FNBC’s banking subsidiary, First NBC Bank, (ii) preserve your tax assets without annual limitation under Section 382 of the Tax Code, and (iii) obviate the need for a nonconsensual, contentious ‘free fall’ bankruptcy proceeding that could destroy significant value. . . As you will see, our proposed transaction has little execution risk and can be completed on a short time frame. Because it substantially de-levers FNBC through conversion of the subordinated debt and SBLF preferred stock to common equity and contemplates a significant shrinking of the bank by approximately \$1 billion, our proposal only requires \$67.5 million of new capital.”

- as a business in failing to account for changes in the balance sheet, the phasing out of the deferred tax asset from capital over time and the benefits of earnings increasing capital.”
- **HoldCo’s Response:** Your characterization is false. We specifically stated in the same letter you are quoting from: “In addition, we assume that the capital needs to be raised today, and we therefore do not incorporate the impacts of (1) changes in balance sheet, (2) phasing out of the deferred tax asset from capital over time, and (3) the benefits of earnings increasing capital.” We would encourage you to let the public know how these variables would impact the timing and amount of the capital that you must raise.

 - **FNBC’s Statement:** “Third, by targeting your capital ‘projection’ towards the holding company level of the corporate structure, you further artificially inflate any capital needs. As you know, the subsidiary – not the holding company – is subject to regulations regarding its capital ratios, and possesses approximately \$100 million more in capital than the holding company.”
 - **HoldCo’s Response:** First, we don’t think you are correct. In order to calculate the \$276 million figure, *we based our calculations on the capital ratios at the bank subsidiary, not the holding company. Thus, we do not understand how you come to the conclusion that we “target [our] capital ‘projection’ towards the holding company level of the corporate structure.”* Second, your statement that the holding company is *not* “subject to regulations regarding its capital ratios” appears to be incorrect and contradicted by your own words in FNBC’s 2015 10-K. See page 6: “Under the Basel III framework, we are required to maintain the following minimum regulatory ratios: A new ratio of common equity Tier 1 capital to total risk-weighted assets of not less than 4.5%; a tier 1 risk-based capital ratio of 6.0% (an increase from 4.0%); a total risk-based capital ratio of 8.0%; and a leverage ratio of 4.0%.” We welcome a detailed public explanation from you as to why you believe that the holding company is not “subject to regulations regarding its capital ratios.”

 - **FNBC’s Statement:** “HoldCo falsely claims that FNBC’s DTA will grow to \$436 million by 2018, which would drive down the CET1 ratio and make FNBC non-compliant with Basel III. HoldCo recklessly makes this statement without providing clear factual support for how you determined the DTA will increase by over \$200 million and thus improperly uses the \$436 million figure to reach the flawed conclusion that FNBC will need \$310 million in new capital to remain compliant with Basel III and avoid insolvency and bankruptcy.”
 - **HoldCo’s Response:** We did provide “clear factual support for how [we] determined the DTA will increase by over \$200 million.” Please see pages 9-10 of our August 12 letter, in which we provide significant detail into the assumptions that went into our calculation. Projections involve subjective assumptions, and if you believe that our projections are false, we would welcome FNBC providing us and your other public investors its projections of what FNBC believes the DTA will be in 2018.

 - **FNBC’s Statement:** “HoldCo’s claim is premised on the faulty assumption that FNBC would generate essentially no income for two years that could allow any portion of the existing DTA to be used. HoldCo is claiming that FNBC will continue to accrue the same level of DTA it has in past years, but without crediting the bank for any income.”
 - **HoldCo’s Response:** We disagree. See pages 8-10 of our August 12 letter, in which we provide the detailed assumptions behind our estimate of “normalized pre-tax income” and then, on page 10, we specifically reduce the DTA by 35% of two years of such pre-tax income.

Determining a “normalized pre-tax income” figure is subjective, and if FNBC disagrees with us, we certainly welcome FNBC providing us and your other public investors its view as to what FNBC believes is an appropriate, normalized pre-tax income estimate.

- **FNBC’s Statement:** “While assuming FNBC will have no income flow, HoldCo also incorrectly assumes that FNBC would generate more than \$200 million of DTA in two years, with no offset or equity. Such conflicting assumptions are completely meritless. As HoldCo is aware, DTA cannot be generated without transactions flowing through FNBC’s profit and loss statement (‘P&L’), either as income or as write-offs and impairments. When a credit is taken by FNBC, it will either be used immediately, or become a carryforward, in which case it will generate a P&L benefit which would flow into equity for the same amount. Thus, for FNBC to book a level of DTA even approaching \$200 million in two years – which in itself is a fanciful proposition – there would need to be a matching amount of credits flowing through the bank’s P&L, which would positively affect FNBC’s equity.”
- **HoldCo’s Response:** We understand that when a tax credit is taken by FNBC and not immediately used, it will become a net operating loss carryforward and will flow through the income statement as a P&L benefit and will flow into the balance sheet as an increase to GAAP shareholders equity. Contrary to your assertion above, we do not assume otherwise. But our operating assumption has been – and continues to be – that FNBC’s capital needs are not driven by GAAP equity, but rather by reference to its Basel III regulatory capital requirements. Basel III phases a substantial amount of your DTA out of regulatory capital by 2018. Thus, while we recognize that GAAP shareholder equity increases in value as the DTA increases in value, in estimating the amount of capital that FNBC will be required to raise, we are focused on regulatory capital ratios and requirements. We welcome FNBC providing the public its own projections of regulatory capital for 2018 when substantial amounts of DTA will be phased out of regulatory capital pursuant to Basel III, and we would welcome FNBC’s opinion on how much capital is needed. We also note that for purposes of estimating valuation (rather than FNBC’s capital needs), we do incorporate an assumption of the economic value of the deferred tax asset (see pages 11-12 of our first letter, and page 6 of our third letter).
- **FNBC’s Statement:** “In reaching its faulty conclusion that FNBC cannot utilize its DTA, HoldCo states that FNBC cannot sell its tax credits without a significant discount. This statement is false. The sale of tax credits is a common accounting mechanism in the banking industry. In fact, FNBC has the ability to sell its New Markets Tax Credits (‘NMTC’), Low Income Housing Tax Credits (‘LIHTC’), and Historic Rehabilitation Tax Credits (‘HTC’). NMTC and LIHTC have been sold across the industry for years, and continue to be attractive to buyers with no significant discounts. FNBC’s credits for NMTC and LIHTC generally have a redeemable lifespan of 7-10 years, which allows these credits to be sold with minimal or no discount. FNBC impairs its NMTC and LIHTC as they are used, giving FNBC the ability to sell without any significant loss. Moreover, FNBC can sell its investments in HTC at a profit at any time prior to the building renovation being certified as complete, a practice known as syndication which is well established in the U.S. tax credit industry.”
- **HoldCo’s Response:** Once again, you are mischaracterizing our words. In our August 12 letter, we wrote: “We’d love to hear what FNBC has to say about this, but after speaking to a couple of smart accountants, we think the answer is, ‘FNBC can’t sell the vast majority of its tax credits – it has to generate income to use them – and the ones they could sell would sell would likely fetch a significant discount.’ What we’ve heard is that once the vast majority of

tax credits are ‘earned’ and flow through the income statement and into the DTA line item, they are basically attached to FNBC and can’t, for the most part, be sold. The caveat is that the future tax credits that haven’t yet been earned and are embedded in the call report line item, ‘Direct and Indirect Investments in Real Estate Ventures’ (\$180.1 million at 6/30/2016), could possibly be sold in certain situations to an acquirer that could then absorb the tax credits, but probably at a big discount. The reason there would be a discount is that any buyer would have to do significant diligence and invariably face a lot of uncertainty as to whether these investments were done correctly. If not, the tax credits could be lost entirely. Probably more importantly, those tax credits are flowing rapidly into the DTA line, and so the current line item, ‘Direct and Indirect Investments in Real Estate Ventures,’ which may have some sale value, is going to transform into essentially non-saleable tax credits very soon.”

With respect to the future tax credits, we did not say that FNBC did not “have the ability to sell without any significant loss.” We simply said that based on our limited discussions, it appeared that they “would likely fetch a significant discount.” If this is incorrect, we urge you to provide information that would indicate otherwise. Can you provide data that demonstrates that you can likely sell your tax credits at “no significant discounts” as you state above? Have you or others sold a meaningful amount of such credits recently and can you provide us with data that would lead to the reasonable conclusion that a buyer would pay carrying value or very close to carrying value for them? If so, please provide such data in your next letter as we would like to review it before we comment further.

- **FNBC’s Statement:** “HoldCo chooses to ignore the many tax planning strategies available to FNBC in a potential sale, including the conversion of tax credits into tax temporary differences. One well-known strategy is non-economic residuals (‘NERD’), which has been around for over twenty years. Under the use of NERD, even though a buyer may seek a discount, that buyer could purchase all of FNBC’s tax assets and still maintain significant value.”
- **HoldCo’s Response:** Your above statement is confusing to us, and we encourage you to expound with greater clarity and in more detail. It appears to us – again, please correct us if we are wrong since the above statement confuses us – that in your statement above, you are referring to FNBC’s ability to potentially preserve, without any limitation, future tax credits that are carried in the “Investments in Tax Credit Entities” and “Investment in Real Estate Properties” line items but not those carried in the “Deferred Tax Asset” line item. This appears to be the case based in part on your own disclosures in your 2015 10-K (page 18) which stated: “However, the ability to fully utilize our net operating loss and tax credit carryforwards could be limited under Section 382 of the Internal Revenue Code, if we were to undergo a change in ownership of more than 50% of our capital stock over a three-year period as measured under Section 382...The Section 382 limitations could come into play in the event of the sale of the company, significant new stock issuances or other transactions, including secondary market sales of our common stock.” We add that your accusation that HoldCo “chooses to ignore the many tax planning strategies” is false. In fact, we have devoted significant efforts to thinking about strategies available to FNBC – one of which was the 382(L)(5) exception (which could enable FNBC to preserve its deferred tax assets without an annual limitation) which we elaborated on in our October 25 letter.

Despite your threats, we are hopeful FNBC is finally willing to engage in public dialogue with its stakeholders. **To that end, we propose that FNBC and HoldCo hold a public “town hall meeting” next week (November 28-December 2) on a day of your choosing with a public dial in to allow all stakeholders to ask questions and comment.** At the town hall, all questions raised in our letters – as well as any other questions that shareholders believe are of interest – would be discussed. We believe that the town hall will take approximately three hours. If, at the town hall, it becomes clear that our assumptions or opinions are wrong, in whole or in part, we will publicly acknowledge that to be the case. However, at this time, we have no basis for think that we’re wrong, and in fact we are proud of the quality of the work that we have done.

We hope that you will take us up on this proposal. In our opinion, you may find that engaging in discussion with those who have opinions you do not like – with the goal of disproving them – will in fact be more productive than paying attorneys to silence them.

Best,

HoldCo Asset Management

DISCLAIMER

As of the publication date of this letter, HoldCo Asset Management, LP and its affiliates (collectively “HoldCo”), have a long position in the subordinated debt and a short position in the stock of the company referenced herein. Taken as a whole, HoldCo will likely profit if the price of FNBC’s common stock declines. HoldCo may change its views about its investment positions in FNBC at any time, for any reason or no reason, and at any time may change the form or substance of any of its FNBC investment positions. If it does so, it will not be under obligation to inform anyone.

All content in this letter represent the opinions of HoldCo. HoldCo has obtained all information herein from publicly available sources they believe to be accurate and reliable. However, such information is presented “as is,” without warranty of any kind whether express or implied. HoldCo stresses that this letter is a highly imperfect, and very rough, attempt to piece together limited public information to formulate answers to some of the most pressing questions that it has about FNBC.

This document is for informational purposes only and is not intended as an official confirmation of any transaction. All data and other information are not warranted as to completeness or accuracy and reflect HoldCo’s views as of this date, all of which are accordingly subject to change without notice.

This letter does not in any way constitute an offer or solicitation of an offer to buy or sell any investment, security, or commodity discussed herein, or any security in any jurisdiction in which such an offer would be unlawful under the securities laws of such jurisdiction.

HoldCo reserves all rights that it may have against FNBC, its subsidiaries, its affiliates and its representatives, including all rights that HoldCo may have under Article 971 of the Louisiana Code of Civil Procedure, and all such rights are expressly reserved.

The information contained in this document may include, or incorporate by reference, forward-looking statements, which would include any statements that are not statements of historical fact. These forward-looking statements may turn out to be wrong and can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, most of which are beyond the HoldCo’s control.

We are not tax lawyers or accountants and nothing stated herein should be used or relied upon without consultation with your advisors including tax lawyers, bankruptcy lawyers, and tax accountants that have specialization in Section 382 of the Tax Code.

EXHIBIT A

From: Andrew K. Glenn
To: [Greg Demo](#)
Cc: [Edward E. McNally](#); [Christine A. Montenegro](#)
Subject: FNBC Bank -- HoldCo Asset Management Cease and Desist Demand
Date: Friday, November 18, 2016 6:44:03 PM

Dear Mr. Demo,

I write this e-mail to memorialize our call with you today. We have been retained by First NBC Bank in response to the false, misleading and malicious public statements disseminated by HoldCo Asset Management ("HoldCo") that have caused – and continue to cause – substantial damage to our client.

Today we called you as a courtesy to put you on notice of our client's position concerning HoldCo's misconduct. In addition, we will be providing you with a letter shortly that will more formally detail our client's position. However, we hereby demand that HoldCo cease and desist from causing any further harm to our client – through the dissemination of false and misleading information concerning our client or otherwise. If HoldCo seeks to make any further statements about HoldCo to any third parties, we request that you first provide us with an opportunity to review such statements so that we can avoid any further harm or damage to our client.

Should you or any counsel acting on your behalf wish to discuss the matter further, you can contact me or my partners Edward McNally and Christine Montenegro, both of whom are copied here.

Nothing herein is a waiver of any of our client's rights, claims and remedies, all of which are expressly reserved.

Andrew K. Glenn
Kasowitz, Benson, Torres & Friedman LLP
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EXHIBIT B



**32 Broadway, Suite 1201
New York, New York 10004
(917) 740-8450**

November 21, 2016

Shivan Govindan
Chairman of the Board
First NBC Bank Holding Company
210 Baronne Street
New Orleans, Louisiana 70112

PUBLIC LETTER TO MR. SHIVAN GOVINDAN, CHAIRMAN, FNBC

Dear Mr. Govindan:

On Friday, November 18, 2016, we received a phone call from one of your attorneys, Andrew Glenn of Kasowitz Benson Torres & Friedman LLP. Mr. Glenn informed us that First NBC Bank Holding Company (“FNBC”) believed the public letters and press releases we sent on August 12, 2016, August 17, 2016, August 26, 2016, and October 25, 2016,¹ contained certain errors and misrepresentations. Later on Friday, we received an email from Mr. Glenn (attached to this letter as Exhibit A) that included the following:

“I write this e-mail to memorialize our call with you today. We have been retained by First NBC Bank in response to the false, misleading and malicious public statements disseminated by HoldCo Asset Management (“HoldCo”) that have caused – and continue to cause – substantial damage to our client. Today we called you as a courtesy to put you on notice of our client’s position concerning HoldCo’s misconduct. In addition, we will be providing you with a letter shortly that will more formally detail our client’s position. However, we hereby demand that HoldCo cease and desist from causing any further harm to our client – through the dissemination of false and misleading information concerning our client or otherwise. If HoldCo seeks to make any further statements about HoldCo [sic] to any third parties, we request that you first provide us with an opportunity to review such statements so that we can avoid any further harm or damage to our client.”

As we disclosed in each of our previous letters, we have made every effort to present our thoughts, questions, and opinions about FNBC with accuracy. We have gone through great lengths to describe and caveat the detailed methodology behind our reasoning. We have also been very upfront about the fact that we are operating on imperfect information and do not have access to the same information you do. We have also strenuously urged you to respond to our letters and to set the record straight if you believed that our reasoning was unsound or our facts inaccurate. In our first letter, in fact, we stated the following:

“Lastly, it is our genuine hope that instead of viewing this letter as an attack on your business, which I can assure you it is not, you view it as a substantive thought piece that raises questions that all of your investors probably have, or should have, and provides an opportunity for you to respond

¹ For your reference, the letters we sent to FNBC can be found at the following links:

August 12, 2016: http://holdcoam.com/wp-content/uploads/Letter_to_FNBC.pdf

August 17, 2016: http://holdcoam.com/wp-content/uploads/Second_Letter_to_FNBC.pdf.

October 25, 2016: http://holdcoam.com/wp-content/uploads/Third_Letter_to_FNBC.pdf.

accordingly. We're short your stock and directionally negative on your business's prospects with the limited information that we currently have today, but if you prove that our concerns are unfounded, we'll have no problem admitting our error, covering our short, and going back to clipping coupons on the subordinated debt that we own."

However, the phone call and attached email that we received on Friday has been the only communication we have received from FNBC since our initial meeting in May 2016.² If that uncommunicative posture has now suddenly changed, we continue in our willingness to engage in a constructive public dialogue with respect to the questions and points that we have raised.

Most importantly, we are encouraged by your intention to provide us "with a letter shortly that will more formally detail [FNBC's] position." Because we do not wish to receive selective or nonpublic information, we urge you to release such letter publicly so that all stakeholders of FNBC are given an opportunity to read your detailed response to each of the questions and points that we raised in our three public letters. We give you our word that once you provide us with such letter, we will issue a point-by-point public response, and if you provide evidence that any of our statements or facts are inaccurate, we will happily correct ourselves in the public domain. Still, unless and until you show us that we are wrong, we stand by our letters.

We are forced to ask ourselves though if your allegations are nothing more than the pot calling the kettle black. After all, in our first letter we expressed our opinion – and provided the detailed numerical reasoning behind that opinion – that FNBC needs to raise approximately \$300 million in new capital if the balance sheet does not shrink. Mr. Ryan, in contrast, on a conference call approximately one month after the release of our first letter, said that that FNBC was not considering a common equity raise and that FNBC did not need to raise significant capital.³ However, if First NBC Bank is to satisfy the 15% Total Risk-Based Capital ratio required under the consent order described in FNBC's Form 8-K (dated November 17, 2016), we calculate a capital need of approximately \$276 million.⁴ Given

² As requested by Mr. Glenn, we emailed him a draft of this letter on Saturday, November 19, 2016, and, in such email, notified him that we would be publicly delivering this letter to you Monday morning. As of 11:00 a.m. (EST) on November 21, 2016, we had not received a response from Mr. Glenn.

³ When Mr. Nolan of FBR Capital Markets asked Mr. Ryan "Okay. And given what the share price is, for capital raises, I presume you're looking at equity – common equity," Mr. Ryan responded "No." And when Mr. Fitzsimmons of the Hovde Group asked "But organically, if you just slow down the balance sheet growth, you, guys, are generating earnings positive earnings, is there -- if you did that long enough, is there a need to go out and raise a lot of capital or is it just a matter of you wanting to get up over that threshold sooner than later?", Mr. Ryan responded, "It's the latter. We've always been well-capitalized. I mean we're super well-capitalized the day we started. We just feel more comfortable having an adequate – more than adequate capital structure."

⁴ According to FNBC's Form 8-K dated November 17, 2016, First NBC Bank entered into a consent order with the FDIC and the Louisiana Office of Financial Institutions on November 10, 2016, pursuant to which First NBC Bank is required to submit a plan to achieve and maintain a Tier 1 Leverage Capital ratio of at least 10%, a Tier 1 Risk-Based Capital ratio of at least 13%, and a Total Risk-Based Capital ratio of at least 15%. According to First NBC Bank's FFIEC 041 Call Report for the period 9/30/2016, First NBC Bank had Total Risk Based Capital (Tier 1 and Tier 2 capital) of \$409.28 million (numerator in the total risk-based capital ratio) and total risk-weighted assets of \$4.57 billion (denominator in the Total Risk-Based Capital ratio), resulting in a Total Risk-Based Capital ratio of 8.95%. Of the three capital ratio requirements in the consent order, First NBC Bank's "gating ratio" is its Total Risk-Based Capital ratio since attaining a 15% ratio will require \$276 million of capital to be raised (of the three capital ratios mentioned above, the Total Risk-Based Capital ratio faces the largest capital shortfall). We note that our analysis assumes that new capital raised would sit on the balance sheet as cash, and this cash would receive a 0% risk-weighting. Therefore, the denominator (total risk-weighted assets) for the Total Risk-Based Capital ratio is unchanged from that at September 30, 2016. Had we assumed the new cash on balance sheet received a risk-weighting greater than 0%, First NBC Bank would need to raise more than \$276 million in capital. In addition, we assume that the

that your primary regulator appears to agree with our assessment of the capital need at FNBC rather than FNBC's self-assessment, we believe your stakeholders should consider whether it is your statements – rather than ours – which have been false and misleading.

Sincerely,

HoldCo Asset Management

capital needs to be raised today, and we therefore do not incorporate the impacts of (1) changes in balance sheet, (2) phasing out of the deferred tax asset from capital over time, and (3) the benefits of earnings increasing capital.

DISCLAIMER

As of the publication date of this letter, HoldCo Asset Management, LP and its affiliates (collectively “HoldCo”), have a long position in the subordinated debt and a short position in the stock of the company referenced herein. HoldCo may change its views about its investment positions in FNBC at any time, for any reason or no reason, and at any time may change the form or substance of any of its FNBC investment positions. If it does so, it will not be under obligation to inform anyone.

All content in this letter represent the opinions of HoldCo. HoldCo has obtained all information herein from publicly available sources they believe to be accurate and reliable. However, such information is presented “as is,” without warranty of any kind whether express or implied. HoldCo stresses that this letter is a highly imperfect, and very rough, attempt to piece together limited public information to formulate answers to some of the most pressing questions that it has about FNBC. HoldCo is working with SEC filings that are outdated and currently being restated and a recent call report that lacks explanatory footnotes.

This document is for informational purposes only and is not intended as an official confirmation of any transaction. All data and other information are not warranted as to completeness or accuracy and reflect HoldCo’s views as of this date, all of which are accordingly subject to change without notice.

This letter does not in any way constitute an offer or solicitation of an offer to buy or sell any investment, security, or commodity discussed herein, or any security in any jurisdiction in which such an offer would be unlawful under the securities laws of such jurisdiction.

The information contained in this document may include, or incorporate by reference, forward-looking statements, which would include any statements that are not statements of historical fact. These forward-looking statements may turn out to be wrong and can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, most of which are beyond the HoldCo’s control.

We are not tax lawyers or accountants and nothing stated herein should be used or relied upon without consultation with your advisors including tax lawyers, bankruptcy lawyers, and tax accountants that have specialization in Section 382 of the Tax Code. Furthermore, the principal purpose of any structures recommended herein are based upon the prospect of recapitalizing a FNBC and restoring and/or maximizing franchise value, and any tax benefits are secondary in nature.

EXHIBIT C

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November 20, 2016

VIA ELECTRONIC MAIL

Mr. Gregory Demo
General Counsel and Chief Compliance Officer
HoldCo Asset Management
32 Broadway, Suite 1201
New York, New York 10004

Re: First NBC Bank Holding Company

Dear Mr. Demo:

We are counsel to First NBC Bank Holding Company (“FNBC”) and write concerning the false, misleading and malicious public statements disseminated by HoldCo Asset Management (“HoldCo”) that have caused and continue to cause substantial damage to our client. HoldCo’s unfounded and wrongful attacks on FNBC through the publication of letters dated August 12, 2016, August 17, 2016, and October 25, 2016 (together, the “Letters”) have negatively impacted investor perception and the market for FNBC securities. HoldCo’s malicious intent to cause public panic and drive FNBC’s stock down is evident from its calculated portrayal of the worst set of assumptions as the only set of assumptions and the inevitable reality. We are writing pursuant to, among other laws, both New York and Louisiana state common laws as well as Louisiana Revised Statutes Title 6, Section 414.1, and are demanding that HoldCo comply with those authorities. We further demand that HoldCo immediately cease and desist disseminating further false and misleading information or engaging in further wrongful conduct.

As you know, on November 18, 2016, we demanded, both orally and in writing, that HoldCo stop disseminating false and misleading statements about FNBC. Instead of retracting or correcting those statements, HoldCo threatened on November 19, 2016 to publicly disseminate another false and misleading letter and provided us with a draft copy of the letter dated November 21, 2016. As we explained on November 18, 2016, we are working on a detailed response to your Letters, but given HoldCo’s recent unexpected attack on FNBC, we are compelled to respond now.

Your draft November 21, 2016 letter disingenuously claims that HoldCo has been simply presenting its “thoughts, questions and opinions about FNBC.” But merely labeling your defamatory statements as “questions” and “opinions” does not insulate HoldCo from liability. Your letter also incorrectly claims that FNBC has to purportedly raise \$276 million in capital today to satisfy the 15% Total Risk-Based Capital ratio required under the consent order. First, FNBC’s Form 8-K did not state that the ratio had to be met today so that is an unfounded assertion. Second, your \$276 million “projection” of what is needed in capital is premised upon assumptions that are divorced from the reality of how FNBC operates as a business in failing to account for changes in the balance sheet, the phasing out of the deferred tax asset from capital over time and the benefits of earnings increasing capital. Third, by targeting your capital “projection” towards the holding company level of the corporate structure, you further artificially inflate any capital needs. As you know, the subsidiary – not the holding company – is subject to regulations regarding its capital ratios, and possesses approximately \$100 million more in capital than the holding company.

While your Letters claim that HoldCo is comprised of unsophisticated investors who are not “accountants or lawyers,” and that HoldCo seeks to virtuously serve the public, your Letters do not provide a full and complete picture of what HoldCo is actually known for: HoldCo is a well-known fund in the distressed market that has garnered the ire of regulators and state agencies for its questionable conduct in bankruptcy proceedings. For example, a Federal Depository Insurance Company attorney has characterized HoldCo in a bankruptcy filing as “a speculator whose views are entitled to no deference” and has called its principals “gamblers.” HoldCo’s calculated attack on FNBC is yet another example of HoldCo’s use of highly improper tactics. HoldCo’s letter writing campaign is nothing but a transparent attempt to put FNBC into bankruptcy in order to acquire the company on the cheap. While HoldCo claims FNBC only has an economic book value of \$87 million based on distorted and faulty assumptions, HoldCo’s actions of attempting to acquire the company speak louder than its words. HoldCo clearly believes – and knows – that there is tremendous value in FNBC with a market capitalization of approximately \$125 million, before accounting for over \$14 million in book value from tax assets that HoldCo falsely claims are worthless (*see infra*).

Our letter below addresses only a sample of the numerous false and misleading statements contained in HoldCo’s Letters.

HoldCo Makes Misleading Statements About FNBC’s Deferred Tax Asset (“DTA”)

HoldCo falsely claims that FNBC’s DTA will grow to \$436 million by 2018, which would drive down the CET1 ratio and make FNBC non-compliant with Basel III. HoldCo recklessly makes this statement without providing clear factual support for how you determined the DTA will increase by over \$200 million and thus improperly uses the \$436 million figure to reach the flawed conclusion that FNBC will need \$310 million in new capital to remain compliant with Basel III and avoid insolvency and bankruptcy.

HoldCo’s statement that FNBC’s total DTA will increase by over \$200 million over current levels in only two years makes no economic sense and is patently false. HoldCo’s claim

is premised on the faulty assumption that FNBC would generate essentially no income for two years that could allow any portion of the existing DTA to be used. HoldCo is claiming that FNBC will continue to accrue the same level of DTA it has in past years, but without crediting the bank for any income. HoldCo also erroneously calculates that FNBC would accrue deferred income tax on an associated impairment, further inflating the DTA level.

While assuming FNBC will have no income flow, HoldCo also incorrectly assumes that FNBC would generate more than \$200 million of DTA in two years, with no offset or equity. Such conflicting assumptions are completely meritless. As HoldCo is aware, DTA cannot be generated without transactions flowing through FNBC's profit and loss statement ("P&L"), either as income or as write-offs and impairments. When a credit is taken by FNBC, it will either be used immediately, or become a carryforward, in which case it will generate a P&L benefit which would flow into equity for the same amount. Thus, for FNBC to book a level of DTA even approaching \$200 million in two years – which in itself is a fanciful proposition – there would need to be a matching amount of credits flowing through the bank's P&L, which would positively affect FNBC's equity. HoldCo also ignores the obvious reality that if DTA levels began to rise to such a large amount, FNBC would change its tax credit business through changes in pricing, structure, or syndication of the tax credits.

HoldCo Makes Misleading Statements About FNBC's Ability And Need To Do A Capital Raise

HoldCo further claims that FNBC's ability to raise capital is impaired and concludes that without the required \$310 million in additional capital, the CET1 will inevitably plummet and cause FNBC to be "critically undercapitalized." Such statements are false. FNBC has a long record of successfully raising capital over the last 10 years. Further, FNBC has the ability to control its capital ratios through means other than a capital raise, such as asset shrinkage, the sale of FNBC to another entity and the sale of its tax credits.

HoldCo falsely insinuates in its November 21 letter that Mr. Ryan purportedly made false statements about FNBC's plan to raise capital by mischaracterizing Mr. Ryan's statements during a September 8, 2016 investor conference call. During the investor call, Mr. Ryan clearly stated that FNBC would "like to keep capital stronger" and, as a result, has "raised capital on frequent occasions since we started the bank." (See Sept. 8, 2016 investor call transcript at 6.) HoldCo further selectively quotes from the transcript to paint a picture that Mr. Ryan claimed a capital raise would not occur. But Mr. Ryan only stated that FNBC did not intend to do a common equity raise and in the omitted portion of the transcript, Mr. Ryan made clear that the capital raise could be through "preferred stock [or] a lot of different stuff." (See *id.* at 15.)

HoldCo Makes Misleading Statements About FNBC's Ability to Sell Tax Credits

In reaching its faulty conclusion that FNBC cannot utilize its DTA, HoldCo states that FNBC cannot sell its tax credits without a significant discount. This statement is false. The sale of tax credits is a common accounting mechanism in the banking industry. In fact, FNBC has the ability to sell its New Markets Tax Credits ("NMTC"), Low Income Housing Tax Credits ("LIHTC"), and Historic Rehabilitation Tax Credits ("HTC"). NMTC and LIHTC have been

sold across the industry for years, and continue to be attractive to buyers with no significant discounts. FNBC's credits for NMTC and LIHTC generally have a redeemable lifespan of 7-10 years, which allows these credits to be sold with minimal or no discount. FNBC impairs its NMTC and LIHTC as they are used, giving FNBC the ability to sell without any significant loss. Moreover, FNBC can sell its investments in HTC at a profit at any time prior to the building renovation being certified as complete, a practice known as syndication which is well established in the U.S. tax credit industry.

HoldCo Makes Misleading Statements About FNBC's Ability to Sell FNBC

HoldCo also falsely claims that "a sale of the company is not an option," because in any sale, FNBC's "tax credits would be severely limited under Section 382 of the tax code." In creating this fiction, HoldCo chooses to ignore the many tax planning strategies available to FNBC in a potential sale, including the conversion of tax credits into tax temporary-differences. One well-known strategy is non-economic residuals ("NERD"), which has been around for over twenty years. Under the use of NERD, even though a buyer may seek a discount, that buyer could purchase all of FNBC's tax assets and still maintain significant value.

While the above examples of HoldCo's falsehoods are merely illustrative, they serve to highlight and reinforce the fact that HoldCo has published its Letters to attack FNBC under false pretenses and in flagrant violation of applicable law. Once again, we demand that HoldCo: (i) cease and desist publishing any further false and misleading stories about FNBC or its officers or directors; and (ii) promptly publish appropriate retractions and corrections to its Letters. We further demand that HoldCo maintain and preserve any and all communications and documents concerning FNBC in its possession, custody, or control, including, but not limited to, emails, instant-message communications, notes, telephone records, text messages and computer files. Our client reserves the right to pursue all available remedies regarding the foregoing matter. Furthermore, if HoldCo has wrongfully obtained any confidential, proprietary or other sensitive information about FNBC, we reserve the right to seek all remedies for such conduct.

Sincerely,

/s/ Andrew K. Glenn

Andrew K. Glenn