

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
)	
HOMETOWN BANK OF VILLA RICA)	ORDER TO
VILLA RICA, GEORGIA)	CEASE AND DESIST
)	FDIC-07-210b
(Insured State Nonmember Bank))	
_____)	

HOMETOWN BANK OF VILLA RICA, VILLA RICA, 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 January 10, 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) following hazardous lending and lax collection practices;
- (g) operating with inadequate routine and controls policies;
- (h) operating in such a manner as to produce operating losses; and
- (i) violating laws, regulations and/or statements of policy as more fully described on pages 17-22 of the FDIC Report of Examination as of September 30, 2006 (“Report”).

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

BOARD OF DIRECTORS

Educational Program

1. Immediately upon 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.

(a) Within thirty (30) days from the effective date of this Order, the Board shall develop and adopt an educational program for the periodic training of 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 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.

(b) The Board shall document the training activities in the minutes of the Board meeting following the completion of the training. The Board's actions as required by this paragraph shall be satisfactory to the FDIC's Atlanta Regional Office ("Regional Director") and the Commissioner (collectively the "Supervisory Authorities") as determined at subsequent examinations and/or visitations.

Compliance Committee

2. Within thirty (30) days from the effective date of this Order, the Board shall establish a Board committee (“Compliance Committee”), consisting of at least three (3) members, responsible for ensuring compliance with the Order, overseeing corrective measures with respect to the Order, and reporting to the Board. More than fifty (50) percent of the members of the Compliance Committee shall be independent directors as defined herein. The Compliance Committee shall monitor compliance with this Order and, within sixty (60) days from the effective date of this Order, and every thirty (30) days thereafter, shall submit a written report (“Compliance Report”) detailing the Bank’s compliance with this Order to the Board for review and consideration during its regularly scheduled meeting. The Compliance Report and any discussion related to the report or Order shall be incorporated into the minutes of the meeting of the Board. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this Order. For the purposes of this Order, an "independent director" shall be an individual who:

(a) is not employed in any capacity by the Bank, or any of its subsidiaries or affiliated organizations, other than as a director;

(b) does not own or control more than ten (10) percent of the outstanding shares of the Bank or its parent company;

(c) is not related by blood or marriage to an officer or director of the Bank or its affiliates, or to any shareholder owning more than ten (10) percent of the outstanding shares of the Bank or its parent company, and who does not otherwise share a common financial interest with such officer, director or shareholder;

(d) is not indebted, directly or indirectly, to the Bank, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding fifteen (15) percent of the Bank's total Tier 1 capital and ALLL; and

(e) is a resident of, or engaged in business in, the Bank's trade area; or is otherwise deemed to be an independent director for purposes of this Order by the Supervisory Authorities.

Implementation of Loan Committee

3. (a) 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, 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 \$500,000;

(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

(vi) Maintain written minutes of the committee meetings, including a record of the review and status of the loans considered.

(b) All loan committee minutes shall be reviewed by the Board during the next scheduled meeting.

MANAGEMENT

4. (a) Within sixty (60) days from the effective date of this Order, the Bank shall have and retain qualified management. Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include a chief executive officer responsible for supervision of the lending function and with oversight responsibility for all other areas of bank operations. This individual must have the proven ability in managing a bank of comparable size and in effectively implementing lending, investment and operating policies in accordance with sound banking practices. Management shall also include a senior lending officer with significant appropriate

lending, collection, and loan supervision experience, and proven success in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the 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 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, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C. § 1831i, Subpart F of Part 303 of the FDIC Regulations, 12 C.F.R. §§ 303.100-303.104 and any State requirement for prior notification and approval. The notification shall include a description of the background of the individual or individuals to be added or employed and must be received at least 30 days before such addition or employment is intended to become effective.

(d) If the Regional Director issues a notice of disapproval pursuant to Section 32 of the Act, 12 U.S.C. § 1831i, with respect to any proposed individual, then such individual may not be added or employed by the Bank. Further, if the Commissioner issues a notice of disapproval with respect to any proposed individual, then such individual may not be added or employed by the Bank.

(e) To facilitate having and retaining qualified management, the Board shall, in no more than sixty (60) days from the effective date of this Order, 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) evaluation of each Bank officer to determine whether those individuals provided in Subparagraph 3(e)(i) of this Order 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.

(f) The management plan and any subsequent modification thereto shall be submitted to the Supervisory Authorities for review and comment. No more than forty-five (45) 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 and its institution-affiliated parties shall implement and follow the management plan and/or any subsequent modification.

(g) Within sixty (60) days from the effective date of this Order, the Bank shall develop and implement a Conflicts of Interest Policy and establish a method to report and

monitor current and former business relationships of directors, officers and employees to avoid potential conflicts of interest.

CAPITAL

5. (a) Within thirty (30) days from the effective date of this Order, the Bank shall have Tier 1 capital in such an amount as to equal or exceed 7.0 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 7.0 percent of the Bank's total assets.

(b) Within thirty (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 as described in the FDIC Statement of Policy on Risk-Based Capital contained in Appendix A to Part 325 of the FDIC Regulations, 12 C.F.R. Part 325, Appendix A. The Plan shall be in a form and manner acceptable to the Bank and the Supervisory Authorities as determined at subsequent examinations.

(c) The level of Tier 1 capital to be maintained during the life of this Order pursuant to Subparagraph 4(a) shall be in addition to a fully funded ALLL, the adequacy of which shall be satisfactory to the Bank and the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(d) Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 4 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;

- (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 5 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 this section 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, subject to their fiduciary duties, 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 fifteen (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 17th 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 by the Supervisory Authorities 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 this section, 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 ten (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 Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x).

CHARGE-OFF

6. (a) Within ten (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 Report that have not been previously collected or charged-off. (If an asset classified "Doubtful" is a loan, the Bank may, in the alternative, increase its ALLL by an amount equal to fifty (50) percent of the loan 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 thirty (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 Supervisory Authorities.

(c) Within six (6) months from the effective date of this Order, the Bank shall have reduced the assets classified "Substandard" and those assets classified "Doubtful" in the Report that have not previously been charged off to not more than \$30,000,000.

(d) Within twelve (12) months from the effective date of this Order, the Bank shall have reduced the assets classified "Substandard" and those assets classified "Doubtful" in the Report that have not previously been charged off to not more than \$20,000,000.

(e) Within eighteen (18) months from the effective date of this Order, the Bank shall have reduced the assets classified "Substandard" and those assets classified "Doubtful" in the Report that have not previously been charged off to not more than \$8,000,000.

(f) The requirements of Subparagraphs 6(b), 6(c), 6(d) and 6(e) 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 6(c), 6(d), and 6(e) 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 Supervisory Authorities.

NO ADDITIONAL CREDIT

7. (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. 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.

(c) Paragraph (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; 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.

PLANS FOR REDUCING/IMPROVING CLASSIFIED ASSETS

8. Within ninety (90) days of 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 by the Supervisory Authorities as of the date of the Report and which aggregate \$500,000 or more as of that date. Such plans shall thereafter be monitored and progress reports thereon resubmitted by the Bank at 90-day intervals concurrently with the other reporting requirements set forth in Paragraph 25 of this Order.

SPECIAL MENTION

9. Within sixty (60) days from the effective date of this Order, the Bank shall correct the cited deficiencies in the loans listed for "Special Mention" on pages 69 - 70 in the Report.

LENDING AND COLLECTION POLICIES

10. (a) Within sixty (60) days from the effective date of this Order, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function, which policies shall include specific guidelines for placing loans on a non-accrual basis as well as monitoring individual and industry loan concentrations. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policies and their implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) The initial revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall include the following:

(i) provisions, consistent with FDIC instructions for the preparation of Reports of Condition and Income, under which the accrual of interest income is discontinued and previously accrued interest is reversed on delinquent loans;

(ii) provisions which prohibit the capitalization of interest or loan related expenses unless the Board supports in writing and records in the minutes of the corresponding Board meeting why an exception thereto is in the best interests of the Bank;

(iii) provisions which prohibit the extension of a loan unless the Board supports in writing and records in the minutes of the corresponding Board meeting why an exception thereto is in the best interests of the Bank;

(iv) provisions which specify the circumstances under which interest reserves may be established for land, development, and construction loans, and including the maximum dollar amount of such reserves for individual loans and the maximum time period for which uncollected interest may be charged to an interest reserve;

(v) provisions which require complete loan documentation, realistic repayment terms and current credit information adequate to support the outstanding indebtedness of the borrower. Such documentation shall include current financial information, profit and loss statements or copies of tax returns and cash flow projections and documentation of the analysis of such information;

(vi) provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values.

- (vii) provisions which specify the circumstances and conditions under which real estate appraisals must be conducted by an independent third party;
- (viii) provisions which establish standards for unsecured credit;
- (ix) provisions which establish officer lending limits;
- (x) provisions that require extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such persons, to be approved in advance by a majority of the entire Board in accordance with section 215.4(b) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.4(b);
- (xi) provisions that require the Board to determine that the lending staff has the expertise necessary to properly supervise construction loans and that adequate procedures are in place to monitor any construction involved before funds are disbursed;
- (xii) provisions which prohibit concentrations of credit in excess of twenty-five (25) percent of the Bank's total equity capital and reserves to any borrower and that borrower's related interests;
- (xiii) provisions that industry concentrations of credit in excess of 100 percent of the Bank's Tier 1 capital are monitored on an at least quarterly basis;
- (xiv) provisions which require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of \$500,000 which are classified "Substandard" and "Doubtful" in the Report or by the FDIC or the Department in subsequent Reports of Examination and all other loans in excess of \$100,000 which warrant individual review and consideration by the Board as determined by the loan committee or active management. The loan "watch list" shall be presented to the Board for review at least monthly with such review noted in the minutes; and

(xv) the Board shall adopt procedures whereby officer compliance with the revised loan policy is monitored and responsibility for exceptions thereto assigned. The procedures adopted shall be reflected in minutes of a Board meeting at which all members are present and the vote of each is noted. Reports of officer compliance shall be presented to the Board on a monthly basis.

REDUCE CONCENTRATIONS OF CREDIT

11. (a) Within thirty (30) days from the effective date of this Order, the Bank shall adopt and produce to the Supervisory Authorities a plan to reduce, within one hundred eighty (180) days, each loan concentration as specified on Pages 75-76 of Report to an amount which shall be less than twenty-five (25) percent of the Bank's total equity capital and reserves for each individual concentration. In addition, the Bank shall not make new extensions of credit to any borrower or associated entities which will equal twenty-five (25) percent or more of the Bank's total equity capital and reserves.

(b) Within ninety (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 74 of the Report. Concentrations should be identified by product type, geographic distribution, underlying collateral, speculative construction, or other asset groups which are considered economically related and in the aggregate represent a large portion that, in the aggregate, equals or exceeds 100% of the Bank's Tier 1 capital. A copy of this analysis will be provided to the Supervisory Authorities and the Board shall develop a plan to reduce any segment of the portfolio which the Supervisory Authorities 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 Supervisory Authorities as determined at subsequent examinations and/or visitations.

DEVELOP AN EFFECTIVE LOAN REVIEW AND GRADING SYSTEM

12. Within sixty (60) days from the effective date of this Order, the Board shall develop an effective system of independent loan review to appropriately assess and grade the overall quality of the loan portfolio.

DEVELOP AN EFFECTIVE SYSTEM OF LOAN DOCUMENTATION

13. Within ninety (90) days from the effective date of this Order, the Board shall develop an effective system of loan documentation to address and eliminate the documentation deficiencies noted in the Report.

ESTABLISH/MAINTAIN ALLOWANCE FOR LOAN/LEASE LOSSES

14. Within thirty (30) days from the effective date of this Order, the Board shall review the appropriateness of the ALLL and establish a comprehensive policy for determining an appropriate level of the ALLL and for documenting its analysis according to the standards set forth in the July 25, 2001, Interagency Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Associations. For the purpose of this determination, an appropriate 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 ten (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 Supervisory Authorities as determined at subsequent examinations and/or visitations.

PLAN FOR EXPENSES/PROFITABILITY

15. (a) Within sixty (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 15(a) of this Order, shall be acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(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 15(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

16. Within ninety (90) days from the effective date of this Order, the Bank shall prepare and submit to the Supervisory Authorities a written business/strategic plan covering the overall operation of the Bank. The plan shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

ELIMINATE/CORRECT ALL VIOLATIONS OF LAW AND/OR REGULATION

17. (a) Within sixty (60) days from the effective date of this Order, the Bank shall eliminate and/or correct all violations of law and/or regulations which are more fully set out on pages 17 - 19 of the Report. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

(b) Within sixty (60) days from the effective date of this Order, the Bank shall eliminate and/or correct all contraventions of Statements of Policy which are more fully set out on pages 20 - 22 of the Report. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable policies.

POLICY FOR ROUTINE AND CONTROL

18. (a) Within sixty (60) days from the effective date of this Order, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routine and control policies consistent with safe and sound banking practices. Such policy shall, at a minimum, eliminate and/or correct all internal routine and control deficiencies as more fully set forth on pages 15 - 16 of the Report and shall guarantee that the Bank will take all necessary steps to ensure future compliance with all applicable laws and regulations. Such policy and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) Within ninety (90) days from the effective date of this Order, the Bank shall develop an internal audit program that establishes procedures to protect the integrity of the Bank's operational and accounting systems. The program shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(c) Within thirty (30) days from the effective date of this Order, the Bank shall form an Audit Committee, with a minimum of three (3) members, consisting solely of independent directors. The Audit Committee will meet on an at least quarterly basis to review audit findings (prepared by both internal and external auditors, and consultants) and to verify that identified deficiencies are corrected and recommendations are implemented.

CALL REPORTS

19. (a) Within thirty (30) days from the effective date of this Order, the Bank shall review all Consolidated Reports of Condition and Income filed with the FDIC on and after December 31, 2006, and shall amend and file with the FDIC amended Consolidated Reports of Condition and Income, in accordance with the Instructions for the Preparation of Consolidated Reports of Condition and Income, which accurately reflect the financial condition of the Bank as of the date of each such report. Amended Reports of Condition and Income are to be filed if previously submitted reports contain significant errors as dictated by the Instructions for Preparation of Consolidated Reports of Condition and Income.

(b) In addition and during the life of this Order, the Bank shall file with the FDIC Consolidated Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any

adjustment in the Bank's books made necessary or appropriate as a consequence of any Department or FDIC examination of the Bank during that reporting period, to include:

- (i) provision for loan losses and an ALLL which are adequate considering the condition of the Bank's loan portfolio;
- (ii) the elimination from the Bank's books of any asset required to be eliminated by Paragraph 6 of this Order; and
- (iii) other restatement as detailed in the Department or FDIC examination of the Bank, or as required under this Order.

BANK HOLDING COMPANY/OTHER AFFILIATES

20. Within thirty (30) days from the effective date of this Order, the Bank shall develop, adopt and implement a written policy satisfactory to the Supervisory Authorities, which policy shall govern the relationship between the Bank and its holding company, and shall limit the payment of any management, consulting, or other fees or funds of any nature, directly or indirectly, to or for the benefit of the Bank's holding company to only those fees or funds paid in connection with necessary services actually performed by the Bank's holding company on behalf of or for the benefit of the Bank.

CASH DIVIDENDS

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

REPURCHASE LOAN PARTICIPATIONS

22. Following the effective date of this Order, the Bank shall not repurchase any loan participations sold as of December 6, 2006, or any loan participations sold while this Order is in effect, unless legally obligated to do so, if the following conditions exist:

- (a) the loan has been adversely classified at an examination or visitation conducted by the FDIC or the Department and remains classified as of the date of repurchase; or
- (b) the loan exhibits any of the following characteristics:
 - (i) the loan is in non-accrual status or should be in non-accrual status as defined in the Instructions for Preparation of Consolidated Reports of Condition and Income;
 - (ii) principal or interest payments on the loan are more than 30 days past due; and
 - (iii) the terms of the loan have been renegotiated or compromised due to the deteriorating financial condition of the borrower.

BROKERED DEPOSITS

23. While this Order is in effect, the Bank shall give written notice to the Supervisory Authorities at such time as the Bank intends to make use of brokered deposits. The notification should indicate how the brokered deposits are to be utilized with specific reference to credit quality of investments/loans and the effect on the Bank's funds position and asset/liability matching. The Supervisory Authorities shall have the right to reject the Bank's plans for utilizing brokered deposits. For purposes of this Order, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC 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.

DISCLOSURE

24. 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 17th 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 shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

25. Within thirty (30) days of the end of the first quarter following the effective date of this Order, and within thirty (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 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 Supervisory Authorities have released the Bank in writing from making further reports.

This Order shall become effective ten (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 10th day of January, 2008.

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 (2007).

Dated this 28th day of November, 2007.

Robert Braswell
Commissioner
Department of Banking
and Finance
State of Georgia