

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of	)	
	)	
INTEGRITY BANK	)	ORDER TO
ALPHARETTA, GEORGIA	)	CEASE AND DESIST
	)	FDIC- 07-259b
(Insured State Nonmember Bank)	)	
_____	)	

INTEGRITY BANK, ALPHARETTA, GEORGIA ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and the Official Code of Georgia Annotated § 7-1-91, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("Consent Agreement") with Counsel for the Federal Deposit Insurance Corporation ("FDIC") and the Commissioner (the "Commissioner") for the State of Georgia, Department of Banking and Finance (the "Department"), dated February 11, 2008, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("Order") by the FDIC and the Commissioner.

The FDIC and the Commissioner considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had

committed violations of law and/or regulations. The FDIC and the Commissioner, therefore, accepted the Consent Agreement and issued the following:

**ORDER TO CEASE AND DESIST**

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns cease and desist from the following unsafe and unsound banking practices and violations of law and regulation:

- (a) operating with a board of directors (“Board”) that has failed to provide adequate supervision over and direction to the management of the Bank;
- (b) operating with inadequate management;
- (c) operating with inadequate equity capital and reserves in relation to the volume and quality of assets held by the Bank;
- (d) operating with a large volume of poor quality loans;
- (e) operating with an inadequate allowance for loan and lease losses (“ALLL”);
- (f) operating with hazardous loan underwriting and administration practices;
- (g) operating in such a manner as to produce operating losses; and
- (h) violating laws, regulations and/or statements of policy as more fully described on pages 17-23 of the FDIC Report of Examination dated June 4, 2007 (“ROE”).

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

**BOARD OF DIRECTORS**

1. (a) Beginning with the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound

policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 60 days from the effective date of this ORDER, the Bank will commission a third-party assessment of the qualifications of the current members of the Board to determine whether individual Board members have the abilities needed to return the Bank to a safe and sound condition. The Bank shall develop a plan of action to recruit and appoint any additional Board members with the requisite ability, experience and other qualifications that are determined necessary to provide for a fully effective Board. A copy of the assessment shall be provided to the FDIC's Atlanta Regional Office ("Regional Director") and the Commissioner (collectively the "Supervisory Authorities").

(c) Within 30 days from the effective date of this ORDER, the Bank's Board shall develop and adopt an educational program for each member of the Board. The educational program shall include, at a minimum:

(i) specific training in the areas of lending, operations, and compliance with laws, rules and regulations applicable to banks chartered in the state of Georgia;

(ii) specific training in the duties and responsibilities of the Board in connection with the safe and sound operation of the Bank; and

(iii) provisions for periodic training.

(d) The Board shall document the training activities in the minutes of the next Board meeting following completion of the training. The Board's actions as required by this paragraph shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(e) Within 30 days from the effective date of this ORDER, the Board shall establish a Board committee ("Directors' Committee"), consisting of at least four members, to oversee the Bank's compliance with the ORDER. Three of the members of the Directors' Committee shall not be officers of the Bank. The Directors' Committee shall receive from Bank management monthly reports detailing the Bank's actions with respect to compliance with the ORDER. The Directors' Committee shall present a report detailing the Bank's adherence to the ORDER to the Board at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board's meeting and shall be retained in the Bank's records.

(f) Within sixty 60 days from the effective date of this Order, the Bank shall designate a Board committee to review and approve loans, with such committee being structured so that a majority of its members are persons who are not actively involved in the Bank's lending activities. The loan committee shall, at a minimum, perform the following functions:

(i) Evaluate and act upon requests for loans or other extensions of credit and assess the administration of outstanding loans or other extensions of credit, in accordance with the Bank's loan policy, as amended to comply with this Order.

(ii) Provide a thorough, written explanation of any deviations from the loan policy, which shall:

a. address how such exceptions are in the Bank's best interest;

- b. be included in the minutes of the corresponding committee meeting; and
  - c. be maintained in the borrower's credit file.
- (iii) Review and monitor the status of repayment and collection of overdue and maturing loans, all loans classified "Substandard" or "Doubtful" in the most recent regulatory Report of Examination, and all loans included on the Bank's internal watch list.
- (iv) Review and give prior written approval for all advances, renewals, extensions of credit or overdrafts to any borrower or the borrower's "related interests" when the aggregate volume of credit extended to the borrower and its "related interests," as such term is defined in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.2(n), exceeds \$5,000,000.
- (v) Review all applications for new loans and renewals of existing loans to Bank directors, executive officers, and their related interests, prepare a written opinion as to whether the credit is in conformance with the Bank's loan and conflicts of interest or ethics policies, as well as applicable laws and regulations, and refer each application and written opinion to the Board for consideration and approval.
- (vi) Maintain written minutes of the committee meetings, including a record of the review and status of the loans considered. All loan committee minutes shall be reviewed by the Board during the next scheduled meeting.

### **MANAGEMENT**

2. The Bank shall have and retain qualified management.
- (a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Each member of

management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER. Management shall include:

(i) a chief executive officer with proven ability in managing a bank of comparable size and complexity and in effectively implementing lending, investment and operating policies in accordance with sound banking practices;

(ii) a senior lending officer with a significant amount of appropriate lending, collection, and loan supervision experience, and experience in upgrading a low quality loan portfolio; and

(iii) a chief operations officer with a significant amount of appropriate experience in managing the operations of a bank of similar size and complexity in accordance with sound banking practices.

(b) The qualifications of Management will be assessed on its ability to:

(i) comply with the requirements of this ORDER;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(c) During the life of this ORDER, the Bank shall notify the Supervisory Authorities in writing when it proposes to add any individual to the Bank's Board or employ any individual as an executive officer, as that term is defined in the Federal Reserve Board's Regulation O. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed.

(d) The Bank may not add any individual to its Board or employ any individual as an executive officer if the Regional Director issues a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. § 1831i.

(e) To facilitate having and retaining qualified management, the Board shall, in no more than 60 days from the effective date of this ORDER, commission a written analysis and assessment of the Bank's management and staffing needs ("Management Plan"), which shall include, at a minimum:

(i) identification of both the type and number of officer positions needed to manage and properly supervise the affairs of the Bank;

(ii) identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) evaluation of each Bank officer, and in particular the chief executive officer, senior lending officer, and chief operations officer, to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and maintain the Bank in a safe and sound condition;

(iv) evaluation of the current duties and responsibilities of each Bank officer to determine whether such duties and responsibilities have been properly assigned; and

(v) a plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications necessary to fill Bank officer or staff positions consistent with the Management Plan.

(f) The Management Plan and any subsequent modification thereto shall be submitted to the Supervisory Authorities for review and comment. No more than 30 days from

the receipt of any comment from the Supervisory Authorities, and after consideration of such comment, the Board shall approve the Management Plan and/or any subsequent modification thereto, which approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement and follow the Management Plan and/or any subsequent modification.

(g) Within 60 days of the effective date of this ORDER, the Bank shall prepare written job descriptions for executive officers and members of senior management, including the chairman of the Board, chief executive officer, senior lending officer, and chief operations officer. The descriptions shall set forth the duties and responsibilities for each position. Also, the descriptions shall address any lending, investment or other authorities associated with these job functions. The Bank shall also prepare an organization chart that designates lines of authority and responsibilities for each officer position of the Bank. The adequacy of the documents will be assessed by the Supervisory Authorities at future examinations and/or visitations.

### **CAPITAL**

3. (a) Within 120 days from the effective date of this ORDER, the Bank shall have Tier 1 capital in such an amount as to equal or exceed eight (8) percent of the Bank's total assets. Thereafter, during the life of this ORDER, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed eight (8) percent of the Bank's total assets. Within 30 days from the effective date of this Order, the Bank shall develop and adopt a plan for achieving the aforementioned Tier 1 Capital level and for maintaining Tier 1 Capital in such an amount as to equal or exceed eight (8) percent of the Bank's total assets during the life of this ORDER. The plan shall be submitted to the Supervisory Authorities for review and approval.

(b) Within 30 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to meet the minimum risk-based capital requirements for a well-capitalized bank, as described in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325. The plan shall be submitted to the Supervisory Authorities for review and approval.

(c) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Subparagraph 3(a) shall be in addition to a fully funded ALLL, the adequacy of which shall be satisfactory to the Supervisory Authorities.

(d) Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 3 of this ORDER may be accomplished by the following:

- (i) the sale of common stock; or
- (ii) the sale of noncumulative perpetual preferred stock; or
- (iii) the direct contribution of cash by the board of directors, shareholders, and/or parent holding company; or
- (iv) any other means acceptable to the Supervisory Authorities; or
- (v) any combination of the above means.

Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 3 of this ORDER may not be accomplished through a deduction from the Bank's ALLL.

(e) If all or part of the increase in Tier 1 capital required by Paragraph 3 of this ORDER is accomplished by the sale of new securities, the Board shall forthwith take all necessary steps to adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare

offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 15 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17<sup>th</sup> Street, N.W., Room F-6066, Washington, D.C. 20429 and to the Commissioner, Georgia Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341-5565, for review. Any changes requested to be made in the plan or materials shall be made prior to their dissemination. If the increase in Tier 1 capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(f) In complying with the provisions of Paragraph 3 of this ORDER, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(g) For the purposes of this ORDER, the terms "Tier 1 capital" and "total assets" shall have, the meanings ascribed to them in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. §§ 325.2(t) and 325.2(v).

#### **CHARGE-OFF**

4. (a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" and fifty (50) percent of all assets or portions of assets classified "Doubtful" in the ROE that have not been previously collected or charged off. (If an asset classified "Doubtful" is a loan or a lease, the Bank may, in the alternative, increase its ALLL by an amount equal to fifty (50) percent of the loan or lease classified "Doubtful.") Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days of the receipt of any official Report of Examination of the Bank from the Regional Director or the Commissioner, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any assets classified "Loss" and fifty (50) percent of those classified "Doubtful", unless otherwise approved in writing by the Supervisory Authorities.

#### **REDUCTION OF CLASSIFIED ITEMS**

5. (a) Within 120 days from the effective date of this ORDER, the Bank shall have reduced the items classified "Substandard" in the ROE to not more than \$75,000,000.

(b) Within 240 days from the effective date of this ORDER, the Bank shall have reduced the items classified "Substandard" in the ROE to not more than \$60,000,000.

(c) Within 360 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the ROE to not more than \$45,000,000.

(d) The requirements of subparagraphs 5(a) through (c) of this ORDER are not to be construed as standards for future operations and, in addition to the foregoing, the Bank shall eventually reduce the total of all adversely classified assets. Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph. As used in subparagraphs 5(a) through (c), the word "reduce" means:

(i) to collect;

(ii) to charge off; or

(iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the Regional Director or Commissioner.

**NO ADDITIONAL CREDIT**

6. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" or "Doubtful" and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing (after collection in cash of interest due from the borrower) any credit already extended to any borrower.

(b) Additionally, during the life of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Substandard" and is uncollected.

(c) Paragraph 6(b) shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to the extending of any additional credit pursuant to this paragraph, either in the form of a renewal, extension, or

further advance of funds, such additional credit shall be approved by a majority of the Board, or a designated committee thereof, who shall certify, in writing:

(i) why the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;

(ii) that the Bank's position would be improved thereby; including an explanatory statement of how the Bank's position would be improved;

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and

(iv) the signed certification shall be made a part of the minutes of the Board, or designated committee, and a copy of the signed certification shall be retained in the borrower's credit file.

#### **PLANS FOR REDUCING/IMPROVING CLASSIFIED ASSETS**

7. Within 60 days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities specific plans and proposals to effect the reduction and/or improvement of any lines of credit which are adversely classified in the ROE and which aggregate \$500,000 or more. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position. Such plans shall thereafter be monitored and progress reports thereon submitted by the Bank at 90-day intervals concurrently with the other reporting requirements set forth in Paragraph 20 of this ORDER.

## LENDING PRACTICES

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities specific plans and proposals to effect the correction of all loan underwriting, loan administration, and loan portfolio management weaknesses detailed in the ROE. At a minimum, these plans and proposals shall incorporate procedures:

- (i) to address loan underwriting weaknesses;
- (ii) whereby officer compliance with the written loan policy is monitored and responsibility for exceptions thereto assigned;
- (iii) to strengthen management of loan operations and to maintain an adequate, qualified credit staff;
- (iv) for strengthening collections;
- (v) for addressing the appropriate use of interest reserves;
- (vi) for controlling loan disbursements; and
- (vii) for ensuring proper financial analysis of potential and existing credit relationships, including the documentation of cash flow for the primary and secondary sources of repayment.

(b) Within 60 days from the effective date of this ORDER, the Bank shall establish an effective system of loan documentation and shall take all necessary steps to correct and/or eliminate all loan documentation exceptions referenced in the ROE. In addition, and so long as this ORDER remains in effect, the Bank shall ascertain that all necessary supporting documentation, or evidence thereof, is obtained and evaluated before any further credit or loan is extended by the Bank.

(c) Within 60 days from the effective date of this ORDER, the Bank shall develop and implement effective policies and processes related to appraisals and appraisal review.

(d) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement a written lending policy to provide effective guidance, monitoring, and control over the Bank's acquisition, development and construction ("ADC") lending function. The policy shall address the weaknesses related to the Bank's ADC lending activities, as detailed in the ROE. Also, the policy shall provide for a planned material reduction in the volume of funded and unfunded ADC loans as a percentage of Tier 1 capital. Such policy shall be provided to the Supervisory Authorities for review and approval prior to implementation, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

#### **LOAN REVIEW PROGRAM**

9. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt an effective internal loan review and grading system to provide for the periodic review of the Bank's loan portfolio in order to identify and categorize the Bank's loans and other extensions of credit on the basis of credit quality. The Bank shall also within 60 days from the effective date of this ORDER submit the written internal loan review and grading system to the Supervisory Authorities for review. Such system and its implementation shall be satisfactory to the Supervisory Authorities as determined at their initial review and at subsequent examinations and/or visitations. At a minimum, the grading system shall provide for the following:

(i) specification of standards and criteria for assessing the credit quality of the Bank's loans;

- (ii) application of loan grading standards and criteria to the Bank's loan portfolio;
- (iii) categorization of the Bank's loans into groupings based on the varying degrees of credit and other risks which may be presented under the applicable grading standards and criteria, but in no case, will a loan be assigned a rating higher than that assigned by examiners at the last examination of the Bank;
- (iv) assessment of the likelihood that each loan exhibiting credit and other risks will not be repaid according to its terms and conditions;
- (v) identification of any loan that is not in conformance with the Bank's loan policy;
- (vi) identification of any loan which presents any unsafe or unsound banking practice or condition or is otherwise in violation of any applicable State or Federal law, regulation, or statement of policy; and
- (vii) requirement of a written report to be made to the Board and Audit Committee not less than quarterly after the effective date of this ORDER. The report shall identify the status of those loans that exhibit credit and other risks under the applicable grading standards/criteria and the prospects for full collection and/or strengthening of the quality of any such loans.

(b) The Bank shall also hire, appoint, or contract with a qualified individual to administer the internal loan review and grading system. The Bank shall evaluate the following qualities of the proposed loan review officer: training in loan review/examination procedure, knowledge of loan documentation requirements, loan review/examination experience, ability to comply with the requirements of this ORDER and the Bank's written loan and loan review

policies, and knowledge of applicable laws and regulations and sound lending/banking procedures.

(c) Within 60 days from the effective date of this Order, the Board shall review the Bank's external loan review program to determine whether the program meets the needs of the Bank, based on the current complexity of the loan portfolio. The results of this assessment should be documented in the Board minutes.

### **CONCENTRATIONS OF CREDIT**

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop a written plan and policy for systematically reducing the Bank's portfolio of loans or other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers noted on pages 53 through 55 of the ROE. At a minimum, the plan shall include:

- (i) amounts and percent of capital to which the Bank shall reduce each concentration;
- (ii) timeframes for achieving the reduction in dollar levels identified in response to subparagraph (i);
- (iii) provisions for the submission of monthly, written progress reports to the Board for review and notation in the minutes of its meetings; and
- (iv) procedures for monitoring the Bank's compliance with the plan.

(b) Within 60 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the Concentrations of Credit listed on pages 53 through 55 of the ROE. Concentrations should be stratified as the Board deems appropriate, but shall include concentrations identified by industry, geographic distribution, underlying collateral, direct or indirect extensions of credit to or for the benefit of any borrowers dependent upon the

performance of a single developer or builder, and other asset groups that are considered economically related. The Board should refer to the *Joint Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*, for information regarding risk segmentation analysis.

(c) A copy of the plan and the analysis will be provided to the Supervisory Authorities for review and approval. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

#### **SPECIAL MENTION**

11. Within 60 days from the effective date of this ORDER, the Bank shall take all necessary steps to correct the cited deficiencies in the loans listed for "Special Mention" on pages 40 through 52 of the ROE. The Board should provide reports regarding steps taken to correct the cited deficiencies to the Supervisory Authorities at 90-day intervals concurrently with the other reporting requirements set forth in Paragraph 20 of this ORDER.

#### **ESTABLISH/MAINTAIN ALLOWANCE FOR LOAN/LEASE LOSSES**

12. Within 30 days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL and establish a comprehensive policy for determining the adequacy of the ALLL. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified "Loss". The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at least 10 days prior to the end of each quarter, in order that the findings of the Board with respect to the ALLL may be properly reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, loan and lease loss

experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition and Income, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the ALLL shall be in compliance with FDIC statements of policy, and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

#### **PLAN FOR EXPENSES/PROFITABILITY**

13. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and fully implement a written plan and a comprehensive budget for all categories of income and expense. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices and taking into account the Bank's other written policies, to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings of the Bank. The plan shall include a description of the operating assumptions that form the basis for and adequately support major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30 of each subsequent year.

(b) The plan and budget required by subparagraph 13(a) of this ORDER shall be acceptable to the Supervisory Authorities and submitted for their review and approval.

(c) Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan and budget required by subparagraph 13(a) of this

ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

#### **WRITTEN STRATEGIC/BUSINESS PLAN**

14. Within 60 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities a written, three-year business/strategic plan covering the overall operation of the Bank. The plan shall be in a form and manner acceptable to the Supervisory Authorities and submitted for their review and approval.

#### **ELIMINATE/CORRECT ALL VIOLATIONS OF LAW**

15. (a) Within 60 days from the effective date of this ORDER, the Bank shall take all necessary steps, subject to safe and sound banking practices, to eliminate and/or correct all violations of law, which are more fully set out on pages 17 through 21 of the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

(b) Within 60 days from the effective date of this ORDER, the Bank shall take all necessary steps to eliminate the contraventions of statements of policy, which are more fully set out on pages 22 through 23 of the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable policies.

#### **LIQUIDITY AND FUNDS MANAGEMENT**

16. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy. The policy should address the concerns detailed on pages 9, 10, and 14 of the ROE. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities and submitted for their review and approval.

(b) Within 60 days from the effective date of this ORDER, the Board shall implement an asset/liability management policy which establishes an acceptable range for the Bank's volatile liability dependency ratio, as computed by the FDIC in its Reports of Examination, and which ratio shall: by March 31, 2008, be reduced to not more than twenty (20) percent; and, by June 30, 2008, be reduced to not more than fifteen (15) percent. The requirements of this paragraph shall not be construed as standards for future operations, and the Bank's volatile liability dependency ratio shall be maintained at a level consistent with safe and sound banking practices.

(c) Upon the effective date of this ORDER, the Bank shall not increase the amount of brokered deposits above the amount outstanding on that date. Within 60 days of the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities a written plan for reducing its reliance on brokered deposits. The plan should contain details as to the current composition of brokered deposits by maturity and explain the means by which such deposits will be paid or rolled over. The Supervisory Authorities shall have the right to reject the Bank's plan. Monthly, the Bank shall provide a written progress report to the Supervisory Authorities detailing the level, source, and use of brokered deposits with specific reference to progress under the Bank's plan. For purposes of this ORDER, brokered deposits are defined as described in section 337.6(a)(1) of the FDIC Rules and Regulations to include any deposits funded by third party agents or nominees for depositors, including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance.

(d) Upon the effective date of this ORDER, the Bank shall not accept, renew, or rollover brokered deposits without obtaining a Brokered Deposit Waiver approved by the FDIC pursuant to section 29 of the Act, 12 U.S.C. §1831f.

#### **CASH DIVIDENDS**

17. The Bank shall not pay cash dividends without the prior written consent of the Supervisory Authorities.

#### **AUDIT PROGRAM**

18. Within 60 days from the effective date of this ORDER, the Bank shall establish an acceptable internal and external audit program. The program should appropriately identify risk exposure in the Bank's activities and provide for appropriate audit of these risk areas. The results of the review should be reported directly to the Board or Committee of the Board and documented in the Board or Audit Committee minutes.

#### **DISCLOSURE**

19. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Disclosure Section, 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429, and the Commissioner, Georgia Department of Banking and Finance, 2990 Brandywine Rd., Suite 200, Atlanta, Georgia 30341-5565, at least fifteen (15) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and

Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

**PROGRESS REPORTS**

20. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Reports of Condition and Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Supervisory Authorities have released the Bank in writing from making further reports.

This ORDER shall become effective 10 days from the date of its issuance. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and Commissioner. Pursuant to delegated authority.

Dated at Atlanta, Georgia, this 20<sup>th</sup> day of February, 2008.

By: \_\_\_\_\_  
Mark S. Schmidt  
Regional Director  
Atlanta Region  
Federal Deposit Insurance Corporation

The Georgia Department of Banking and Finance, having duly approved the foregoing ORDER, pursuant Ga. Code Ann. § 7-1-91, and the Bank, through its Board, agree that the issuance of the said ORDER by the Federal Deposit Insurance Corporation shall be binding as between the Bank and the Georgia Commissioner of Banking and Finance to the same degree and legal effect that such ORDER would be binding on the Bank if the Georgia Commissioner of Banking and Finance had issued a separate Order that included and incorporated all of the provisions of the foregoing ORDER.

Dated this 20<sup>th</sup> day of February, 2008.

By: \_\_\_\_\_  
Robert Braswell  
Commissioner of Banking and Finance  
State of Georgia