

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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	)	
In the Matter of	)	
	)	CONSENT ORDER
CITIZENS BANK OF EFFINGHAM	)	
SPRINGFIELD, GEORGIA	)	FDIC-10-102b
	)	
(Insured State Nonmember Bank)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Citizens Bank of Effingham, Springfield, 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 April 28, 2010, that is accepted by the FDIC and the Commissioner (the "Commissioner") for 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 this STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices, or violations of law and/or regulation relating to weaknesses in asset quality, capital adequacy, earnings, management effectiveness, 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 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:

**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 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 four members, to oversee the Bank's compliance with the ORDER. Three 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) During the life of this ORDER, the Bank will have and retain qualified management with the qualifications and experience commensurate with assigned duties and responsibilities at the Bank. Each member of management will be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

- (b) The qualifications of management will 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 the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, risk management, liquidity, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank will notify the Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and the Commissioner (collectively, "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.

(d) 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.

(e) Within 60 days from the effective date of this ORDER, the Board will develop a written analysis and assessment of the Bank's management and staffing needs ("Management Plan"), which will include, at a minimum:

- (i) identification of both the type and number of officer positions needed to manage and supervise properly the affairs of the Bank;
- (ii) identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) an evaluation of each Bank officer and staff member to determine whether these individuals possess the ability, experience, and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices and maintenance of the Bank in a safe and sound condition; and
- (iv) a plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience, and other qualifications, which the Board determines are necessary to fill Bank officer or staff member positions consistent with the Board's

analysis, evaluation, and assessment as provided in paragraphs 2(e)(i) and 2(e)(iii) of this ORDER.

(f) The written Management Plan and any subsequent modification thereto will be submitted to the Supervisory Authorities for review and comment. No more than 30 days from the receipt of any comment from the Regional Director, and after consideration of such comment, the Board will approve the written Management Plan and/or any subsequent modification thereto which approval will be recorded in the minutes of the Board. Thereafter, the Bank and its institution-affiliated parties will implement and follow the written Management Plan and/or any subsequent modification.

### **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) Thereafter during the life of this ORDER, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed eight (8%) percent of the Bank’s total assets; and a Total risk-based capital ratio of at least ten (10%) percent as those risk based capital ratios are described in 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) The level of Tier 1 capital and total risk based capital to be maintained during the life of this ORDER pursuant to this paragraph will be in addition to a fully funded ALLL, the adequacy of which will be satisfactory to the Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

(d) Any increase in Tier 1 capital and total risk based capital necessary to meet the requirements of paragraph 3 of this ORDER may be accomplished by the following:

- (i) the sale of common stock; or
- (ii) the sale of noncumulative perpetual preferred stock; or
- (iii) the 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 and total risk based capital necessary to meet the requirements of paragraph 3 of this ORDER may not be accomplished through a deduction from the Bank's ALLL.

(e) If all or part of any necessary increase in capital required by paragraph 3 of this ORDER is accomplished by the sale of new securities of the Bank, 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 any applicable securities laws. Prior to the implementation of a plan involving the public distribution of the Bank's securities and, in any event, not less than 15 days prior to the dissemination of the materials to be used in the public distribution, the plan and any materials to be used in a public distribution of the Bank's securities shall be submitted to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, 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 shall be made prior to their dissemination.

(f) For the purposes of this ORDER, the terms "Tier 1 capital", "total risk based capital", "total assets", and "total risk weighted assets" will have, the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

(g) Within 30 days of the last day of each calendar quarter, the Bank will 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 will submit a written plan to the Supervisory Authorities, describing the means and timing by which the Bank will increase such ratios up to or in excess of the established minimum.

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

(a) Within 30 days from the date of this ORDER, the Board will make a provision which will replenish the ALLL for the loans charged off as a result of this examination and reflect the potential for further losses in the remaining loans or leases classified “Substandard” and “Doubtful” as well as all other loans and leases in its portfolio.

(b) Within 30 days from the effective date of this ORDER, the Board will review and revise its ALLL policy and methodology for determining the adequacy of the ALLL. The policy will provide for a review of the ALLL at least once each calendar quarter and be completed within 21 days after the end of each calendar quarter in order that the results of the review conducted by the Board may be properly reported 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, including the identification of and the appropriate value for collateral dependent loans. A deficiency in the ALLL will be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition and Income, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken will indicate the results of the review. The Bank’s policy for determining the adequacy of the Bank’s ALLL and its implementation will be

satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

**5. CHARGE-OFF**

(a) Within 15 days from the effective date of this ORDER, the Bank will 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" in the Report of Examination dated October 13, 2009 ("Report") that have not been previously collected or charged-off. Elimination of any 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 will, 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.

**6. REDUCTION OF CLASSIFIED ASSETS**

(a) Within 60 days from the effective date of this ORDER, the Bank will formulate a written plan to reduce the Bank's risk exposure in each asset in excess of \$500,000 classified as "Substandard" or "Doubtful" in the Report. In developing the plan mandated by this paragraph, the Bank will, at a minimum, and with respect to each adversely classified loan, 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 and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) Within 60 days from the effective date of this ORDER, the Bank will formulate a written plan to reduce the aggregate balance of assets classified "Substandard" or "Doubtful" in the Report in accordance with the following schedule:

- (i) Within 180 days from the effective date of this ORDER, the Bank will reduce the items classified "Substandard" or "Doubtful" in the Report by twenty-five (25%) percent;
- (ii) Within 360 days from the effective date of this ORDER, the Bank will reduce the items classified "Substandard" or "Doubtful" in the Report by forty (40%) percent;
- (iii) Within 540 days from the effective date of this ORDER, the Bank will have reduced the items classified "Substandard" or "Doubtful" in the Report by sixty (60%) percent;
- (iv) Within 720 days from the effective date of this ORDER, the Bank will have reduced the items classified "Substandard" or "Doubtful" in the Report by seventy-five (75%).

(c) Within 60 days from the effective date of this ORDER, the Bank will submit the plans required in paragraphs 6(a) and 6(b) to the Supervisory Authorities for review and comment. Within 30 days from the receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank will approve the plans, which approval will be recorded in the minutes of the meeting of the Board. Thereafter, the Bank will implement and fully comply with the

plans. Such plans will be monitored and progress reports thereon will be submitted to the Supervisory Authorities within 30 days following the end of each calendar quarter concurrently with the other reporting requirements set forth in paragraph 20 of this ORDER.

(d) The requirements of this paragraph are not to be construed as standards for future operations of the Bank. Furthermore, the Bank will eventually reduce the total of all adversely classified assets. Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph. As used in paragraphs 6(a) through (c), the word “reduce,” means:

- (i) to collect;
- (ii) to charge off; or
- (iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification as determined by the Supervisory Authorities.

7. **NO ADDITIONAL CREDIT**

(a) Beginning with the effective date of this ORDER, the Bank will 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 will 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 will 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 as "Substandard" and is uncollected.

(c) Paragraph 7(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.

## **8. CONCENTRATIONS OF CREDIT**

Within 60 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the Concentrations of Credit listed in the 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. A copy of this analysis shall be provided to the Supervisory Authorities and the Board agrees to develop a plan to reduce any segment of the portfolio which the Supervisory Authorities deem to be an undue concentration of credit in relation to the Bank's Tier 1 Capital. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations or visitation.

**9. 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 initial revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall include the following:

- (i) provisions which will correct the criticisms and address recommendations listed in the Report;
- (ii) provisions, consistent with FDIC instructions for the preparation of Reports of Condition and Income, under which the accrual of interest income is discontinued and previously accrued interest is reversed on delinquent loans;
- (iii) provisions which prohibit the capitalization of interest or loan related expense unless the Board supports in writing and records in

the minutes of the corresponding Board meeting why an exception thereto is in the best interests of the Bank;

- (iv) 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 information, profit and loss statements or copies of tax returns and cash flow projections;
- (v) provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values;
- (vi) provisions which provide for ongoing analysis of participation loans sold and their requirements for servicing;
- (vii) provisions which specify the circumstances and conditions under which real estate appraisals must be conducted by an independent third party; and
- (viii) provisions which prohibit concentrations of credit in excess of 25 percent of the Bank's Tier 1 capital to any borrower and that borrower's related interests.

(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.

**10. PLAN FOR EXPENSES AND PROFITABILITY**

(a) Within 60 days from the effective date of this ORDER, the Bank will formulate and implement a written profit plan and a realistic, comprehensive budget for all categories of income and expense. This plan will be forwarded to the Supervisory Authorities for review and comment and will 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 for two years for all income and expense categories;
- (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 will evaluate the Bank's actual performance in relation to the plan required by this paragraph and will 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 will formulate such a plan and budget by November 30 of each subsequent year. These plans and budgets will be submitted to the

Supervisory Authorities for review and comment by December 15 of each subsequent year.

**11. FUNDS MANAGEMENT PLAN**

(a) Within 60 days from the effective date of this ORDER, the Bank will adopt and implement a written plan addressing liquidity, contingent funding, and asset liability management. A copy of the plan will be submitted to the Regional Director upon its completion for review and comment. Within 30 days from the receipt of any comments from the Regional Director, the Bank will incorporate those recommended changes. Thereafter, the Bank will implement and follow the plan. Annually during the life of this ORDER, the Bank will review this plan for adequacy and, based upon such review, will make appropriate revisions to the plan that are necessary to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs.

- (b) The initial plan will include, at a minimum:
- (i) a limitation on the ratio of the Bank's total loans to assets;
  - (ii) a limitation on the ratio of the Bank's total loans to funding liabilities;
  - (iii) identification of a desirable range and measurement of dependence on non-core funding;
  - (iv) establishment of lines of credit that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved inadequate;

- (v) a requirement for retention of sufficient investments that can be promptly liquidated to ensure the maintenance of the Bank's liquidity posture at a level consistent with short-term and long-term objectives;
- (vi) establishment of contingency plans to restore liquidity to that amount called for in the Bank's liquidity policy; and
- (vii) establishment of limits for borrowing federal funds and other funds, including limits on dollar amounts, maturities, and specified sources/lenders.

12. **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 described in 12 C.F.R. § 337.6.

13. **ASSET GROWTH LIMITATIONS**

During the life of this ORDER, the Bank shall limit asset growth to 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.

**14. RESTRICTIONS ON CERTAIN PAYMENTS**

(a) While this ORDER is in effect, the Bank will not declare or pay dividends or bonuses without the prior written approval of the Supervisory Authorities. All requests for prior approval will be received at least 30 days prior to the proposed dividend declaration date or bonus payment date (at least 5 days with respect to any request filed within the first 30 days after the date of this ORDER) and will 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 will not make any distributions of interest, principal or other sums on subordinated debentures, if any, without the prior written approval of the Supervisory Authorities.

**15. POLICY FOR INTERNAL ROUTINE AND CONTROL**

(a) Within 90 days from the effective date of this ORDER, the Bank will 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. Such policy and its implementation will, at a minimum, eliminate and/or correct all internal routine and control deficiencies as more fully set forth in the Report, and will be satisfactory to the Supervisory Authorities.

(b) Within 90 days from the effective date of this ORDER, the Bank will adopt and implement a comprehensive written audit program. A copy of the audit program will 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 will incorporate those recommended changes. The Bank will

thereafter implement and enforce an effective system of internal and external audits. The internal auditor will make written quarterly reports of audit findings directly to the Board. The minutes of the meetings of the Board will reflect consideration of these reports and describe any action taken as a result thereof.

#### **16. INTERNAL LOAN REVIEW**

Within 60 days from the effective date of this ORDER, the Bank will adopt an effective internal loan review and grading system to provide for the 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 will be satisfactory to the Supervisory Authorities as determined at their initial review and at subsequent examinations and/or visitations. At a minimum, the grading system will provide for the following:

- (a) specification of standards and criteria for assessing the credit quality of the Bank's loans;
- (b) application of loan grading standards and criteria to the Bank's loan portfolio;
- (c) categorization of the Bank's loans into groupings based on the varying degrees of credit and other risks that may be presented under the applicable grading standards and criteria, but in no case, will a loan be assigned a rating higher than that assigned by examiners at the last examination of the Bank without prior written notification to the Supervisory Authorities;
- (d) assessment of the likelihood that each loan exhibiting credit and other risks will not be repaid according to its terms and conditions;

(e) identification of any loan that is not in conformance with the Bank's loan policy;

(f) identification of any loan which presents any unsafe or unsound banking practice or condition or is otherwise in violation of any applicable Georgia or Federal law, regulation, or statement of policy;

(g) requirement of a written report to be made to the Board and Audit Committee, not less than quarterly after the effective date of this ORDER. The report will identify the status of those loans that exhibit credit and other risks under the applicable grading standards/criteria and the prospects for full collection and/or strengthening of the quality of any such loans; and

(h) specific policies governing Bank charge-offs of loans and underlying collateral taken to repay loans.

## **17. CALL REPORTS**

Within 30 days after eliminating from its books any asset in compliance with paragraph 5 and establishing an adequate ALLL in compliance with paragraph 4 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 December 31, 2009. 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.

**18. VIOLATIONS OF LAW AND REGULATIONS**

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

**19. DISCLOSURE**

Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER at the earlier of: 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 will fully describe the ORDER in all material respects. The description and any accompanying communication, statement or notice will 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 and 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 will be made prior to dissemination of the description, communication, notice, or statement.

**20. 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 will 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 will become effective on the date of issuance.

The provisions of this ORDER will be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER will remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER will have been modified, terminated, suspended, or set aside in writing.

Dated at Atlanta, Georgia, this 4th day of May, 2010.

/s/

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Thomas J. Dujenski  
Regional Director  
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 will 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 29th day of April, 2010.

/s/

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