

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of)	
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FLORIDA CITIZENS BANK)	
GAINESVILLE, FLORIDA)	NOTICE OF CHARGES
)	AND OF HEARING
)	FDIC-11-201b
)	
(INSURED STATE NONMEMBER BANK))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”), being of the opinion that Florida Citizens Bank, Gainesville, Florida (“Bank”), has engaged in unsafe or unsound banking practices, institutes this proceeding to determine whether an appropriate ORDER should be issued against the Bank under the provisions of section 8(b)(1) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1818(b)(1). The FDIC hereby issues this NOTICE OF CHARGES AND OF HEARING (“NOTICE”) under the provisions of the Act, 12 U.S.C. §§ 1811-1831aa, and the FDIC Rules of Practice and Procedures, 12 C.F.R. Part 308, and alleges as follows:

1. The Bank, a corporation existing and doing business under the laws of the State of Florida and having its principal place of business at Gainesville, Florida, is and has been, at all times pertinent to the charges herein, an insured State nonmember bank within the meaning of section 3(e)(2) of the Act, 12 U.S.C. § 1813(e)(2) and an insured depository institution within the meaning of section 3(c)(2) of the Act, 12 U.S.C. § 1823(c)(2). The Bank is subject to the Act, 12 U.S.C. §§ 1811-1831aa, the FDIC Rules and Regulations, 12 C.F.R. Chapter III (the

“Rules”), and the laws of the State of Florida. The FDIC has jurisdiction over the Bank, the institution-affiliated parties of the Bank, and the subject matter of this proceeding.

2. The Bank was examined by the FDIC commencing May 2, 2011 (“Examination”) utilizing financial information as of March 31, 2011, and it was determined:

- (a) The Bank's total deposits equaled \$258,321,000;
- (b) The Bank's total loans and leases equaled \$212,435,000;
- (c) The Bank's total assets, as defined in section 325.2(x) of the Rules, equaled \$287,881,000;
- (d) The Bank's Tier 1 capital, as defined in section 325.2(v) of the Rules, equaled \$20,232,000; and
- (e) The Bank's allowance for loan and lease losses (“ALLL”), as defined in section 325.2(a) of the Rules, equaled \$4,241,000.

3. The Bank has engaged in unsafe or unsound banking practices in that the Bank has engaged in lax loan administration. Without limiting the generality of the foregoing allegations, it is further alleged:

(a) The Bank has an excessive amount of loans to borrowers with common risk characteristics or sensitivities to economic, financial, or business developments (“concentrations”). Specifically, the Bank has an excessive concentration of commercial real estate (“CRE”), particularly speculative construction and development loans, which has elevated risk to an unacceptable level.

(1) As of March 31, 2011 total CRE loans represented 536 percent of the Bank’s Total Risk-Based Capital.

(2) CRE loans (excluding owner-occupied) represented 247 percent of the Bank's Total Risk-Based Capital.

(3) Owner-occupied CRE loans represented 14 percent of the Bank's assets adversely classified at the Examination.

(4) Real estate loans secured by farmland represented 113 percent of the Bank's Total Risk-Based Capital and 43 percent of the Bank's assets adversely classified as at the Examination.

(b) The Bank has operated with inadequate risk management policies and practices for the credit function.

(1) The Bank's loan review and grading process is inadequate in that it does not accurately and timely identify problem credits.

(2) The Bank's credit memoranda lack sufficient detail and accurate cash flow analysis.

4. As a result of the Bank's inadequate diversification of risk, the Bank has an excessive volume of poor quality loans and other assets in relation to its total assets and in relation to its Tier 1 capital and ALLL. As of the Examination, adversely classified assets comprised 153 percent of Tier 1 capital plus the ALLL. The Bank's adversely classified loans and leases represented 16.68 percent of its total loans. Assets classified Substandard include other real estate owned ("ORE") totaling \$2,006,000. In particular, the classified assets were as follows:

Substandard	\$ 37,403,000
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Loss	\$ 31,000
Total	\$ 37,434,000

5. The Bank has engaged in unsafe or unsound banking practices in that it has been operated with insufficient capital in relation to the kind and quality of assets held by the Bank. As of March 31, 2011, the Bank reported that its leverage and total risk-based capital ratios were 7.04 percent and 10.51 percent, respectively.

6 The Bank has engaged in unsafe or unsound banking practices in that the Bank has operated with inadequate earnings to fund its operations and augment capital. For the twelve month period ending December 31, 2010, the Bank reported a Return on Average Assets of negative 2.3 percent. In addition, the Bank's poor earnings are expected to continue due to losses caused by a high level of problem assets and deteriorating asset quality.

7. The Bank has engaged in unsafe or unsound practices in that it has operated with inadequate contingency funding plan. The Bank has operated with an inadequate investment security policy.

8. The Bank has engaged in unsafe or unsound banking practices in that it has not effectively managed the Bank's interest rate risk ("IRR"). The Bank's level of IRR is not mitigated by the current level of earnings and capital. Also, the Bank failed to have an independent evaluation of its risk monitoring and control procedures.

9. (a) By reason of the allegations above, the Bank has engaged in unsafe or unsound banking practices by operating with management and a Board of Directors ("Board") whose policies and practices are detrimental to the Bank and jeopardize the safety of the Bank's deposits.

(b) By reason of the allegations above, the Bank's management and the Board have engaged in unsafe or unsound banking practices in that it has failed to provide adequate supervision over and direction of the active officers of the Bank to prevent the practices described above.

10. Notice is hereby given that a hearing will be held in Gainesville, Florida, within 60 days from the date of service on the Bank of this NOTICE, or on such date as may be set by the Administrative Law Judge appointed to hear this matter, for the purpose of taking evidence on the above-mentioned charges in order to determine whether an Order should be issued under the Act requiring the Bank: (1) to cease and desist from the unsafe or unsound banking practices herein specified; and/or (2) to take affirmative action to correct the conditions resulting from such practices.

11. The hearing will be held before an Administrative Law Judge to be assigned by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The hearing will be open to the public and in all respects will be conducted in compliance with the provisions of the Act and the FDIC Rules of Practice and Procedures.

12. The Bank is hereby directed to file an answer to this NOTICE within 20 days as provided by section 308.19 of the FDIC Rules of Practice and Procedures, 12 C.F.R. § 308.19. All papers filed or served in this proceeding shall be filed upon the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, Virginia 22226-3500, pursuant to section 308.10 of the FDIC Rules of Practice and Procedure, 12 C.F.R. § 308.10. The Bank is encouraged to file any answer electronically with the Office of Financial Institution Adjudication at ofia@fdic.gov.

13. In addition, copies of all papers filed in this proceeding shall be served upon the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429-9990, A. T. Dill, III, Assistant General Counsel, Legal Division, Enforcement Unit, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429-9990 and upon Andrea Fulton Toliver, Regional Counsel (Supervision), Federal Deposit Insurance Corporation, Atlanta Regional Office, 10 Tenth Street, N.E. Suite 800, Atlanta, Georgia 30309-3906.

Pursuant to delegated authority.

Dated at Atlanta, Georgia this 16th day of September, 2011.

/s/

Thomas J. Dujenski
Regional Director