

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION  
TALLAHASSEE, FLORIDA

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In the Matter of: )  
)  
FIRST BANK OF JACKSONVILLE )  
JACKSONVILLE, FLORIDA ) CONSENT ORDER  
)  
) FDIC-09-355b  
) OFR-0670-FI-08/09  
)  
(Insured State Nonmember Bank) )

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for FIRST BANK OF JACKSONVILLE, JACKSONVILLE, FLORIDA (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation to the Issuance of a Consent Order” (“Stipulation”), dated October 26, 2009, that is accepted by the FDIC and the Florida Office of Financial Regulation (“OFR”). With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in the Bank’s capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk, to the issuance of this Consent Order (“Order”) by the FDIC and the OFR.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and under Chapter 120 and Section 655.033, Florida Statutes, have been satisfied, the FDIC and the OFR hereby ORDER that:

**BOARD OF DIRECTORS**

1. (a) Immediately upon the effective date of this ORDER, the Board shall reaffirm 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 continue to prepare in advance and follow a detailed written agenda for each meeting, including consideration of the actions of any committee. Nothing in this paragraph shall preclude the Board from considering matters other than those contained in the agenda. Board meetings will continue to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: capital adequacy; liquidity; classified and criticized assets; concentrations of credit; new, overdue, renewal, insider, charged-off, and recovered loans; reports of income and expenses; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) During the life of this ORDER, the Compliance Committee established to oversee compliance with the previously adopted Board Resolution shall oversee the Bank's compliance with the ORDER. The Compliance Committee shall present a report regarding the Bank's adherence to the ORDER to the Board at each regularly scheduled Board meeting. Such report shall be recorded in appropriate minutes of the Board's meeting and shall be retained in the Bank's records.

### **MANAGEMENT**

2. During the life of this Order, the Bank shall retain qualified management.

(a) Each member of management shall have the qualifications and experience commensurate with assigned duties and responsibilities at the Bank. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER. Management shall include the chief executive officer, senior

lending officer, and chief financial officer. All management officials shall have the appropriate level of experience and expertise that is needed to perform his or her duties.

- (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, but not limited to, 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 (“Regional Director”) of the FDIC’s Atlanta Regional Office and the OFR (collectively, the Supervisory Authorities”) in writing within 15 days of the resignation or termination of any of the 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 FDI Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104 and Section 655.0385, Florida Statutes and Rule 69U-100.03852, Florida Administrative Code.

- (d) Within 60 days from the effective date of this ORDER, the Board shall develop a written analysis and assessment of the Bank's lending staff which shall include, at a minimum:
  - (i) identification of both the type and number of positions needed to manage and supervise properly the lending function of the Bank considering the level and complexity of the Bank’s problem loans;
  - (ii) evaluations of each loan officer and manager 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 restoration and maintenance of the Bank's safe and sound condition;

- (iii) 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 those officer or staff positions;
- (iv) an organizational chart which specifies lines of authority and responsibility; and
- (v) designation of one or more employees dedicated to the oversight, monitoring, and workout of problem assets.

(e) The written assessment of the lending staff shall be submitted to the Supervisory Authorities for review and comment.

### **CAPITAL**

3. (a) Within 120 days from the effective date of this ORDER, the Bank shall increase Tier 1 capital in such an amount to equal or exceed 8 percent (8%) of total assets and total risk-based capital to equal or exceed 12 percent (12%) of risk-weighted assets.

(b) Thereafter, during the life of this ORDER, the Bank shall maintain Tier 1 capital at no less than 8 percent (8%) of total assets and total risk-based capital at no less than 12 percent (12%) of total risk-weighted assets.

(c) The Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(d) During the life of this Order, in the event either ratio falls below the required minimum, the Bank shall notify the Supervisory Authorities within 10 days and shall increase

capital in an amount sufficient to comply with paragraph 3 within 90 days after any ratio falls below the required minimums.

(e) The level of Tier 1 capital and total risk-based capital to be maintained during the life of this Order pursuant to paragraph 3(b) shall be in addition to a fully funded allowance for loan and lease losses (“ALLL”), the adequacy of which shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(f) An increase in capital necessary to meet the requirements of this paragraph may be accomplished by the following:

- (i) the sale of common stock;
- (ii) the direct contribution of cash by the Board and/or the shareholders; or
- (iii) any other means acceptable to the Supervisory Authorities.

(g) If all or part of any necessary increase in Tier 1 capital required by this paragraph is accomplished by the sale of new securities, the Board shall forthwith take all necessary steps to adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with any applicable securities laws. Prior to the implementation of the plan and, in any event, not less than 15 days prior to the dissemination of such materials, the plan and any materials to be 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-6043, Washington, D.C. 20429,

and the OFR, Division of Financial Institutions, 200 East Gaines Street, Tallahassee, Florida, 32399-0371, for review. Any changes requested to be made in the plan or materials shall be made prior to their dissemination.

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

#### **CHARGE-OFF**

4. (a) Within 30 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 Report that have not been previously collected or charged-off.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days from the receipt of any official Report of Examination of the Bank from Supervisory Authorities, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any asset classified "Loss" and 50 percent of those classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities. Elimination or reduction of assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

### ADVERSELY CLASSIFIED ASSETS

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate a written plan (“Plan”) to reduce the Bank’s risk exposure in each asset, or relationship in excess of \$250,000 classified ”Substandard” in the Report. For purposes of this paragraph, “reduce” means to collect, charge off, or improve the quality of an asset to warrant its removal from adverse classification by the Supervisory Authorities. In developing the Plan mandated by this provision, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank’s collateral position.

(b) In addition, the Plan mandated by this provision shall also include, but not be limited to, the following:

- (i) a quarterly schedule for reducing the outstanding dollar amount of adversely classified assets;
- (ii) 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;
- (iii) a provision for the Bank’s submission of monthly written progress reports to its Board; and
- (iv) 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 Plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified “Substandard” in the Report in accordance with the following schedule.

- (i) Within 90 days of the effective date of this ORDER, to not more than 190 percent of Tier 1 capital plus the ALLL as determined at the end of the 90-day period.
- (ii) Within 180 days of the effective date of this ORDER, to not more than 160 percent of Tier 1 capital plus the ALLL as determined at the end of the 180-day period.
- (iii) Within 360 days of the effective date of this ORDER, to not more than 100 percent of Tier 1 capital plus the ALLL as determined at the end of the 360-day period.
- (iv) Within 540 days of the effective date of this ORDER, to not more than 50 percent of Tier 1 capital plus the ALLL as determined at the end of the 540-day period.

(d) The requirements of this provision do not represent 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. The Plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

(e) Within 60 days of the effective date of this ORDER, the Bank shall submit the Plan to the Supervisory Authorities for review and comment. Within 30 days of 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 Board meeting. Thereafter, the Bank shall implement and fully comply with the Plan.



## **RESTRICTIONS ON ADVANCES TO ADVERSELY CLASSIFIED BORROWERS**

6. (a) 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 charged off or classified, in whole or in part, “Loss” and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing, after collection in cash of interest and fees due from the borrower, any credit already extended to the 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” or “Special Mention” by the Supervisory Authorities and is uncollected.

(c) Paragraph 6(b) shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to the extending of any additional credit pursuant to this paragraph, either in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by a majority of the Board, or a designated committee thereof, who shall certify, in writing:

- (i) why the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;
- (ii) that the Bank's position would be improved thereby, including an explanatory statement of how the Bank's position would be improved;
- (iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and

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

### **CONCENTRATIONS OF CREDIT**

7. (a) Within 60 days from the effective date of this ORDER, the Bank shall enhance the written plan developed to manage the bank's concentrations of credit taking into consideration the recommendations detailed on page 13 of the Report. The written plan shall also provide for a reduction in the Bank's level of concentration risk.

(b) At a minimum, the written plan shall include:

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

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

8. (a) 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 shall be completed 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 shall, at a minimum, include the following:

- (i) 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, present and prospective economic conditions, and trends in the severity of weaknesses in extensions of credit identified as "Special Mention" or adversely classified in the latest Report of Examination by the Supervisory Authorities; and
- (ii) compliance with the Federal Financial Institutions Examination Council's instructions for the Reports of Condition and Income, the Interagency Statement of Policy on the ALLL, and other applicable regulatory guidance that addresses the adequacy of the Bank's ALLL.

(b) A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Reports of Condition and Income, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the ALLL and its implementation shall be satisfactory to the Supervisory Authorities at subsequent examinations and/or visitations.

### **LOAN POLICY**

9. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the Board shall review the Bank's loan policies and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policies and procedures necessary to

enhance the Bank's lending functions and ensure their implementation. As required by this provision, the Bank's loan policy and/or practices shall be revised, at a minimum, to:

- (i) address and fully correct those criticisms found on pages 13 through 15 of the Report; and
- (ii) review, enhance, and maintain a loan grading system and internal watch list that is consistent with the risks associated with the Bank's loan portfolio.

(b) Such policies and their implementation shall be in a form and manner acceptable to the Supervisory Authorities at subsequent examinations and/or visitations.

### **EARNINGS**

10. (a) Within 90 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 for the calendar year 2010. The plan and budget required by this provision 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. The plan and budget required by this paragraph of the ORDER shall be submitted to Supervisory Authorities for review and comment. Thereafter, the Bank shall prepare a budget by November 30 of each subsequent year and submit the plan modifications and budget to the Supervisory Authorities for review and comment by December 15 of each subsequent year.

(b) 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 paragraph 10(a) 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 and provide a comparison of the actual performance to budget projections quarterly to the Supervisory Authorities with the Progress Reports required by paragraph 16.

### **LIQUIDITY AND FUNDS MANAGEMENT**

11. (a) Within 60 days from the effective date of this ORDER, the Bank shall review, revise, adopt and implement a written plan addressing liquidity, contingency funding, and asset/liability management. The written plan shall address the weaknesses cited on pages 15 and 16 of the Report. A copy of the written plan shall be submitted to the Supervisory Authorities upon its completion for their review and comment. Within 30 days from the receipt of any comments from the Supervisory Authorities, the Bank shall incorporate those recommended changes. Thereafter, the Bank shall implement and follow the written plan. Annually during the life of this ORDER, the Bank shall review this written plan for adequacy and, based upon such review, shall make appropriate revisions to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs.

### **VIOLATIONS OF LAWS AND REGULATIONS**

12. Within 90 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of laws, regulations, and/or statements of policy as identified on pages 19-21 in the Report. In addition, the Bank shall adopt and implement appropriate procedures to ensure future compliance with all such applicable laws and regulations and/or statements of policy.

### **BROKERED DEPOSITS**

13. 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 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, 12 C.F.R. § 337.6(a)(2) 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 a right to federal deposit insurance. The Bank shall comply with the restrictions on the effective yields on deposits prescribed in 12 C.F.R. § 337.6.

#### **CASH DIVIDENDS**

14. While this Order is in effect, the Bank shall not pay cash dividends without the prior written consent of the Supervisory Authorities.

#### **STRATEGIC PLAN**

15. Within 90 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities its written strategic plan consisting of long-term goals designed to improve the condition of the Bank and its viability and strategies for achieving those goals. The plan shall be in a form and manner acceptable to the Supervisory Authorities, but at a minimum shall cover three years and provide specific objectives for asset growth, market focus, earnings projections, capital needs, and maintenance of adequate liquidity.

#### **PROGRESS REPORTS**

16. (a) Within 45 days of the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER.

(b) Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

- (i) description of the identified weaknesses and deficiencies;
- (ii) provision(s) of the ORDER pertaining to each weakness or deficiency;
- (iii) actions taken or in-process for addressing each deficiency; and
- (iv) results of the corrective actions taken.

The progress report requirements shall continue for the life of this ORDER unless modified or terminated in writing by the Supervisory Authorities. All progress reports and other written responses to this ORDER shall be reviewed by the Board and be made a part of the minutes of the appropriate Board meeting.

### **DISCLOSURE**

Following the effective date of this ORDER, the Bank shall send or otherwise furnish a description of this ORDER to its shareholders 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 Registration Disclosure Section, 550 17<sup>th</sup> Street, N.W., Room F-6066, Washington, D.C. 20429, and to the Office of Financial Regulation, Division of Financial Institutions, 200 East Gaines Street, Tallahassee, Florida 32399, to review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the Supervisory Authorities shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC, the OFR or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties as such term is defined in 12 U.S.C. §1813(u) and Section 655.005(1)(i), Florida Statutes.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the Supervisory Authorities.

Issued Pursuant to Delegated Authority

Dated this 10th day of November, 2009.

/s/

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Doreen R. Eberley  
Acting Regional Director  
Division of Supervision and Consumer Protection  
Atlanta Region  
Federal Deposit Insurance Corporation



The Commissioner of the Florida Office of Financial Regulation having duly approved the foregoing ORDER, and First Bank of Jacksonville, Jacksonville, Florida, through its Board, having agreed that the issuance of said ORDER by the Supervisory Authorities shall be binding as between the Bank and the OFR to the same degree and legal effect that such ORDER would be binding upon the Bank if the OFR had issued a separate order that included and incorporated all of the provisions of the foregoing ORDER pursuant to Chapters 120, 655 and 658, Florida Statutes, including specifically, Sections 655.033 and 655.041, Florida Statutes.

Dated this 10th day of November, 2009.

/s/

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Linda B. Charity  
Director  
Division of Financial Institutions  
Office of Financial Regulation  
By Delegated Authority for the  
Commissioner, Office of Financial Regulation