

## Series A Convertible Preferred Stock

### Fact Sheet

<b>Issuer:</b>	Cornerstone Bancshares, Inc., holding company for Cornerstone Community Bank of Chattanooga, TN
<b>Shares Offered:</b>	600,000 shares of Series A Convertible Preferred Stock
<b>Purchase Price/Minimum:</b>	\$25 per share/Minimum 400 shares per individual investor
<b>Dividends:</b>	10% annual dividends payable in cash quarterly, if, as and when declared
<b>Cumulative:</b>	Dividends will accumulate at an annual rate of 10% until dividends are declared payable.
<b>Priority Ranking:</b>	Holder of Series A Convertible Preferred Stock will have a priority on the receipt of dividends and liquidation preference relative to holders of our Common Stock.
<b>Convertible:</b>	Holder will have the right to convert, at any time at their option, some or all of their shares of Series A Preferred Stock into shares of our Common Stock at a 5x conversion rate (1 share of Preferred = 5 shares of Common stock or \$5 per share Common).
<b>Conversion:</b>	Cornerstone Bancshares, Inc. will have the right to convert the Preferred to Common after 5 years and Common Stock trading at \$7.50 for 30 days.
<b>Primary Market:</b>	Initial shares will be offered on a “first come, first served” basis to our existing shareholders and the Bank’s officers, directors, employees, members of the Chattanooga community and other “friends and family” of Cornerstone Community Bank; general market thereafter.
<b>Secondary Market:</b>	Securities will be traded on the Over-The-Counter Bulletin Board (OTCBB) post initial offering.
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