

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of )	
THE TATTNALL BANK )	ORDER TO
REIDSVILLE, GEORGIA )	CEASE AND DESIST
(Insured State Nonmember Bank) )	FDIC-08-349b
_____ )	

The Tattnall Bank, Reidsville, 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 having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST (“CONSENT AGREEMENT”) with a representative for the Legal Division of the Federal Deposit Insurance Corporation (“FDIC”), and the Commissioner (the “Commissioner”) for the State of Georgia, Department of Banking and Finance (the “DEPARTMENT”), dated December 19, 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/or regulations:

- (a) Operating with inadequate management, including inadequate board of directors (“Board”) supervision and direction;
- (b) Operating with inadequate equity capital and reserves in relation to the volume and quality of assets held by the Bank;
- (c) Operating with a large volume of poor quality loans;
- (d) Operating with an inadequate allowance for loan and lease losses (“ALLL”);
- (e) Operating with hazardous lending and lax collection practices;
- (f) Operating with inadequate liquidity and funds management practices;
- (g) Operating in violation of Section 215.4(e) of Regulation O of the Board of Governors of the Federal Reserve System, 12 U.S.C. § 215.4(e), as made applicable to state nonmember insured institutions by Section 18(j)(1) of the Act, 12 U.S.C. § 1828(j), as more fully described on page 11 of the Report of Examination dated August 11, 2008.

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

1. MANAGEMENT

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.  
Management shall include a President/Chief Executive Officer; a Chief Financial Officer; and a Chief Lending Officer; three separate positions. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.
- (b) The qualifications of management shall 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 the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, risk management, liquidity, and sensitivity to market risk.
- (c) During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and the Commissioner in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer. 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 a senior executive officer if the Regional Director issues a notice of disapproval pursuant to Section 32 of the Act, 12 U.S.C. § 1831i.
- (e) Within 60 days from the effective date of this ORDER, the Board shall develop 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 supervise properly 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) an evaluation of each Bank officer and staff member 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 maintenance of the Bank in a safe and sound condition; and
  - (iv) a plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience, and other qualifications, which the Board determines are necessary to fill Bank officer or staff member positions consistent with the Board's analysis, evaluation, and assessment as provided in paragraphs 1(e)(i) and 1(e)(iii) of this ORDER.
- (f) The written management plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. No more than 30 days from the receipt of any comment from the

Regional Director, and after consideration of such comment, the Board shall approve the written management plan and/or any subsequent modification thereto which approval shall be recorded in the minutes of the Board. Thereafter, the Bank and its institution-affiliated parties shall implement and follow the written management plan and/or any subsequent modification.

2. BOARD OF DIRECTORS

- (a) Within 60 days from 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. The Board shall prepare in advance and follow a detailed written agenda for each meeting, including consideration of the actions of any committees. Nothing in the foregoing sentences shall preclude the Board from considering matters other than those contained in the agenda. 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 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. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

- (c) Within 30 days from the effective date of this ORDER, the Bank shall designate a directors' 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.
- (d) At the next meeting of the shareholders of the Bank, and at each succeeding meeting of the shareholders at which Bank directors are to be elected, the members of the Board who are also shareholders shall nominate and support the election of candidates to the Board who are independent with respect to the Bank, in such number as are necessary to cause a majority of the Board directors to be and to remain independent with respect to the Bank.
- (e) For purposes of this ORDER, an individual who is "independent" with respect to the Bank shall be any individual who is not an officer of the Bank or officer or director of any of its affiliated organizations and who does not own or control

more than 5 percent of the outstanding shares of the Bank or any of its affiliated organizations.

3. CAPITAL

- (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 (8.00) percent of the Bank's total assets and total risk based capital in such an amount as to equal or exceed ten (10.00) percent of the Bank's total risk weighted assets. Thereafter, the Bank shall maintain Tier 1 capital and total risk based capital ratios equal to or exceeding eight (8.00) and ten (10.00) percent, respectively, during the life of this ORDER.
- (b) The level of Tier 1 capital and total risk based 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 Regional Director and Commissioner as determined at subsequent examinations and/or visitations.
- (c) Any increase in Tier 1 capital and total risk based 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, shareholders, and/or parent holding company; or

- (iv) any other means acceptable to the Regional Director and the Commissioner; or
- (v) any combination of the above means.

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

- (d) For the purposes of this ORDER, the terms "Tier 1 capital", "total risk based capital", "total assets", and "total risk weighted assets" shall have, the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

4. CHARGE-OFF

- (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 50 percent of all assets or portions of assets classified "Doubtful" in the Report of Examination of the Bank dated August 11, 2008 that have not been previously collected or charged-off. 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 FDIC or the DEPARTMENT, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any assets classified "Loss" and 50 percent of those classified "Doubtful" unless otherwise approved in writing by the Regional Director and the Commissioner. Elimination of these assets

through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

- (b) The Bank shall reduce the assets classified "Substandard" and those assets classified "Doubtful" in the Report of Examination of the Bank dated August 11, 2008 according to the following schedule:
  - (i) Within 90 days from the effective date of this ORDER, the Bank shall reduce these assets to not more than \$6,000,000.
  - (i) Within 180 days from the effective date of this ORDER, the Bank shall reduce these assets to not more than \$5,000,000.
  - (ii) Within 360 days from the effective date of this ORDER, the Bank shall reduce these assets to not more than \$3,500,000.
  - (iii) Within 540 days from the effective date of this ORDER, the Bank shall reduce these assets to not more than \$2,000,000.
- (c) The requirements of subparagraphs 4(b) of this ORDER are not to be construed as standards for future operations. 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 4(b), 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 the Commissioner.

5. NO ADDITIONAL CREDIT

- (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 remains 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) 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 in part, "Substandard" and remains uncollected.
- (c) Should the Bank determine that failure to extend further credit to a particular borrower under Paragraph 5(b) would be detrimental to the best interests of the Bank, the majority of the Board, or a designated committee thereof, shall approve the extension and 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; and
  - (iii) how the Bank's position would be improved.

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.

6. REDUCE CONCENTRATIONS OF CREDIT

Within 90 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 page 21 of the Report of Examination of the Bank dated August 11, 2008. Concentrations should be identified by product type, geographic distribution, underlying collateral or other asset groups which are considered economically related and in the aggregate represent a large portion of the Bank's capital account. A copy of this analysis will be provided to the Regional Director and the Commissioner. The Board agrees to develop a plan to reduce any segment of the portfolio that the Regional Director and Commissioner deem to be an undue concentration of credit in relation to the Bank's capital account. The plan and its implementation shall be in a form and manner acceptable to the Regional Director and Commissioner, as determined through separate correspondence or at subsequent examinations and/or visitations.

7. ESTABLISH/MAINTAIN ALLOWANCE FOR LOAN/LEASE LOSSES

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, 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 Bank's ALLL and its implementation shall be satisfactory to the Regional Director and the Commissioner.

8. ELIMINATE/CORRECT ALL VIOLATIONS OF LAW

Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law which are more fully set out on page 11 of the Report of Examination of the Bank dated August 11, 2008. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

9. LIQUIDITY AND FUNDS MANAGEMENT

Within 60 days from the effective date of this ORDER, the Board shall establish an acceptable range for the Bank's net non-core funding dependency ratio. Within 120 days from the effective date of this ORDER, the ratio shall be reduced to not more than twenty-five (25.0) percent.

Within 240 days from the effective date of this ORDER, the ratio shall be reduced to not more than fifteen (15.0) percent. Going forward, the Bank's net non-core funding dependency ratio shall be maintained at a level consistent with safe and sound banking practices.

10. CASH DIVIDENDS

The Bank shall not pay cash dividends without the prior written consent of the Regional Director and the Commissioner.

11. BROKERED DEPOSITS

Beginning with the effective date of this ORDER, and so long as this ORDER is in effect, 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. For purposes of this ORDER, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC's 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.

12. DISCLOSURE

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, 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, Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341, to review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the DEPARTMENT shall be made prior to dissemination of the description, communication, notice, or statement.

13. PROGRESS REPORTS

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 Regional Director and the Commissioner 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 Report of Condition and the Bank's Report of Income. Such reports

may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner 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. Pursuant to delegated authority.

Dated at Atlanta, Georgia, this 19<sup>th</sup> day of December, 2008.

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Mark S. Schmidt  
Regional Director  
Atlanta Region  
Federal Deposit Insurance Corporation

The Georgia Department of Banking and Finance, having duly approved the foregoing ORDER, and the Bank, through its Board, agree that the issuance of the said ORDER by the FDIC 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 Department had issued a separate ORDER that included and incorporated all of the provisions of the foregoing ORDER, pursuant to section 7-1-91 of the Official Code of Georgia Annotated, GA Code Ann. § 7-1-91.

Dated this 19<sup>th</sup> day of December, 2008.

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Robert M. Braswell  
Commissioner  
Department of Banking and Finance  
State of Georgia