

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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In the Matter of	)	
	)	
F & M BANK AND TRUST COMPANY	)	CONSENT ORDER
MANCHESTER, GEORGIA	)	
	)	FDIC-10-873b
(Insured State Nonmember Bank)	)	
	)	

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The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for F & M Bank and Trust Company, Manchester, 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 February 2, 2011, 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. 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, management, earnings, capital, 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 section 7-1-91 of the Official Code of Georgia Annotated, have been satisfied, the FDIC and the Department hereby order that:

**1. BOARD OF DIRECTORS**

(a) Immediately upon issuance 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 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 establish a Board committee ("Directors' Committee"), consisting of at least three members, to oversee the Bank's compliance with the ORDER. A majority 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.

**2. MANAGEMENT**

(a) Within 90 days from the effective date 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. At a minimum, management shall include the following:

- (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 financial officer with a significant amount of appropriate experience in managing the financial aspects and official reporting of a

bank's operations of comparable 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, but not limited to, asset quality, capital adequacy, earnings, management effectiveness, risk management, liquidity, and sensitivity to market risk.
  
- (c) To facilitate having and retaining qualified management, the Board shall, in no more than 60 days from the effective date of this ORDER, commission a written, independent, third party 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 officer positions needed to properly manage and supervise the affairs of the Bank;
  - (ii) a written evaluation of each senior executive officer as defined in paragraph 2(f), and other staff members to determine whether those individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including, but not limited to, adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;

- (iii) a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions consistent with the needs identified in the Management Plan; and
  - (iv) an organizational chart.
- (d) The written Management Plan shall also include the requirement that the Board, or a committee thereof consisting of not less than a majority of the individuals who are independent with respect to the Bank, provide supervision over lending, investment and operating policies of the Bank sufficient to ensure that the Bank complies with the provisions of this ORDER.
- (e) Such Management Plan and its implementation shall be satisfactory to the Supervisory Authorities as determined in subsequent examinations and/or visitations.
- (f) During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and the Department (collectively, "Supervisory Authorities"), in writing and within ten business days, of the resignation or termination of any of the Bank's directors or senior executive officers and provide the reason for the resignation or termination of the individual. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer or executive officer, as those terms are defined in Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. § 303.101, the Bank shall comply with the requirements of section 32 of the Federal Deposit Insurance Act ("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. The notification shall include a description of the background and experience of the individual or individuals to be added or employed and must be received at least 60 days before such addition or employment is intended to become effective. If the Regional Director or the Department issues a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. § 1831i, with respect to any proposed individual, then such individual may not be added or employed by the Bank.

**3. CAPITAL**

(a) Within 60 days from the effective date of this ORDER, the Bank shall have Tier 1 Capital in such amount as to equal or exceed eight percent (8%) of its total assets, and shall have Total Risk-Based Capital in such an amount as to equal or exceed ten percent (10%) of the Bank's total risk-weighted assets.

(b) Thereafter during the life of this ORDER, the Bank shall maintain a Tier 1 Capital Ratio of at least eight percent (8%) and a Total Risk-Based Capital Ratio of at least ten percent (10%). Tier 1 Capital and Total Risk-Based Capital ratios shall be calculated at the end of each calendar quarter utilizing the definitions contained in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.. In the event these capital ratios fall below the required percentages at the end of any calendar quarter, the Bank shall notify the Supervisory Authorities of the capital deficiency within ten days and shall increase capital by an amount sufficient to raise the ratios to the required percentages prior to the next quarter end.

(c) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities a written capital plan. Such capital plan shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in paragraphs 3(a) and 3(b) above. In developing the capital plan, the Bank must take into consideration:

- (i) the volume of the Bank's adversely classified assets;
- (ii) the nature and level of the Bank's asset concentrations;
- (iii) the adequacy of the Bank's ALLL;
- (iv) the anticipated level of retained earnings;
- (v) anticipated and contingent liquidity needs; and
- (vi) the source and timing of additional funds to fulfill future capital needs.

In addition, the capital plan must include a contingency plan in the event that the Bank:

- (i) fails to maintain the minimum capital ratios required by this paragraph;
- (ii) fails to submit an acceptable capital plan as required by this paragraph, or;
- (iii) fails to implement or adhere to a capital plan to which the Supervisory Authorities have taken no written objection pursuant to this paragraph.

Said contingency plan shall include a plan to sell or merge the Bank. The Bank shall implement the contingency plan upon written notice from the Supervisory Authorities.

(d) The level of Tier 1 Capital to be maintained during the life of this ORDER pursuant to this paragraph 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.

(e) Any increase in Tier 1 Capital necessary to meet the requirements of this paragraph may be accomplished by the following:

- (i) sale of common stock; or
- (ii) sale of noncumulative perpetual preferred stock; or
- (iii) direct contribution of cash by the Board, shareholders, and/or parent holding company; or
- (iv) any other means acceptable to the Supervisory Authorities; or
- (v) any combination of the above means.

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

(f) 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 the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than fifteen (15) days prior to the dissemination of such materials, the plan and any materials 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 17<sup>th</sup> 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, for review. Any changes requested to be made in the plan or materials by the FDIC or the Department shall be made prior to their dissemination. If the increase in Tier 1 Capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(g) In complying with the provisions of this paragraph, 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 which 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 ten (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.

**4. CHARGE-OFF**

(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 50 percent of all assets or portions of assets classified "Doubtful" in the Report of Examination dated July 19, 2010 ("Report") that have not been previously collected or charged off. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 10 days of the receipt of any official Report of Examination of the Bank from the Supervisory Authorities, 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.

**5. ADVERSELY CLASSIFIED ASSETS**

(a) Within 30 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, or relationship in excess of \$100,000 classified "Substandard" or "Doubtful" in the 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 Supervisory

Authorities. In developing the plan mandated by this paragraph, 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 of 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 paragraph 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 Board meeting.

(c) The plan mandated by this paragraph shall further require a reduction in the aggregate balance of assets classified "Substandard" and "Doubtful" in the Report in accordance with the following schedule:

- (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-five percent (65%) in the balance of assets classified “Substandard” or “Doubtful”; and
- (iv) within 720 days, a reduction of eighty-five percent (85%) in the balance of assets classified “Substandard” or “Doubtful”.

(d) The requirements of this paragraph 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 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. Such plan shall be monitored and progress reports thereon shall be submitted to the Supervisory Authorities at 90-day intervals concurrent with the other reporting requirements set forth in this ORDER.

**6. NO ADDITIONAL CREDIT**

(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” 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) why the Bank’s position would be improved thereby; including an explanatory statement of how the Bank’s position would be improved; and
- (iii) that 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.

**7. CONCENTRATIONS OF CREDIT**

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. The Bank should refer to Financial Institution Letter (“FIL”) 104-2006, dated December 12, 2006, *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*, for information regarding risk segmentation analysis.

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 and reserve for ALLL, including commercial real estate lending and acquisition, development, and construction lending. The Concentration Reduction Plan shall be submitted to the Supervisory Authorities for non-objection or comment. Within 30 days from receipt of no-objection or any comments from the Supervisory Authorities, and after incorporation and adoption of all comments, the Board shall approve the Concentration reduction Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Concentration Reduction Plan. 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.

**8. WRITTEN BUSINESS/STRATEGIC PLAN**

(a) Within 90 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities for review and comment a written business/strategic plan covering the overall operation of the Bank. At a

minimum, the plan shall establish objectives for the Bank's earnings performance, growth, balance sheet mix, liability structure, capital adequacy, and reduction of nonperforming and underperforming assets, together with strategies for achieving those objectives. The plan shall also identify capital, funding, managerial and other resources needed to accomplish its objectives. Such plan shall specifically provide for the following:

- (i) goals for the composition of the loan portfolio by loan type including strategies to diversify the type and improve the quality of loans held;
  - (ii) goals for the composition of the deposit base including strategies to reduce reliance on volatile and costly deposits; and
  - (iii) plans for effective risk management and collection practices.
- (b) Within 15 days from the receipt of any comments from the Supervisory Authorities, and after due consideration of any recommended changes, the Board shall approve the business/strategic plan, which approval shall be recorded in the minutes of a Board meeting.

**9. PLAN FOR EXPENSES AND PROFITABILITY**

(a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and implement a written plan to improve and/or sustain Bank earnings for 2011. 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;
  - (iii) realistic and comprehensive budgets;
  - (iv) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
  - (v) the operating assumptions that form the basis for, and adequately support, major projected income and expense components; and
  - (vi) coordination of the Bank's loan, investment, and operating policies and budget and profit planning with the funds management policy.
- (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.
- (c) Thereafter, the Bank shall formulate such a plan and budget by November 30 of each year. These plans and budgets shall be submitted to the Supervisory Authorities for review and comment by December 15 of each year.

**10. LENDING AND COLLECTION POLICIES**

- (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function. Such policies and their implementation shall be in a form and manner acceptable to the Supervisory Authorities.

- (b) The Bank's loan policy and practices, required by this paragraph, at a minimum, shall include the following:
- (i) provisions that identify the general fields of lending in which the Bank engages, the types and kinds of loans, borrowers, and collateral considered desirable and the types and kinds of loans, borrowers, and collateral considered undesirable;
  - (ii) provisions that address concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;
  - (iii) provisions which require complete loan documentation, realistic repayment terms, and current credit information adequate to support the outstanding indebtedness of the borrower. Such documentation shall include current financial/credit payment information, profit and loss statements or copies of tax returns, and cash flow projections;
  - (iv) provisions which establish an effective real estate appraisal and evaluation program;
  - (v) provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that

collateral valuations be performed on a periodic basis over the term of the loan;

(vi) provisions which specify the circumstances and conditions under which real estate appraisals must be conducted by an independent third party;

(vii) provisions which establish standards for unsecured credit;

(viii) provisions which require a determination that loan officers have the necessary expertise to make, monitor, and service the types and kinds of loans that will be assigned to them, and that appropriate supervision by a qualified loan officer will be provided if the assigned loan officer does not possess the necessary expertise; and

(ix) provisions which establish a written policy governing the Bank's Other Assets portfolio. Such policy shall identify requirements for accounting, documentation, and independent evaluations.

(c) The Board shall adopt procedures whereby officer compliance with the revised loan policy is monitored and responsibility for exceptions thereto assigned. The procedures adopted shall be reflected in the minutes of a Board meeting at which all members are present and the vote of each is noted.

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

(a) Immediately upon the issuance of this ORDER, the Board shall make a provision to replenish the ALLL, which as of the date of the examination is underfunded as set forth in the Report.

(b) Within 60 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 in time to properly report the ALLL 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. The review should include a review of compliance with FAS 114 currently codified as 310-10-35, Receivables – Overall – Subsequent Measurement General, and FAS 5, currently codified as ASC 450, Contingencies, including the identification of and the appropriate value for collateral dependent loans. The policy shall adhere to the guidance set forth in FIL-105-2006, dated December 13, 2006, *Interagency Policy Statement on the Allowance for Loan and Lease Losses*. 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 their initial review and at subsequent examinations and/or visitations.

**12. INTERNAL ROUTINE AND CONTROLS**

(a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routine and controls within the Bank consistent with safe and sound banking practices and which addresses the criticisms cited in the Report. Such policy and its implementation shall, at a minimum, eliminate and/or correct all internal routine and control deficiencies identified in the Report and shall be satisfactory to the Supervisory Authorities.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop an internal audit program that establishes procedures to protect the integrity of the Bank's operational and accounting systems. The program shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

**13. ASSET LIABILITY AND FUNDS MANAGEMENT POLICY**

Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement a written asset/liability management policy addressing liquidity, contingent funding, and asset liability management which plan shall include, at a minimum, revisions to address all items of criticism in the Report. The plan shall incorporate the guidance contained in FIL-84-2008, dated August 26, 2008, *Liquidity Risk Management*. A copy of the plan shall be submitted to the Supervisory Authorities for 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 plan. Annually during the life of this ORDER, the Bank shall review the plan for adequacy and, based upon such review, shall make appropriate revisions to the plan that are necessary to strengthen the funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs.

**14. INTEREST RATE RISK MANAGEMENT**

Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a written policy for managing interest rate risk in a manner that is appropriate to the size of the Bank and the complexity of its assets. The policy shall comply with FIL-52-96, dated July 12, 1996, *Joint Agency Policy Statement on Interest Rate Risk* and FIL-2-2010, dated January 20, 2010, *FFIEC Advisory on Interest Rate Management*, shall be consistent with the comments and recommendations detailed in the Report and shall include, at a minimum, the means by which the interest rate risk position will be monitored, the establishment of risk parameters, and provision for periodic reporting to management and the Board regarding interest rate risk with adequate information provided to assess the level of risk. Such policy and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

**15. LOAN DOCUMENTATION EXCEPTIONS**

Within 60 days from the effective date of this ORDER, the Bank shall correct the loan documentation exceptions listed in the Report. The Bank shall initiate and

implement a program to ensure its credit files contain complete, adequate, and current documentation.

**16. SPECIAL MENTION**

Within 60 days from the effective date of this ORDER, the Bank shall correct the cited deficiencies in the loans listed for “Special Mention” in the Report.

**17. INTERNAL LOAN REVIEW**

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.

**18. AUDITS**

Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement a comprehensive written audit program. A copy of the audit program shall be submitted to the Supervisory Authorities upon its completion for review and comment. Within 30 days from the receipt of any comments from the Supervisory Authorities, the Bank shall incorporate those recommended changes. The Bank shall thereafter implement and enforce an effective system of internal and external audits. The internal auditor shall make written monthly reports of audit findings directly to the Board. The minutes of the meetings of the Board shall reflect consideration of these reports and describe any action taken as a result thereof.

**19. OTHER REAL ESTATE**

Within 90 days from the effective date of this ORDER, the Board shall develop a written policy for managing the Other Real Estate of the Bank. The policy shall comply with FAS 66 currently codified as —Topic 976 Real Estate—Retail Land. The Bank shall submit the policy 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 policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the policy.

**20. VIOLATIONS OF LAW, REGULATION, AND POLICY**

Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct the violations of law, regulation, and/or statement of policy which are more fully set out in the Report. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws, regulations, and statements of policy.

**21. 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 payment declaration date (at least 5 days with respect to any request filed within the first 30 days after the date of this ORDER) and detailing the impact such payment would have on the Bank's capital, income, and/or liquidity positions.

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

**22. CALL REPORTS**

Within 60 days after establishing an adequate ALLL in compliance with paragraph 7 of this ORDER, the Bank shall file with the FDIC amended Reports of Condition and Income which shall accurately reflect the financial condition of the Bank as of June 30, 2010, and September 30, 2010. Thereafter, during the life of this ORDER, the Bank shall file with the FDIC Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any adjustment in the Bank's books made necessary or appropriate as a consequence of any official Report of Examination of the Bank from the FDIC or the Department during that reporting period.

**23. BROKERED DEPOSITS**

(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.

**24. NO MATERIAL GROWTH WITHOUT NOTICE**

While this ORDER is in effect, the Bank shall notify the Supervisory Authorities

at least 60 days prior to undertaking asset growth to five percent (5 %) 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 paragraph of this ORDER unless the Bank receives prior written approval from the Supervisory Authorities.

**25. 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 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.

**26. 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 Compliance, Accounting and Securities Disclosure Section, 550 17<sup>th</sup> Street, N.W., Room

F-6066, Washington, D.C. 20429, and to 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 or the Department 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 Department, 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 provisions of this ORDER shall have been modified, terminated, suspended, or set aside in writing.

Issued Pursuant to Delegated Authority.

Dated this 4th day of February, 2011.

/s/

By:

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Thomas J. Dujenski  
Regional Director  
Division of Supervision and Consumer  
Protection  
Atlanta Region  
Federal Deposit Insurance Corporation

The Georgia Department of Banking and Finance (“Department”), 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 section 7-1-91 of the Official Code of Georgia Annotated, GA Code Ann. § 7-1-91 (1985).

Dated this 2<sup>nd</sup> of February, 2011.

/s/

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