

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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	)	
In the Matter of	)	
	)	CONSENT ORDER
PEOPLES INDEPENDENT BANK	)	
BOAZ, ALABAMA	)	FDIC-09-670b
	)	
(Insured State Nonmember Bank)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Peoples Independent Bank, Boaz, Alabama (“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 January 28, 2010, that is accepted by the FDIC and the Superintendent of Banks (“Superintendent”), Alabama State Banking Department (“Department”). 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, to the issuance of this Consent Order (“ORDER”) by the FDIC and the Department (hereinafter “Supervisory Authorities”).

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and § 5-2A-12, Code of Alabama (1980), have been satisfied, the FDIC and the Department hereby order that:

1. **BOARD OF DIRECTORS**

(a) As of the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, continuing to assume 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 committees. Nothing in the foregoing sentences shall preclude the Board from considering matters other than those contained in the agenda. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 30 days from the effective date of this ORDER, the Board shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER. Following the adoption of the program, the Board shall review the Bank's compliance with this ORDER and record its review in the minutes of each regularly scheduled Board meeting. Establishment of this program does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

2. **MANAGEMENT**

(a) During the life of this ORDER, the Bank shall have and retain qualified management with 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.

(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 Supervisory Authorities, in writing, of the resignation or termination of any of the Bank's directors or senior executive officers, as that term is defined in section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b). Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104.

**3. CAPITAL**

(a) The Bank shall achieve and maintain the following minimum capital levels as defined in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, after establishing an adequate allowance for loan and lease losses (“ALLL”):

(i) Tier 1 Capital at least equal to nine percent (9.0%) of total assets;  
and

(ii) Total risk-based capital at least equal to twelve percent (12.0%) of total risk-weighted assets.

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

(c) Within 30 days of the last day of each calendar quarter, the Bank shall determine, from its Reports of Condition and Income, its capital ratios for that calendar quarter. If any capital measure falls below the established minimum, within 30 days of such required determination of capital ratios, the Bank shall submit a written plan to the Supervisory Authorities, describing the means and timing by which the Bank shall increase such ratios up to or in excess of the established minimum.

**4. INVESTMENT POLICY**

(a) Within 30 days from the effective date of this ORDER, and annually thereafter, the Board shall review the Bank's investment policy for adequacy and shall make the necessary revisions to address the actual and contemplated

condition of investments held to maturity and/or available for sale. At a minimum, the policy shall:

- (i) address the criticisms noted in the FDIC's letter to the Bank's Board dated September 29, 2009 ("Letter");
  - (ii) comply with generally accepted accounting principles;
  - (iii) comply with the Bank's loan, liquidity, and funds management policies;
  - (iv) comply with the FDIC's *Statement of Policy on Investment Securities and End-User Derivative Activities*; and
  - (v) comply with Instructions for the Preparation of Reports of Condition and Income, under which the Bank shall properly segregate and account for trading account securities.
- (b) The revised policy shall be satisfactory to the Supervisory Authorities as determined at their initial review and subsequent examinations or visitations.
- (c) During the life of this ORDER, the Bank is prohibited from purchasing additional private label mortgage backed securities.
- (d) Within 30 days of the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days of the end of each calendar quarter thereafter, the Bank shall cause an impairment analysis of all noninvestment grade securities to be performed by an independent third party and shall reflect the results of such analysis in the Bank's quarterly Report of Condition and Income due contemporaneously with the completion of the analysis. The Bank shall provide a written report to the Board setting forth the

findings of such analysis at the next scheduled meeting of the Board following completion of the written report. Based on the findings of the analysis set forth in the written report, the Board shall take action with respect to the noninvestment grade securities consistent with the FDIC's *Statement of Policy on Investment Grade Securities and End-User Derivative Activities*, generally accepted accounting principles, and the Bank's investment policy as set forth in paragraph 4(a).

**5. 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 its ALLL policy. 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 Bank's policy shall provide for a review of the ALLL at least once each calendar quarter. Said review shall be completed in time to properly report the ALLL in the quarterly Reports of Condition and Income. The review shall 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 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.

**6. CHARGE-OFF**

(a) Within 15 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 50 percent of those assets classified "Doubtful", as specifically identified in the Bank's internal Classified Asset List as of August 31, 2009 ("Classified Asset List"), that have not been previously collected or charged-off. (If an asset classified "Doubtful" is a loan or lease, the Bank may, in the alternative, increase its ALLL by an amount equal to 50 percent of the loan or lease classified "Doubtful".) Elimination of any of these assets through proceeds of other loans made by the Bank to the same borrower is not considered collection for purposes of this paragraph.

(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 the FDIC or the Department, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any asset classified "Loss" and 50 percent of the those classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities. (If an asset classified "Doubtful" is a loan or lease, the Bank may, in the alternative, increase its ALLL by an amount equal to fifty percent (50%) of the loan or lease classified "Doubtful".)

7. **REDUCTION OF CLASSIFIED ASSETS**

(a) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities, for review and comment, a written plan to reduce the Bank's risk position in each asset (loans, other real estate owned, and repossession) or relationship in excess of \$100,000, which is classified "Substandard" or "Doubtful" in the Classified Asset List. Within 10 days from the 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 a Board meeting. Thereafter, the Bank shall implement and follow this plan.

(b) The written plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" and "Doubtful" in the Classified Asset List 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 twenty-five percent (25%) in the balance of assets classified "Substandard" or "Doubtful."
- (ii) Within 360 days, a reduction of forty-five percent (45%) in the balance of assets classified "Substandard" or "Doubtful."
- (iii) Within 540 days, a reduction of sixty percent (60%) in the balance of assets classified "Substandard" or "Doubtful."
- (iv) Within 720 days, a reduction of seventy-five percent (75%) in the balance of assets classified "Substandard" or "Doubtful."

(c) Within 60 days from the effective date of this ORDER, the Bank shall develop a plan to reduce the volume of its private label mortgage backed securities ("PLMBS") subject to adverse classification. The plan shall include a schedule detailing the amounts by which the volume of PLMBS is to be reduced and the timeframes for accomplishing such reductions. 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 next Board meeting. Thereafter, the Bank shall implement and fully comply with the plan.

**8. LENDING AND COLLECTION POLICIES**

Within 60 days from the effective date of this ORDER, the Bank shall ensure the full implementation of its written lending and collection policy to provide effective guidance and control over the Bank's lending function, which implementation shall include the resolution of those criticisms made in the Letter. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio.

**9. ASSET GROWTH LIMITATIONS**

During the life of this ORDER, the Bank shall limit asset growth to less than 10 percent (10%) 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.

**10. RESTRICTIONS ON CERTAIN PAYMENTS**

a) While this ORDER is in effect, the Bank shall not declare or pay dividends or bonuses without the prior written approval of the Supervisory Authorities. All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date (at least 5 days with respect to any request filed within the first 30 days after the date of this ORDER) and shall contain, but not be limited to, an analysis of the impact such dividend or bonus payment would have on the Bank's capital, income, and/or liquidity positions.

(b) During the term of this ORDER, the Bank shall not make any distributions of interest, principal or other sums on subordinated debentures, if any, without the prior written approval of the Supervisory Authorities.

**11. BROKERED DEPOSITS**

(a) Throughout the 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 described in 12 C.F.R. § 337.6.

**12. DISCLOSURE**

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 Disclosure Section, 550 17<sup>th</sup> Street, N.W., Room F-6066, Washington, D.C. 20429, at least fifteen (15) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

**13. PROGRESS REPORTS**

Within 30 days from the end of the first quarter following the effective date of this ORDER, and within 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 Reports of Condition and 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. All progress reports and other written responses to this ORDER shall be reviewed by the Board and 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 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 in writing by the Supervisory Authorities.

Issued Pursuant to Delegated Authority

Dated this 29th day of January, 2010.

/s/

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

The Alabama Superintendent of Banks, having duly approved the foregoing ORDER, and the Bank, through its Board, agree that the issuance of said ORDER by the Federal Deposit Insurance Corporation shall be binding as between the Bank and the Alabama Superintendent of Banks to the same degree and legal effect that such ORDER would be binding on the Bank if the Alabama Superintendent of Banks had issued a

separate ORDER that included and incorporated all the provisions of the foregoing ORDER pursuant to the provisions of the §5-2A-12, Code of Alabama (1980).

Dated this 28<sup>th</sup> day of January, 2010.

/s/

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John D. Harrison  
Superintendent of Banks  
Alabama State Banking Department