

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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In the Matter of	)	CONSENT ORDER
	)	
THE WOODBURY BANKING COMPANY	)	
WOODBURY, GEORGIA	)	FDIC-11-284b
	)	
(Insured State Nonmember Bank)	)	
	)	

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The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for The Woodbury Banking Company, Woodbury, Georgia, (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 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” (“CONSENT AGREEMENT”), dated July 12, 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 CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weakness in asset quality, management, earnings, capital 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 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:

## BOARD OF DIRECTORS

1. (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. 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; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; and compliance with this ORDER. Board meeting 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"), charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The Directors' Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. The Directors' Committee shall present a report detailing the Bank's adherence to this ORDER to the Board at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board's meetings 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.

(c) Within 30 days from the effective date of this ORDER, the Board shall develop and adopt an educational program for periodic training for each member of the Board. The educational program shall include, at a minimum:

(i) Specific training in the areas of lending, operations, and compliance with laws, rules, and regulations applicable to banks of comparable size and complexity chartered in the state of State; and

(ii) Specific training in the duties and responsibilities of the Board in connection with the safe and sound operation of the Bank.

(d) Upon adoption of the educational program, it shall be acceptable to the Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and the Department (collectively, "Supervisory Authorities") at the initial review and at subsequent examinations and/or visitations. The Board shall document the training activities in the minutes of the next Board meeting following completion of any such training. The Board's actions as required by this paragraph shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations or visitations.

### MANAGEMENT

2. (a) Within 60 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 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 in effectively implementing lending, investment and operating policies in accordance with safe and 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 operating officer with a significant amount of appropriate experience in managing the operations of a bank of similar 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) During the life of this ORDER, the Bank shall notify the Supervisory Authorities, in writing, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C. § 1831i, 12 C.F.R. §§ 303.100-303.104, and any Department requirement for prior notification and approval. If the FDIC issues a notice of disapproval pursuant to 12 U.S.C. § 1831i, with respect to the proposed individual, then such individual may not be added to the Board or employed by the Bank.

(d) Within 30 days from the effective date of this ORDER, the Bank shall retain a bank consultant and who will develop a written analysis and assessment of the Bank's management needs ("Management Report") for the purpose of providing qualified management for the Bank.

(e) The Management Report shall be developed within 90 days from the effective date of this ORDER and 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) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) Written evaluation of all senior executive officers to determine whether such 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, restoration of the Bank to a safe and sound condition, and maintenance of the Bank in a safe and sound condition thereafter;

(iv) Evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits;

(v) 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

(vi) An organizational chart.

(f) Within 30 days from the effective date of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter or third party contract for review before it is executed.

(g) The contract or engagement letter, at a minimum, shall include:

(i) A description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) The responsibilities of the firm or individual;

(iii) An identification of the professional standards covering the work to be performed;

(iv) Identification of the specific procedures to be used when carrying out the work to be performed;

(v) The qualifications of the employee(s) who will perform the work;

(vi) The time frame for completion of the work;

(vii) Any restrictions on the use of the reported findings;

(viii) A provision for unrestricted examiner access to work papers; and

(ix) A certification that the neither firm, nor any individual involved in the work to be performed, is affiliated in any manner with the Bank.

(h) Within 30 days from receipt of the Management Report, the Bank shall formulate a written plan ("Management Plan") that incorporates the findings of the Management Report, a

plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. At a minimum, the Management Plan shall:

(i) Contain a recitation of the recommendations included in the Management Report;

(ii) Incorporate a plan to provide necessary training and development for all employees;

(iii) Establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and

(iv) Contain a current management succession plan.

(i) Such Management Plan and its implementation shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

### CAPITAL

3. (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) During the life of this ORDER, the Bank shall maintain a Leverage Ratio of at least eight percent (8%) and a Total Risk-Based Capital Ratio of at least ten percent (10%) as those capital ratios are defined in 12 C.F.R. Part 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 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 Supervisory Authorities.

#### CHARGE-OFF LOSS AND DOUBTFUL

4. (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" in the Report of Examination dated March 14, 2011 (the "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 shall, within 30 days from the receipt of any official Report of Examination of the Bank from the FDIC or the Department, eliminate from its books, by collection, charge-off, or other proper entry, the remaining balance of any asset classified "Loss" and 50 percent of those assets classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities. If an asset is classified "Doubtful", the Bank may, in the alternative, charge-off the amount that is considered uncollectible in accordance with the Bank's written analysis of loan or lease impairment.

#### CLASSIFIED ASSET REDUCTION

5. (a) Within 30 days from the effective date of this ORDER, the Bank shall submit a written plan to the Supervisory Authorities to reduce the remaining assets classified "Substandard" and "Doubtful" in the Report. In addition, within 60 days from receipt of any future regulatory examination report, the Bank shall submit a written plan to reduce the

remaining assets classified “Substandard” and “Doubtful” in such report. The plan shall address each asset so classified with a balance of \$100,000 or greater and provide the following:

- (i) The name under which the asset is carried on the books of the Bank;
  - (ii) Type of asset;
  - (iii) Actions to be taken in order to reduce the classified asset; and
  - (iv) Timeframes for accomplishing the proposed actions.
- (b) The plan shall also include, at a minimum:
- (i) A review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
  - (ii) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.
- (c) In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall require the submission of monthly progress reports to the Board and mandate a review by the Board.
- (d) The Bank shall present the plan to the Supervisory Authorities for review. Within 30 days from the Supervisory Authorities' response, the plan, including any requested modifications or amendments, shall be adopted by the Board and the approval shall be recorded in the Board minutes. The Bank shall then immediately implement the plan.

(e) For purposes of the plan, the reduction of adversely classified assets as of March 14, 2011, shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's ALLL and may be accomplished by:

- (i) Charge-off;
- (ii) Collection;
- (iii) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State; and/or
- (iv) Increase in the Bank's Tier 1 Capital.

NO ADDITIONAL CREDIT

6. (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 credit already extended to a borrower after full collection, in cash, of interest due from the 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."

(c) The preceding limitations on additional credit 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 extension of any additional credit pursuant to this paragraph, either in the form

of an 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 that:

(i) The failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, including an explanatory statement of why it would be detrimental to the Bank's best interests;

(ii) The Bank's position would be improved thereby, including an explanatory statement of how the Bank's position would be improved; and

(iii) 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 meeting minutes of the Board or its designated committee and a copy of the signed certification shall be retained in the borrower's credit file.

(e) Any additional extensions of credit to classified borrowers made under this provision shall be reported at 90-day intervals with the other reporting requirements set forth in this ORDER. At a minimum, the 90-day reports shall include the name of the classified borrower, the amount of additional credit extended, and the total outstanding balance of credit extended to the classified borrower.

#### CONCENTRATIONS OF CREDIT

7. Within 60 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis and develop a plan to reduce the concentrations of credit listed on the Concentrations page(s) of the Report. The analysis and plan should incorporate applicable

guidance set forth in *Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*, FIL-104-2006 (Dec. 12, 2006). 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 ALLL. A copy of this analysis and plan shall be provided to the Supervisory Authorities. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

### STRATEGIC PLAN

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities an acceptable 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) The Board shall approve the business/strategic plan, which approval shall be recorded in the Board meeting minutes for the meeting at which the business/strategic plan was approved.

### BUDGET

9. (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.

Thereafter, the Bank shall formulate such a plan and budget by November 30 of each subsequent year while this ORDER remains in effect and submit the plan and budget to the Supervisory Authorities for review and comment by December 15 of each subsequent year. The plan and budget required by this ORDER shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations

(b) On a monthly basis, the Board shall evaluate the Bank's actual performance in relation to the plan and budget required by this ORDER 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. The actual performance compared to the budget shall be submitted to the Supervisory Authorities with the quarterly progress reports required by this ORDER.

### LENDING

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement its written lending and collection policy to provide effective guidance and control over the Bank's lending function. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(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, consistent with the Instructions for Preparation of Consolidated Reports of Condition and Income, under which the accrual of interest income is discontinued and previously accrued interest is reversed on delinquent loans;

(ii) Provisions which require complete loan documentation, including current financial information, profit and loss statements and/or copies of tax returns, and cash flow projections;

(iii) Provisions which require realistic repayment terms and current credit information adequate to support the outstanding indebtedness of the borrower;

(iv) Provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values;

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

(vi) Provisions which establish standards for the extension of unsecured credit, including overdrafts;

(vii) Provisions which establish officer lending limits;

(viii) Provisions which require extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such persons, to be approved in advance by a majority of the entire Board in accordance with 12 C.F.R. § 215.4(b);

(ix) Provisions which prohibit the issuance of standby letters of credit unless the letters of credit are fully secured by readily marketable collateral and/or are supported by current and complete financial information;

(x) Provisions which require proper supervision of construction loans and adequate procedures to monitor actual construction completed in relation to construction loan advances;

(xi) Provisions which prohibit concentrations of credit in excess of 25 percent of the Bank's' Tier 1 Capital to any borrower and such borrower's related interests; and

(xii) Provisions which require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of \$100,000 that are classified

"Substandard" and "Doubtful" in the Report and by the Supervisory Authorities in subsequent Reports of Examination, and all other loans in excess of \$100,000 that warrant individual review and consideration by the Board as determined by the Loan Committee or active management of the Bank. The loan "watch list" shall be presented to the Board for review at least monthly with such review noted in the minutes.

(c) The Board shall adopt procedures whereby officer compliance with the revised loan policy is monitored and exceptions are reported to the Board. 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.

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

11. (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 was underfunded as set forth in the Report.

(b) Within 30 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 Consolidated Reports of Condition and Income. The review shall focus on the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions.

The review should include a review of compliance with ASC 450 (Topic 450, "Contingencies") and ASC 310-10-35 (Section 35, "Subsequent Measurement General," of Subtopic 310-10). The policy shall adhere to the guidance set forth in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses*, FIL-105-2006 (Dec. 13, 2006). A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the next Consolidated Report of Condition and Income, by a charge to current operating earnings. The Board meeting minutes for the 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 the initial review and at subsequent examinations and/or visitations.

#### LOAN REVIEW

12. (a) Within 60 days from the effective date of this ORDER, the Bank shall 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 shall be satisfactory to the Supervisory Authorities at the initial review of the system, and at subsequent examinations and/or visitations. At a minimum, the grading system shall provide for the following:

- (i) Specification of standards and criteria for assessing the credit quality of the Bank's loans;
- (ii) Application of loan grading standards and criteria to the Bank's loan portfolio;

(iii) 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;

(iv) Assessment of the likelihood that each loan exhibiting credit and other risks will not be repaid according to its terms and conditions;

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

(vi) Identification of any loan which presents any unsafe or unsound banking practice or condition or is otherwise in violation of any applicable state or federal law, regulation, or statement of policy;

(vii) Requirement of a written report to be made to the Board and Audit Committee, if any, not less than quarterly after the effective date of this ORDER. The report shall 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

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

### ASSET/LIABILITY POLICY

13. Within 60 days from the effective date of this ORDER, the Board shall review and revise, as necessary, the Bank's written policy and procedures for managing interest rate risk, taking into consideration examination findings. The policy shall comply with the *Joint Agency Policy Statement on Interest Rate Risk*, FIL-52-1996 (June 26, 1996), 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 provisions for periodic reporting to management and the Board regarding interest rate risk. Such policy and its implementation shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

### TECHNICAL EXCEPTIONS

14. Within 30 days from the effective date of this ORDER, the Bank shall correct the technical exceptions listed in the Report. The Bank shall initiate and implement a program to ensure its credit files contain complete, adequate and current documentation. In addition, within 30 days from receipt of any future regulatory examination report, the Bank shall correct any technical exceptions identified in such report.

### INFORMATION TECHNOLOGY

15. Within 60 days from the effective date of this ORDER, the Bank shall take all appropriate corrective measures to address the deficiencies of its information technology systems detailed in the Report.

## AUDIT PROGRAM

16. (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 routines and controls within the Bank consistent with safe and sound banking practices. Such policy and its implementation shall, at a minimum, eliminate and/or correct all internal routine and control deficiencies as more fully set forth in the Report and shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

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

(c) Within 60 days from the effective date of this ORDER, the Board shall comply with the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing*, FIL-21-2003 (Mar. 17, 2003). Changes made to the audit program as a result of complying with this paragraph shall be reviewed and adopted by the Board, recorded in the applicable Board minutes, and shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

## RESTRICTIONS OF CERTAIN PAYMENTS

17. (a) While this ORDER is in effect, the Bank shall not declare or pay dividends, bonuses, or make any other form of payment outside the ordinary course of business resulting in

a reduction of capital, without the prior written approval of the Supervisory Authorities. All requests for prior approval shall be received at least 30 days prior to the proposed dividend or bonus payment declaration date (or at least 5 days with respect to any request filed within the first 30 days from the date of this ORDER) and shall contain, but not be limited to, an analysis of the impact such dividend or bonus payment would have on the Bank's capital, income, and/or liquidity positions.

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

#### OTHER REAL ESTATE

18. Within 60 days from the effective date of this ORDER, the Board shall develop a written policy for managing the Other Real Estate of the Bank. Such policy shall be consistent with all applicable laws, regulations, and other regulatory guidelines regarding appraisals, including, but not limited to, the FDIC's appraisal regulations as described in 12 C.F.R. Part 323, and *Guidance on Other Real Estate*, FIL-62-2008 (July 1, 2008). The Bank shall submit the policy to the Supervisory Authorities for review. The Bank shall approve the policy, which approval shall be recorded in the Board meeting minutes. Thereafter, the Bank shall implement and fully comply with the policy.

#### CALL REPORTS

19. (a) Within 30 days from the effective date of this ORDER, the Board shall ensure that all Consolidated Reports of Condition and Income filed with the FDIC on or after December

31, 2010, are reviewed and shall file, as necessary, amended Consolidated Reports of Condition and Income, in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, which accurately reflect the financial condition of the Bank as of the date of each report. Amended Consolidated Reports of Condition and Income must be filed if previously submitted reports were not filed in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income.

(b) In addition, and during the life of this ORDER, the Bank shall file Consolidated Reports of Condition and Income that accurately reflect the financial condition of the Bank as of the reporting period specified. In particular, the reports shall incorporate any adjustment in the Bank's books made as a consequence of any official Report of Examination of the Bank from the Supervisory Authorities during the reporting period.

#### ASSET GROWTH

20. While this ORDER is in effect, the Bank shall notify the Supervisory Authorities at least 60 days prior to undertaking asset growth that exceeds ten percent (10%) or more per annum or initiating material changes in asset or liability composition. In no event shall asset growth result in noncompliance with the capital maintenance provisions of this ORDER unless the Bank receives prior written approval from the Supervisory Authorities.

#### VIOLATIONS OF LAW, REGULATION, AND CONTRAVENTION OF POLICY

21. Within 60 days from the effective date of this ORDER, the Bank will eliminate and/or correct all violations of laws, regulations, and/or contraventions of statements of policy in the

Report and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable federal and state laws, regulations, and/or statements of policy.

### ETHICS PROGRAM

22. (a) Within 30 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written ethics policy ("Ethics Policy") and program ("Ethics Program").

The Ethics Policy shall state the ethical standards expected of directors, officers, employees, agents, and other persons participating in the conduct of the affairs of the Bank ("Covered Individuals") in the performance of their duties and responsibilities.

(b) The Ethics Program shall establish the definitions, instructions, and format to be followed by Covered Individuals in the preparation of comprehensive conflict disclosure statements ("Statements") to be filed for review by an ethics counselor and/or ethics committee and shall require:

- (i) Initial Statements from all existing Covered Individuals;
- (ii) Initial Statements from any person who newly becomes a Covered Individual;
- (iii) Periodic Statements from all Covered Individuals; and
- (iv) Immediate reporting of new conflicts or discovery of previously unreported conflicts.

(c) At a minimum, the Ethics Program shall address the:

- (i) Acceptance of gifts, entertainment, favors, and loans;

- (ii) Use of official information;
- (iii) Employment of relatives;
- (iv) Use of Bank property;
- (v) Reimbursement of travel expenses;
- (vi) Disclosure of indebtedness to the Bank or any other financial institution;
- (vii) Financial interests and obligations that appear to conflict with the Covered Individual's duties and responsibilities, including, but not limited to, participation of any sort in any transaction or loan in which the Covered Individual, his or her spouse, child, partner, or any organization in which the Covered Individual has a financial interest, or serves as an officer, director, trustee, or partner, is involved;
- (viii) Purchase of Bank property;
- (ix) Provision of goods or services to the Bank; and
- (x) Acceptance outside employment and/or maintenance of other activities.

(d) The Ethics Policy shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

#### PROGRESS REPORTS

23. 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 has 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.

#### SHAREHOLDER DISCLOSURE

24. Within 30 days from the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its parent holding company. The description shall fully describe this ORDER in all material respects.

#### OTHER ACTIONS

25. This ORDER shall not bar, estop, or otherwise prevent the FDIC, the State, 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 FDIC.

Issued Pursuant to Delegated Authority

Dated this 13th day of July, 2011.

By:

/s/

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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 12th day of July, 2011.

By:

/s/

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