

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____	)	
In the Matter of	)	
	)	
NORTHWEST GEORGIA BANK	)	CONSENT ORDER
RINGGOLD, GEORGIA	)	
	)	FDIC-09-234b
(INSURED STATE NONMEMBER BANK)	)	
_____	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Northwest Georgia Bank, Ringgold, Georgia ("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 November 12, 2009, that is accepted by the FDIC and the Georgia Department of Banking and Finance ("Department"). The Department may issue an order pursuant to section 7-1-91 of the Official Code of Georgia Annotated, GA Code Ann. Section 7-1-91 (1985).

With this 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 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 section 7-1-91 of the Official Code of Georgia Annotated, GA Code Ann. Section 7-1-91 (1985) have been satisfied, the FDIC and the Department hereby order that:

**BOARD OF DIRECTORS**

1. 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 continue to 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.

**COMPLIANCE WITH ORDER**

2. Within 30 days from the effective date of this ORDER, the Board shall establish a Board committee (“Directors’ Committee”), consisting of at least four members, to oversee the Bank’s compliance with the ORDER. Three of the members of the Directors’ Committee shall not be officers of the Bank. The Directors’ Committee shall receive from Bank management monthly reports detailing the Bank’s actions with respect to compliance with the ORDER. The Directors’ Committee shall present a report detailing the Bank’s adherence to the ORDER to the Board at each regularly scheduled

Board meeting. Such report shall be recorded in the appropriate minutes of the Board's meeting and shall be retained in the Bank's records. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

### **MANAGEMENT**

3. (a) Within 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. Each member of management shall be provided appropriate written authority from the Bank's Board, with such authority recorded in the Board minutes, to implement the provisions of this ORDER. Management shall include:

- (i) a chief executive officer with proven ability in managing a bank of comparable size and complexity and in effectively implementing lending, investment and operating policies in accordance with sound banking practices;
  - (ii) a senior lending officer with a significant amount of appropriate lending, collection, and loan supervision experience, and experience in upgrading a low quality loan portfolio; and
  - (iii) a chief operations officer with a significant amount of appropriate experience in managing the operations of a bank of similar size and complexity in accordance with sound banking practices.
- (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, earnings, capital adequacy, management effectiveness, risk management, liquidity and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the FDIC's Atlanta Regional Office ("Regional Director") and the Commissioner of the Department (collectively, "Supervisory Authorities") as determined at subsequent examinations and/or visitations in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer, as that term is defined in 12 C.F.R. § 303.102. The notification should include a description of the background and experience 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. If the Regional Director issues a notice of disapproval pursuant to 12 U.S.C. § 1831i, with respect to any proposed individual, then such individual may not be added or employed by the Bank.

#### **CAPITAL**

4. (a) Within 90 days from the effective date of this ORDER, the Bank shall obtain Tier 1 Capital in such amount as to equal or exceed eight percent (8%) of the Bank's total assets and total risk-based capital in such an amount as to equal or exceed ten percent (10%) of the Bank's total risk-weighted assets. The Bank shall maintain these levels during the life of this ORDER.

(b) The level of Tier 1 Capital and total risk-based capital to be maintained during the life of this ORDER pursuant to subparagraph 3(a) shall be in addition to a fully funded 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.

(c) Any increase in Tier 1 Capital necessary to meet the requirements of paragraph 3 of this ORDER may not be accomplished through a deduction from the Bank's ALLL.

(d) For the purposes of this ORDER, the terms "Tier 1 Capital" and "total assets" shall have the meanings ascribed to them in 12 C.F.R. Part 325

(e) Within 60 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to maintain, at least, the minimum risk based capital requirements of a well-capitalized bank.

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

5. (a) Immediately upon the entry of this ORDER, the Board shall make a provision to replenish the ALLL which, as the date of the examination, is underfunded as set forth on page 4 of the FDIC's Report of Examination dated September 30, 2008 ("Report").

(b) Within 30 days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL and revise its policy, which shall be comprehensive, 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 within twenty-one (21) days after the end of each calendar 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 ALLL and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

#### **BROKERED DEPOSITS**

6. (a) Throughout the effective life of this ORDER, the Bank shall not accept, renew, or 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.

(b) The Bank shall comply with the restrictions on the effective yields on deposits as described in 12 C.F.R. § 337.6

#### **LIQUIDITY CONTINGENCY PLAN**

7. Within 30 days from the effective date of this ORDER, the Bank shall develop a Liquidity Contingency Plan that addresses the issues listed on page 8 of the Report.

### **CASH DIVIDENDS**

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

### **CHARGE-OFF**

9. (a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" and fifty percent (50%) of those assets classified "Doubtful" in the Report that have not been previously collected or charged-off. If an asset classified "Doubtful" is a loan or a lease, the Bank may, in the alternative, increase its ALLL by an amount equal to fifty percent (50%) of the loan or lease classified as "Doubtful."

(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 report of the Bank from the Regional Director or the Commissioner, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any assets classified "Loss" and fifty percent (50%) of those classified "Doubtful," unless otherwise approved in writing by the Supervisory Authorities.

(c) Elimination or reduction of assets through proceeds of other loans made by the Bank is not considered collection for purposes this paragraph.

### **REDUCTION OF CLASSIFIED ITEMS**

10. (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 as “Substandard” or “Doubtful” in the Report. 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) Within 60 days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the aggregate balance of assets classified “Substandard” and “Doubtful” in the Report in accordance with the following schedule:

- (i) Within 180 days from the effective date of this ORDER, the Bank shall reduce the items classified “Substandard” or “Doubtful” in the Report by twenty-five percent (25%);
- (ii) Within 360 days from the effective date of this ORDER, the Bank shall reduce the items classified “Substandard” or “Doubtful” in the Report by forty-five percent (45%);
- (iii) Within 540 days from the effective date of this ORDER, the Bank shall have reduced the items classified “Substandard” or “Doubtful” in the Report by sixty percent (60%);
- (iv) Within 720 days from the effective date of this Order, the Bank shall have reduced the items classified “Substandard” or “Doubtful” in the Report by seventy-five percent (75%).

(c) Within sixty (60) days from the effective date of this ORDER, the Bank shall submit the plans required in paragraphs 10(a) and 10(b) to the Supervisory



Authorities for review and comment. Within 60 days from the receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plans, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the plans. 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 19 of this ORDER.

(d) The requirements of this paragraph are not to be construed as standards for future operations of the Bank. Furthermore, 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 paragraphs 10(a) through (c), the word “reduce” means:

- (i) to collect;
- (ii) to charge off; or
- (iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification as determined by the Regional Director or Commissioner.

#### **SPECIAL MENTION**

11. Within 30 days from the effective date of the ORDER, the Bank shall develop a plan to correct all deficiencies in the assets listed for “Special Mention.” The Bank shall immediately submit the 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 Board meeting. Thereafter, the Bank shall implement and fully comply with the plan.

**NO ADDITIONAL CREDIT**

12. (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", or is listed for "Special Mention" 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 12(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; and
- (iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(d) 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.

### **LENDING AND COLLECTION POLICIES**

13. Within 60 days from the effective date of this ORDER, the Bank shall review, revise, and adopt its written lending, underwriting and collection policy to provide effective guidance and control over the Bank's lending function. Such policy shall include, at a minimum, revisions to address criticisms and recommendations concerning the Bank's internal loan review grading system set forth on page 3 of the Report; and revisions to address criticisms and recommendations enumerated on pages 2 through 4 of the Report pertaining to the administration of acquisition, development and construction ("ADC") loans as well as commercial real estate lending and specific guidelines for placing loans on a nonaccrual basis. 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.

### **INDEPENDENT LOAN REVIEW**

14. (a) Within 30 days of the effective date of this ORDER, the Board shall develop a program of independent loan review that provides for periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. The program should address weaknesses and incorporate recommendations included on page 3 of the Report.

(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 of directors meeting. Thereafter, the Bank shall implement and fully comply with the program.

### **CONCENTRATIONS OF CREDIT**

15. Within 60 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 50 of the Report. Concentrations should be stratified as the Board deems appropriate, but shall include concentrations identified by industry, geographic distribution, underlying collateral, direct or indirect extensions of credit to or for the benefit of any borrowers dependent upon the performance of a single developer or builder, and other asset groups that are considered economically related. The Board should refer to the interagency guidance on *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*, for information regarding risk segmentation analysis. A copy of the analysis shall 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 Tier 1 Capital. 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.

**PLAN FOR EXPENSES AND PROFITABILITY**

16. (a) Within 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, control overhead, and improve and sustain earnings of the Bank. The plan shall include a projected balance sheet and 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. The plan and budget required by paragraph 16(a) of this ORDER shall be acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(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 16(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.

## **VIOLATIONS OF LAW AND REGULATIONS**

17. Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulations, which are more fully set out on pages 17 and 18 of the Report. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws, regulations and statements of policy.

## **DISCLOSURE**

18. 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, Registration, Disclosure and Securities Section, 550 17th Street, N.W., Room F-6066, 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 and Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

## **PROGRESS REPORTS**

19. (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 this 20th 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 this 13th day of November, 2009.

/s/

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