

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

|                                |   |               |
|--------------------------------|---|---------------|
| _____                          | ) |               |
| In the Matter of               | ) |               |
|                                | ) |               |
| Piedmont Community Bank        | ) | CONSENT ORDER |
| Gray, Georgia                  | ) |               |
|                                | ) | FDIC-08-348b  |
| (INSURED STATE NONMEMBER BANK) | ) |               |
| _____                          | ) |               |

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Piedmont Community Bank, Gray, Georgia ("Bank"), under 12 U.S.C. § 1813(q).

On May 19, 2009, the FDIC issued a NOTICE OF CHARGES AND OF HEARING pursuant to section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1) to the Bank. 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 November 20, 2009, that is accepted by the FDIC and the Georgia Department of Banking and Finance ("Department"). With the Stipulation, the Bank has consented, without admitting or denying any of the charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk, to the issuance of this Consent Order ("ORDER") by the FDIC and the Department.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and under Official Code of Georgia Annotated § 7-1-91(1985) have been satisfied, the FDIC hereby orders that:

**MANAGEMENT**

1. 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 asset quality, capital adequacy, earnings, management effectiveness, sensitivity to market risk, and liquidity.

(c) No more than 60 days from the effective date of this ORDER, the Board shall develop a written analysis and assessment of the Bank's management and staffing needs ("management plan"), which shall include, at a minimum:

- (i) identification of both the type and number of officers 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 senior executive officer (defined as vice presidents and above) 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, if the Board determines such additional or replacement personnel are necessary to fill senior executive 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 Commissioner of 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 Supervisory Authorities 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.

### **BOARD OF DIRECTORS**

2. (a) Beginning with the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank. The Board shall establish specific procedures designed to fully inform the Bank's Board regarding the management, operation, and financial condition of the Bank at regular intervals and in a consistent format. This participation shall include meetings to be held no less frequently than monthly. The Board shall prepare in advance and shall follow a detailed written agenda during each meeting, during which, at a minimum, the following matters shall be reviewed and approved: reports of income and expenses; loan reports, including new, overdue, renewed, extended, restructured, insider, non-accrual, charged-off, and recovered loans; investment activity; asset/liability and funds management reports; operating policies; personnel actions; audit and supervisory reports; and the minutes summarizing individual committee meetings and actions. Participation shall also require the assumption of full responsibility for the approval of sound policies, strategic plans, and budgets for all of the Bank's activities. Board minutes shall be detailed, maintained and recorded on a timely

basis and shall document reviews and any related actions, including the names of any dissenting directors. Nothing in this paragraph shall preclude the Board from considering matters other than those contained in the agenda.

(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 officers of the Bank. 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 operate with a Loan Committee, whose purpose is to review and approve loans, with such Loan Committee being structured so that a majority of members are directors who are not actively involved in the Bank’s lending activities. The Loan Committee shall, at a minimum, perform the following functions:

- (i) evaluate and act upon requests for loans or other extensions of credit and assess the administration of outstanding loans or other

extensions of credit, in accordance with the Bank's loan policy, as amended to comply with this ORDER;

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

- a. address how such exceptions are in the Bank's best interest;
- b. be included in the minutes of the corresponding committee meeting; and
- c. be maintained in the borrower's credit file.

(iii) review and monitor the status of repayment and collection of overdue and maturing loans, all loans classified "Substandard" or "Doubtful" in the most recent regulatory Report of Examination, and all loans included on the Bank's internal watch list;

(iv) review 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 and ethics policies, as well as all applicable laws and regulations, and refer each application and written opinion to the Bank's Board;

(v) 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.

### **CAPITAL**

3. (a) Beginning with the effective date of this ORDER, the Bank shall maintain a Leverage Capital ratio (as defined in 12 C.F.R. Part 325 of the FDIC's Rules and Regulations) of not less than eight percent (8.00%).

(b) Beginning with the effective date of this ORDER, the Bank shall maintain a Total Risk-Based Capital ratio (as defined in 12 C.R.R. Part 325 of the FDIC's Rules and Regulations) of at least ten percent (10.00%).

(c) The level of the capital ratios outlined in paragraphs 3(a) and 3(b) that is required to be maintained during the life of this ORDER, 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.

### **CHARGE-OFF**

4. 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 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.

### **REDUCTION OF CLASSIFIED ITEMS**

5. (a) Within 60 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 \$500,000 classified "Substandard" in the FDIC Report of Examination dated August 25, 2008 ("REPORT"). 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 FDIC or the Department. 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 (as defined in 12 C.F.R. Part 325) 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 REPORT 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, a reduction of 20 percent in the balance of assets classified “Substandard.”

(ii) within 360 days, a reduction of 45 percent in the balance of assets classified “Substandard.”

(iii) within 540 days, a reduction of 60 percent in the balance of assets classified “Substandard.”

(iv) within 720 days, a reduction of 75 percent in the balance of assets classified “Substandard.”

(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 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 paragraph 20 of this ORDER.

**ADDITIONAL CREDIT**

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

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

(c) Paragraph 6(b) shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending 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 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 part of the minutes of the Board and a copy of the signed certification shall be retained in the borrower's credit file.

#### **SPECIAL MENTION**

7. Within 30 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 on pages 30 and 31 of the REPORT.

#### **ASSET GROWTH LIMITATIONS**

8. 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.

#### **REDUCE CONCENTRATIONS OF CREDIT**

9. 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 page of the REPORT 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.

### **LOAN PARTICIPATIONS**

10. Following the effective date of this ORDER, the Bank shall not purchase any loan participations without the prior approval of the full Board.

### **INTERNAL LOAN REVIEW**

11. Within 90 days from the effective date of this Order, the Bank shall adopt an effective internal loan review grading system to provide for periodic review of the Bank's loan portfolio in order to identify and categorize the Bank's loans, and other extensions of credit which are carried on the Bank's books as loans, on the basis of credit quality. Such system and its implementation shall be satisfactory to the Supervisory Authorities as determined at their initial review and subsequent examinations and/or visitations.

### **LENDING AND COLLECTION POLICIES**

12. Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement a written lending and collection 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 REPORT. The written lending and collection policy must contain specific guidelines for placing loans on a nonaccrual basis and policies and procedures regarding capitalized interest. 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.

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

13. Within 30 days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL and establish a comprehensive policy for determining the adequacy of the ALLL. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at least ten (10) days prior to the deadline for the Bank to file its quarterly Report of Condition and Income ("Call Report") in order that the findings of the Board with respect to the ALLL may be properly reported in the quarterly Call Report. 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 Call Report, 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.

### **LIQUIDITY AND FUNDS MANAGEMENT**

14. (a) Beginning with the effective date of this ORDER, Bank 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.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity contingency plan. The written liquidity contingency plan shall incorporate the applicable guidance contained in Financial Institution Letter ("FIL") 84-2008 dated August 26, 2008, entitled Liquidity Risk Management. The liquidity contingency plan shall provide restrictions on the use of Brokered and Internet deposits consistent with safe and sound banking practices. Such plan shall be submitted to the Supervisory Authorities for review and approval, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities, as determined at subsequent examinations and/or visitations.

#### **BROKERED DEPOSITS**

15. Throughout the effective life of this ORDER, the Bank shall not accept, renew, rollover any brokered deposit, as defined by 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b), governing solicitation and acceptance of brokered deposits by insured depository institutions. The Bank shall comply with the restrictions on the effective yields on deposits as described in 12 C.F.R. § 337.6.

#### **CONTRAVENTIONS**

16. Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and contraventions of Statements of Policy that are contained in the REPORT. Full compliance with FIL 104-2006, entitled Commercial Real Estate Lending Joint Guidance dated December 12, 2006 shall be achieved. In

addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations and policy statements.

### **CASH DIVIDENDS**

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

### **INFORMATION TECHNOLOGY DEPARTMENT**

18. Within 60 days from the effective date of this ORDER, the Bank shall correct all information technology weaknesses identified on the Examination Conclusions and Comments pages of the REPORT.

### **DISCLOSURE**

19. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, 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 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 shall be made prior to dissemination of the description, communication, notice, or statement.

## **PROGRESS REPORTS**

20. (a) Within 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, manner, and results of any actions taken to secure compliance with this ORDER . Such written reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER.

(b) The progress report requirement shall continue for the life of this ORDER unless modified or terminated in writing by the Supervisory Authorities.

(c) 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.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC 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.

This ORDER shall become 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 FDIC.

Issued pursuant to Delegated Authority.

Dated at Atlanta, Georgia, this 24<sup>th</sup> day of November, 2009.

/s/

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Doreen R. Eberley  
Acting 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 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 to the same legal effect that such ORDER would be binding if the Department had issued a separate ORDER that included and incorporated all of the provisions of the foregoing ORDER, pursuant to Official Code of Georgia Annotated § 7-1-91(1985).

Dated at Atlanta, Georgia, this 23<sup>rd</sup> day of November, 2009

/s/

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