

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
)	
In the Matter of)	
)	CONSENT ORDER
Heritage Bank)	
Jonesboro, Georgia)	FDIC-09-664b
)	
(Insured State Nonmember Bank))	
)	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Heritage Bank, Jonesboro, 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 January 7, 2010 that is accepted by the FDIC and the Commissioner (the “Commissioner”) for the State of Georgia, Department of Banking and Finance (the “Department”). The Department may issue an order pursuant to GA Code Ann. § 7-1-91 (1985).

With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to weaknesses in capital, asset quality and earnings, to the issuance of this Consent Order (“ORDER”) by the FDIC and the Department (collectively the “Supervisory Authorities”).

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and GA Code Ann. § 7-1-91 (1985) 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, 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 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) 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. The Bank may not add any individual to its Board or employ any individual as a senior executive officer if the Regional Director issues a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. § 1831i.

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 eight (8.0%) percent of total assets; and
- (ii) Total Risk-Based Capital at least equal to ten (10.0%) percent of total risk-weighted assets.

(b) In addition, the Bank shall comply with the FDIC 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, Appendix 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 FDIC, describing the means and timing by which the Bank shall increase such ratios up to or in excess of the established minimum within 90 days.

4. CHARGE-OFF

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.

5. REDUCTION OF CLASSIFIED ASSETS

(a) Within 45 days from the effective date of this ORDER, the Bank shall formulate and implement a written plan to reduce the Bank’s risk exposure in each asset in excess of \$500,000, identified by the FDIC during its examination of the Bank on its Management List as of August 31, 2009 (“Management List”), with which the Bank concurred on November 12, 2009. Thereafter, the Bank shall implement and follow the plan.

(b) The written plan mandated by this paragraph shall further require a reduction in the aggregate balance of assets classified “Substandard” and as identified on the Management List. 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 (20%) percent in the balance of assets classified “Substandard;”
- (ii) Within 360 days, a reduction of forty-five (45%) percent in the balance of assets classified “Substandard;”
- (iii) Within 540 days, a reduction of sixty (60%) percent in the balance of assets classified “Substandard;” and
- (iv) Within 720 days, a reduction of seventy-five (75%) percent in the balance of assets classified “Substandard;”

6. REDUCE CONCENTRATIONS OF CREDIT

Within 45 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the Concentrations of Credit identified in the Bank’s June 30, 2009 Uniform Bank Performance 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 Tier 1 Capital. The Bank shall develop a written plan approved by its Board and acceptable to the Supervisory Authorities to systematically reduce any segment of the portfolio which is an undue concentration of credit in relation to the Bank's Tier 1 Capital. At a minimum the plan must provide for written procedures for the ongoing measurement and

monitoring of the concentrations of credit, and a limit on concentrations commensurate with the Bank's capital position, safe and sound banking practices, and the overall risk profile of the Bank.

7. **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 review and, if necessary, revise its 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 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 as determined at subsequent examinations and/or visitations.

8. **PLAN FOR EXPENSES/PROFITABILITY**

(a) Within 60 days from the effective date of this ORDER, the Bank shall review and, if necessary, revise and implement a written profit plan and a realistic, comprehensive

budget for all categories of income and expense. This plan shall be forwarded to the Supervisory Authorities for review and comment and shall address, at a minimum, the following:

- (i) goals and strategies for improving and sustaining the earnings of the Bank;
 - (ii) the major areas in, and means by which the Bank will seek to improve the Bank's operating performance; and
 - (iii) the operating assumptions that form the basis for, and adequately support, major projected income and expense components.
- (b) Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan required by this paragraph 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.

9. BROKERED DEPOSITS

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

10. NO MATERIAL GROWTH WITHOUT PRIOR NOTICE

While this ORDER is in effect, the Bank shall notify the Supervisory Authorities at least 60 days prior to undertaking asset growth of 10 percent (10%) or more per annum or initiating material changes in asset or liability composition. In no event shall asset

growth result in noncompliance with the capital maintenance provisions of this ORDER unless the Bank receives prior written approval from the Supervisory Authorities.

11. 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.

12. 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 Consolidated Reports of Condition and 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.

13. 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 earlier of (i) the Bank's next shareholder communication, or (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 and to the Commissioner, Georgia Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341-5565, 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 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

by the Supervisory Authorities.

Issued Pursuant to Delegated Authority

Dated: January 8, 2010

By:

/s/

Doreen R. Eberley
Acting Regional Director
Division of Supervision and Consumer Protection
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 8th of January, 2010.

/s/

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