

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____ )	
In the Matter of )	
FIRST COMMERCE COMMUNITY BANK )	ORDER TO
DOUGLASVILLE, GEORGIA )	CEASE AND DESIST
(INSURED STATE NONMEMBER BANK) )	
_____ )	FDIC- 08 -339b

First Commerce Community Bank, Douglasville, 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 Ga. Code Ann. § 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 a representative of the Legal Division of the Federal Deposit Insurance Corporation ("FDIC") and the Commissioner ("Commissioner") for the State of Georgia, Department of Banking and Finance ("DEPARTMENT"), dated December 17, 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 DEPARTMENT.

The FDIC and the DEPARTMENT considered the matter and determined that it 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 DEPARTMENT, therefore, accepted the CONSENT AGREEMENT and issued the following:

**ORDER TO CEASE AND DESIST**

IT IS HEREBY ORDERED, that the Bank, its Bank-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 regulation:

- (a) Operating with inadequate management and Board of Directors (“Board”) oversight, whose policies and procedures are damaging to the Bank, contain inadequate provisions regarding conflicts of interest, and jeopardize the safety and soundness of the Bank;
- (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 lax underwriting and weak loan administration practices;
- (f) Operating with inadequate provisions for liquidity and funds management;

- (g) Operating in apparent violation of laws, regulations, and/or Statements of Policy as more fully discussed in the FDIC Report of Examination dated July 7, 2008 (“ROE”); and
- (h) Operating in such a manner as to produce operating losses.

IT IS FURTHER ORDERED, that the Bank, its Bank-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 the chief executive officer, senior lending officer, and chief financial officer. All management officials shall have an appropriate level of experience and expertise that is needed to perform his or her duties. Each member of management shall be provided appropriate written authority from the Bank’s Board to implement the provisions of this ORDER.
- (b) The qualification of management shall be assessed on their 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 but not limited to asset quality, capital adequacy,

earnings, management effectiveness, risk management, sensitivity to market risk, and liquidity.

(c) No more than 90 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. This identification should take into consideration the Bank's current financial condition and problem assets.
- (ii) Identification and establishment of such Bank committees that are needed to provide guidance and oversight to active management;
- (iii) Evaluation of each Bank officer and Bank employee 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's 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 employee positions consistent with the Board

analysis, evaluation, and assessment as provided in paragraphs 1(c)(i) and 1(c)(iii) of this ORDER.

- (d) The written management plan and any subsequent modification thereto shall be submitted to the FDIC and the DEPARTMENT (collectively, “Supervisory Authorities”) for review and comment. No more than 30 days from the receipt of any comment from the Supervisory Authorities, after consideration of such comments, the Board shall approve the written management plan and any subsequent modification of such plan. The approval shall be recorded in the minutes of the Board.
- (e) 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.
- (f) The Bank and the Board shall continue to act in accordance with its Ethics Policy.

## **2. BOARD OF DIRECTORS**

- (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; capitalized interest on loans; loans with interest reserves; investment activity; operating policies; and individual committee actions. Board minutes shall fully 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, responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Board. Three of the members of the Directors’ Committee shall not be Bank officers. Bank management shall provide the Directors’ Committee with 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 and any discussion related to the report or the ORDER shall be recorded in the appropriate minutes of the meeting of the Board and shall be retained in the Bank’s records. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

- (c) Within 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 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; and
  - (iv) 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.

### **3. CAPITAL**

- (a) Beginning with the effective date of this ORDER, the Bank shall maintain a Leverage Capital ratio (as defined in Part 325 of the FDIC's Rules and Regulations) of not less than eight percent.
- (b) Beginning with the effective date of this ORDER, the Bank shall maintain a Total Risk-based capital ratio of at least ten percent (as defined in Part 325 of the FDIC's Rules and Regulations).
- (c) The level of the capital ratios outlined in 4(a) and 4(b) that is required to be maintained during the life of this ORDER shall be in addition to a fully funded ALLL, the adequacy of which shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

### **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" in the ROE that have not been previously collected or charged-off.
- (b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days of the receipt of any future report of examination or visitation of the Bank from the Supervisory Authorities, 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.

## **5. REDUCTION OF CLASSIFIED ITEMS**

- (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset in excess of \$400,000 classified "Substandard" in the ROE. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan, 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.
- (b) In addition, the written plan mandated by this provision shall also include, but not be limited to, the following:
  - (i) A schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);
  - (ii) Specific action plans intended to reduce the Bank's risk exposure in each classified asset;

- (iii) A schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the ALLL;
  - (iv) A provision for the Bank's submission of monthly written progress reports to its Board; and
  - (v) A provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.
- (c) The written plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" in the ROE in accordance with the following schedule. For purposes of this paragraph, "number of days" means number of days from the effective date of this ORDER.
  - (i) Within 180 days, to not more than \$55,000,000;
  - (ii) Within 360 days, to not more than \$45,000,000; and
  - (iii) Within 540 days, to not more than \$25,000,000.
- (d) The requirements of this paragraph are not to be construed as standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets.
- (e) The Bank shall immediately submit the written reduction plan to the Supervisory Authorities for review and comment. Within 30 days from

receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the plan. Such plans shall be monitored and progress reports thereon shall be submitted to the Supervisory Authorities at 90-day intervals concurrently with the other reporting requirements set forth in this ORDER.

#### **6. 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 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) While this ORDER is in effect, the Bank shall not make any further extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified "Substandard" by the FDIC and the DEPARTMENT. Paragraph 6 (b) of this ORDER 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 extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional

credit shall be approved by the Bank's Board, or a designated committee thereof, who shall certify, in writing:

- (i) Why failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;
- (ii) That the extension of such credit would improve the Bank's position, including an explanatory statement of how the Bank's position would improve;
- (ii) 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 meeting, or designated committee, with a copy retained in the borrower's credit file.

## **7. LENDING POLICY**

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 and control over the Bank's lending function, which policy shall include, at a minimum, revisions to address all items of criticism enumerated in the ROE. The written lending and collection policy must contain specific guidelines for placing loans on a nonaccrual basis, policies and procedures regarding capitalized interest and interest reserve procedures, require a determination that loan officers have the necessary expertise to make, monitor, and service the types and kinds of loans that will be assigned to them, require prior written

approval by the Bank's Board for any extension of credit, renewal, or disbursement to insiders of the Bank, and guidelines for the issuance of interest-only loans. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

### **8. LOAN INTEREST RESERVES**

Within 60 days from the effective date of this ORDER, the Board shall adopt and implement a policy limiting the use of loan interest reserves. Such policy shall confine the use of interest reserves to properly underwritten construction or development loans where development or building plans have specific timetables that commence within a reasonable time of the loan's approval and that include realistic completion dates.

Interest reserves shall be used only for payment of interest on development or construction loans for projects that are progressing according to their timetables. Interest reserves may be supplemented only with the prior written approval of the Board or a committee thereof, so long as the approval documents a prudent reason for the supplement.

### **9. LOAN REVIEW**

- (a) Within 120 days of the effective date of this ORDER, the Board shall develop a program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the system shall provide for:

- (i) Prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;
- (ii) Action plans to reduce the Bank's risk exposure from each identified relationship;
- (iii) Prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;
- (iv) Identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank's risk exposure;
- (v) Assessment of the overall quality of the loan portfolio;
- (vi) Identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;
- (vii) Identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

- (viii) Identification of loans that are not in conformance with the Bank's lending policy and an action plan to address the identified deficiencies;
  - (ix) Identification of loans to directors, officers, principal shareholders, and their related interests;
  - (x) An assessment of the ability of individual members of the lending staff to operate within the framework of the Bank's loan policy and applicable laws, rules, and regulations; and an action plan to address the identified deficiencies; and
  - (xi) A mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (viii) above to the Board. The report should also describe the action(s) taken by management with respect to problem credits.
- (b) The Bank shall submit the program to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the program.
- (c) Upon implementation, a copy of each report shall be submitted to the Board, as well as documentation of the actions taken by the Bank or recommendations to the Board that address identified deficiencies in specific loan relationships or the Bank's policies, procedures, strategies, or

other elements of the Bank's lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the Board.

#### **10. 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 the Concentrations pages of the ROE and any other concentration deemed important by the Bank. 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 Supervisory Authorities and the Board agrees to 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.

#### **11. ALLOWANCE FOR LOAN AND LEASE LOSSES**

Within 60 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. The comprehensive policy for determining the adequacy of the ALLL will be in full compliance with outstanding regulatory and accounting guidance. 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 ten 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 Bank's ALLL and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

## **12. EARNINGS**

- (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and fully implement a written plan to improve earnings at the Bank. The plan shall be forwarded to the Supervisory Authorities for review and comment and shall address (at a minimum):
  - (i) goals and strategies for improving the earnings of the Bank;
  - (ii) an identification of the major areas that the Board will seek to improve the Bank's operating performance;
  - (iii) realistic and comprehensive budgets; and
  - (iv) a description of the operating assumptions that form the basis for, and adequately support major projected income and expense items.

- (b) Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan required by subparagraph 12(a) of this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, at which such evaluation is undertaken.

### **13. VIOLATIONS OF LAW AND REGULATION**

Within 90 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, regulation, and contraventions of Statements of Policy that are contained in the ROE.

### **14. POLICY FOR LIQUIDITY AND FUNDS MANAGEMENT**

Beginning with the effective date of this ORDER, the Bank's management shall review its liquidity position weekly to ensure that the Bank has sufficient liquid assets or sources of liquidity to meet current and anticipated liquidity needs. This review shall include an analysis of the Bank's sources and uses of funds (cash flow analysis). The results of this review shall be presented to the Board for review each month, with the review noted in the Board minutes.

### **15. SPECIAL MENTION**

Within 60 days from the effective date of this ORDER, the Bank shall correct the cited deficiencies in the loans listed for "Special Mention" contained on the Items Listed for Special Mention pages of the ROE.

### **16. CASH DIVIDENDS**

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

### **17. BROKERED DEPOSITS**

Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a plan to reduce its cost of funds and minimize reliance on brokered deposits. The plan shall be submitted to the Supervisory Authorities for review and comment and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations. For purposes of this ORDER, brokered deposits are defined as described in section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6.

### **18. ASSET GROWTH LIMITATIONS**

During the life of this ORDER, the Bank shall limit asset growth to 10 percent per annum and in no event shall asset growth result in noncompliance with the capital maintenance provisions of this ORDER without receiving prior written approval of the Supervisory Authorities.

### **19. PROGRESS REPORTS**

Within 30 days of the end of the first quarter of 2009, 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.

## **20. DISCLOSURE TO SHAREHOLDERS**

Following the issuance of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication or (ii) 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 twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and the DEPARTMENT shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER shall become immediately on 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 the DEPARTMENT.

Pursuant to delegated authority.

Dated at Atlanta, Georgia, this 6<sup>th</sup> day of January, 2009.

---

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 to 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 Commissioner had issued a separate Order that included and incorporated all of the provisions of the foregoing ORDER.

Dated this 18<sup>th</sup> day of December, 2008.

By: \_\_\_\_\_

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