

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

and

STATE OF GEORGIA  
DEPARTMENT OF BANKING AND FINANCE  
ATLANTA, GEORGIA

_____ )	
In the Matter of )	
STATE BANK OF GEORGIA )	CONSENT ORDER
FAYETTEVILLE, GEORGIA )	
(Insured State Nonmember Bank) )	FDIC-11-311b
_____ )	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for State Bank of Georgia, Fayetteville, 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 AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER” (“STIPULATION”), dated September 27, 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, GA Code Ann. Section 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 and information technology 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 section 8(b) of the Act, 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:

## CAPITAL

1. (a) Within 90 days from the effective date of this ORDER, the Bank shall have Tier 1 Capital in such amount as to equal or exceed 8 percent of its Total Assets, and shall have Total Risk-Based Capital in such an amount as to equal or exceed 10 percent of the Bank's total risk-weighted assets.

(b) During the life of this ORDER, the Bank shall maintain a Leverage Capital Ratio of at least 8 percent and a Total Risk-Based Capital Ratio of at least 10 percent as those capital ratios are defined in 12 C.F.R. § 325.

(c) 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 Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and the Department (collectively, "Supervisory Authorities") as determined at subsequent examinations and/or visitations.

(d) 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 this ORDER. In developing the capital plan, the Bank shall 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.

(e) In addition, the capital plan must include a contingency plan in the event that the Bank has failed to:

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

(f) The contingency plan shall include a plan to sell or merge the Bank. The Bank shall implement the contingency plan upon written notice from the Regional Director and/or the Department.

(g) If any such capital ratios are less than the percentages required by this ORDER, as determined as of the date of any Consolidated Report of Condition and Income or at an examination by the FDIC or the Department, the Bank shall, within 30 days from receipt of a written notice of the capital deficiency from the Supervisory Authorities, present to the Supervisory Authorities a plan to increase the Bank's Tier 1 Capital or to take other measures to bring all the capital ratios to the percentages required by this ORDER. After the Supervisory Authorities respond to the plan, the Board shall implement the plan, including any modifications and/or amendments requested by the Supervisory Authorities.

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

- (i) Sale of common stock;
- (ii) Sale of noncumulative perpetual preferred stock;
- (iii) Direct contribution of cash by the Board, shareholders, and/or parent holding company;
- (iv) Any combination of the above means; or

(v) Any other means acceptable to the Supervisory Authorities.

(i) No increase in Tier 1 Capital that is necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's ALLL.

(j) If all or part of any necessary increase in Tier 1 Capital required by this ORDER is accomplished by the sale of new securities, the Board shall take all necessary steps to 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 applicable federal securities laws. Prior to the implementation of the plan and, in any event, not less than 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 Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429, and the Commissioner, Georgia Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341, for review. Any changes requested to be made in the plan or materials by the Supervisory Authorities shall be made prior to the dissemination of the plan and materials. 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.

(k) In complying with the provisions of the Capital paragraph of this ORDER, the Bank shall provide written notice of any planned or existing development, or other changes that are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities, to any subscriber and/or purchaser of the Bank's securities. The written notice required by this paragraph 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 prior to the time that securities are sold to such subscriber and/or purchaser.

### **INFORMATION TECHNOLOGY**

2. (a) Within 30 days from the effective date of this ORDER, the Bank shall formulate and approve an Automated Clearinghouse ("ACH") Policy. The policy shall include, at a minimum, the following:

- (i) Clearly defined Board-approved objectives;
- (ii) Description of the role of ACH in relation to management's strategic plan;
- (iii) ACH activities included in an enterprise-wide risk assessment;
- (iv) Risk parameters that address the types of ACH activities or services in which management may engage;
- (v) Duties and responsibilities which ensure adequate internal controls over ACH transactions;
- (vi) An ACH credit risk management program that includes a vendor management program that includes a due diligence process for selecting third-party service providers; and
- (vii) All other conditions of the 2011 NACHA Operating Rules and Guidelines.

(b) Within 30 days of the effective date of the ORDER, the Board will resolve all ACH exceptions noted in the July 2010 ACH audit performed by GACHA, and within 30 days after receipt of notice of any future exceptions, the Board will resolve any such exceptions. The Board will require detailed reports identifying each audit finding, officer responsible for correcting the finding(s), expected resolution date, along with management's actions taken to address the finding. Also, the Board shall establish ACH limits commensurate with lending authorities and Tier 1 Capital levels. The Board shall require from management detailed reports identifying each audit along with management's actions taken to address the findings.

(c) Within 30 days of the effective date of this ORDER, the Board will ensure that the Bank conducts a review of all wire transfer operational and security settings and determines that user settings are appropriate for each user/operator with due consideration to separation of duties. Also, the Board shall establish wire transfer limits commensurate with lending authorities and Tier 1 Capital levels. Management shall submit documentation to the Board to substantiate the review.

### **PROGRESS REPORTS**

3. Within 30 days from the end of the first quarter following the effective date of this ORDER, and within 30 days from 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 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 appropriate Board meeting minutes.

## **DISCLOSURE**

4. The Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, in conjunction with the Bank's next shareholder communication or in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429 and Georgia Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341 for non-objection or comment at least 10 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

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 action against the Bank, the Bank's current or former institution-affiliated parties, and/or any of their respective directors, officers, employees, and agents, including, but not limited to, the imposition of civil money penalties.

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 this 4th day of October, 2011.

/s/

By: \_\_\_\_\_  
Thomas J. Dujenski  
Regional Director  
Division of Risk Management Supervision  
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 30th day of September, 2011.

By:            /s/  
                 \_\_\_\_\_  
                 Robert M. Braswell  
                 Commissioner  
                 Department of Banking and Finance  
                 State of Georgia