

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____	)	
In the Matter of:	)	NOTICE OF INTENTION TO
	)	PROHIBIT FROM FURTHER
RONALD DARRIN McGLAMRY,	)	PARTICIPATION, AND
individually and as an institution-affiliated	)	NOTICE OF ASSESSMENT OF
party of	)	CIVIL MONEY PENALTY,
	)	FINDINGS OF FACT AND
FARMERS AND MERCHANTS BANK	)	CONCLUSIONS OF LAW,
MONTICELLO, FLORIDA	)	ORDER TO PAY, AND NOTICE
	)	OF HEARING
(INSURED STATE NONMEMBER BANK)	)	
	)	FDIC-10-516e
	)	FDIC-10-686k
	)	
_____	)	

The Federal Deposit Insurance Corporation ("FDIC") has determined that:

**RONALD DARRIN McGLAMRY** ("Respondent" or "McGlamry"), as an institution-affiliated party of Farmers and Merchants Bank, Monticello, Florida ("Bank"), has directly or indirectly participated or engaged in unsafe or unsound banking practices, and/or acts, omissions or practices which constitute breaches of his fiduciary duty as an officer of the Bank;

that as a result of such conduct, the Bank has suffered financial loss or other damage, that the interests of its depositors have been prejudiced or could be prejudiced and/or that the Respondent has received financial gain or other benefit by reason of such practices and/or breaches of fiduciary duty;

such practices and/or breaches of fiduciary duty demonstrate the Respondent's personal dishonesty and/or his willful or continuing disregard for the safety or soundness of the Bank; and

Respondent's reckless, unsafe or unsound practices and/or breaches of his fiduciary duty were part of a pattern of misconduct and/or caused or are likely to cause more than a minimal loss to the Bank and/or resulted in pecuniary gain or other benefit to the Respondent.

The FDIC, therefore, institutes this proceeding for the purpose of:

determining whether an appropriate order should be issued against the Respondent under the provisions of section 8(e) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(e), prohibiting the Respondent from further participation in the conduct of the affairs of the Bank, and any other insured depository institution or organization listed in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without the prior written approval of the FDIC and such other appropriate federal financial institutions regulatory agency, as that term is defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D); and

determining whether an appropriate order should be issued against Respondent under the provisions of section 8(i) of the Act, 12 U.S.C. § 1818(i)(2) requiring him to pay a civil money penalty.

The FDIC hereby issues this:

**NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION** ("NOTICE OF PROHIBITION") pursuant to section 8(e) of the Act, 12 U.S.C. § 1818(e), and the FDIC's Rules of Practice and Procedure (the "FDIC Rules"), 12 C.F.R. Part 308; and

**NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, AND NOTICE OF HEARING** ("NOTICE OF ASSESSMENT") pursuant to section 8(i) of the Act, 12 U.S.C. § 1818(i), and the FDIC Rules.

The FDIC alleges as follows:

As set forth herein, in accordance with a pattern and practice contrary to his fiduciary duty to the Bank and industry practice, McGlamry manipulated his loan portfolio, thereby concealing the true status of loans he originated and administered, to maximize bonuses paid to him by the Bank. McGlamry's concealment of the true status of his loan portfolio prohibited the Bank from taking steps to prevent losses.

#### FINDINGS OF FACT AND CONCLUSIONS OF LAW

##### A. Preliminary Allegations

1. At all times pertinent to this proceeding, the Bank was a corporation existing and doing business under the laws of the State of Florida, having its principal place of business at Monticello, Florida.

2. The Bank has been, at all times pertinent to this proceeding, an insured State nonmember bank, subject to the Act, 12 U.S.C. §§ 1811-1831y, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III; and the laws of the State of Florida.

3. From September 5, 2001, until May 28, 2008, McGlamry served as a Vice President/Branch Manager of the Bank.

4. Having been offered the opportunity to resign from the Bank or be terminated, McGlamry resigned from the Bank on May 28, 2008.

5. At all times pertinent to the charges herein, McGlamry was an "institution-affiliated party" as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of sections 8(e)(7), 8(i) and 8(j) of the Act, 12 U.S.C. §§ 1818(e)(7), 1818(i) and 1818(j).

6. The FDIC has jurisdiction over the Bank, McGlamry, and the subject matter of this proceeding.

B. Respondent Manipulated Third-Party Accounts So That Loans He Originated Would Always Appear Current

7. McGlamry made or directed subordinates to make unauthorized debits to deposit accounts of customers who were not co-signors or guarantors on loans in order to keep loans he originated off the past due list and maximize his bonuses:

(a) On or about December 29, 2003, and January 28, 2004, McGlamry directed loan department employee \*\*\*\*\* to debit the business checking account of \*\*\*\*\* without \*\*\*\*\* knowledge or consent for payments on a Bank loan to \*\*\*\*\*

(b) On or about November 28, 2006, McGlamry directed \*\*\*\*\* to debit Hunter's business checking account without \*\*\*\*\* knowledge or consent for payments due on Bank loans to \*\*\*\*\*, and \*\*\*\*\* Ford.

(c) On or about February 13, 2008, McGlamry directed a loan department employee to debit the business checking account of \*\*\*\*\* \*\*\*\*\* without the knowledge or consent of \*\*\*\*\* to cover an \*\*\*\*\* overdraft in the business account of \*\*\*\*\*

C. Respondent Exceeded His Board Approved Loan Limits

8. On numerous occasions, McGlamry originated loans in excess of his lending authority approved by the Bank's board of directors ("Board") and concealed his actions from the Bank by directing subordinates to falsely enter concurring officer initials on the loan approval forms:

(a) McGlamry originated a loan to \*\*\*\*\* for \$99,000 on September 10, 2007. McGlamry's individual secured lending authority at the time was \$75,000. The Bank's loan form indicates concurring approval of President and CEO R. Michael Sims under the Bank's combined lending authority. In a sworn affidavit, Sims stated that he did not approve the loan.

(b) McGlamry originated a loan to \*\*\*\*\* for \$220,000 on January 17, 2008. McGlamry's individual secured lending authority at the time was \$75,000. The Bank's loan forms indicate concurring approval of President and CEO Sims under the Bank's combined lending authority. In a sworn affidavit, Sims stated that he did not approve the loan.

The loans to \*\*\*\*\*, including the loan identified in paragraph 9(a), below, were adversely classified \$491,000 Substandard and \$142,000 Loss at the FDIC's July 14, 2009 examination of the Bank.

9. In addition to loans where initials of concurring officers were falsely placed on the loan approval forms, at McGlamry's direction, of 100 loans sampled by the FDIC, as exemplified below, sixty-nine (69) had no concurring officer approval on the loan approval form:

(a) McGlamry originated a loan to \*\*\*\*\* for \$137,000 on October 10, 2007. McGlamry's individual secured lending authority at the time was \$75,000. The Bank's loan forms do not reflect concurrence of any Bank officer under the Bank's combined lending authority. In addition, there is no evidence of approval of this loan in the minutes of the Bank's Officer Loan Committee.

(b) McGlamry originated two loans to \*\*\*\*\*; one for \$100,000 on November 22, 2006, and one for \$125,000 on June 13, 2007. When McGlamry originated these loans, his individual secured lending authority was \$75,000. The loan approval forms do not reflect the concurrence of any Bank officer under the Bank's combined lending authority. In addition, there is no evidence of approval of these loans in the minutes of the Bank's Officer Loan Committee. The Bank has recognized losses totaling \$147,508 on these loans.

(c) McGlamry renewed a loan to \*\*\*\*\* in the original principal amount of \$240,000 on June 15, 2007. McGlamry's individual secured lending authority at the time was \$75,000. The loan approval forms do not reflect the concurrence of any Bank officer under the Bank's combined lending authority. In addition, there is no evidence of approval of these loans in the minutes of the Bank's Officer Loan Committee. This loan was classified \$175,000 Substandard and \$100,000 Loss at the FDIC's July 14, 2009 examination of the Bank.

D. Respondent Exceeded His Lending Authority by Closing Loans for More Than the Loan Committee Authorized

10. McGlamry knowingly exceeded his lending authority by originating loans in excess of amounts approved by the Bank's Tallahassee Officer Loan Committee ("TOLC").

The following loans serve as examples of McGlamry's violation of the TOLC's express directions:

(a) McGlamry originated a loan to \*\*\*\*\* in February 2006. The \*\*\*\*\* loan was approved by the TOLC for \$340,000. McGlamry funded the loan in the amount of \$385,000. The Bank has recognized a loss of \$140,000 on this loan.

(b) McGlamry renewed a loan to \*\*\*\*\* in January 2008. The loan was approved by TOLC for \$150,000.00. McGlamry funded the loan in the amount of \$210,000. The Bank foreclosed on the collateral in May 2010 and recognized a loss of \$62,387.

(c) McGlamry originated a loan to \*\*\*\*\* in November 2007. The loan was approved by TOLC for \$415,000. McGlamry funded the loan in the amount of \$425,000. The Bank has initiated foreclosure proceedings against \*\*\*\*\* and estimates a loss of \$250,000.

(d) McGlamry originated a loan to \*\*\*\*\* in June 2007. The loan was approved by TOLC for \$50,000.00. McGlamry modified and funded the loan in the amount of \$124,000. The Bank recognized a loss of \$124,000 on this loan.

(e) McGlamry originated the loans identified in paragraph 12, below, in excess of the amounts approved by TOLC.

E. Respondent Advanced Funds on Construction Loans without Performing Pre-Draw Inspections or Completing Required Draw Schedules

11. McGlamry failed to prepare and maintain construction loan draw schedules and failed to conduct property inspections prior to authorizing borrower disbursements even though he knew he was obligated to do so. The Bank's procedure for managing construction loans are required by the Bank's Loan Policy and are critical internal controls to ensure that projects are progressing as scheduled, that loans are being used for agreed upon purposes, and that the Bank's risk of loss is minimized.

12. Examples of McGlamry's breach of the Bank's policy on construction lending are as follows:

- a) \*\*\*\*\* Loan. The Bank has recognized a loss of \$468,000 on this loan.
- b) \*\*\*\*\* Loan. The Bank has recognized a loss of \$147,000 on this loan.
- c) \*\*\*\*\* Loan. The Bank has recognized a loss of \$514,000 on this loan.
- d) \*\*\*\*\* Loans. The Bank has recognized losses of \$379,803 on these loans.

F. Respondent Paid Accrued Interest Payments on Loans from Loan Proceeds in Contravention of Terms of Loans

13. McGlamry advanced or instructed subordinate employees to advance funds on construction lines to pay the interest due and, therefore, keep the loans off the past due list for, at least, thirteen (13) construction loans originated between April 5, 2007 and May 16, 2008.

McGlamry's practice jeopardized project completion since fewer funds are available for property improvements when construction proceeds are diverted to pay accrued interest. In addition, the practice can also increase the loan balance above what was authorized and increases the loan-to-value ratio. The following loans are examples of this practice:

(a) \*\*\*\*\* - McGlamry originated a loan for \$314,500 on May 16, 2008. Loan documents contain no provision for payment of interest due on the loan from loan proceeds. The Bank has recognized a loss of \$45,188 on this loan.

b) \*\*\*\*\* - McGlamry originated a loan for \$105,611.39 on April 5, 2007. Loan documents contain no provision for payment of interest due on the loan from loan proceeds. The Bank has recognized a loss of \$29,756 on this loan.

c) \*\*\*\*\* McGlamry originated a loan for \$384,000 on June 22, 2007. Loan documents contain no provision for payment of interest due on the loan from loan proceeds. The Bank has recognized a loss of \$109,000 on this loan.

G. Respondent Unilaterally Allowed Payment Extensions on Installment Loans

14. In order to make his loans appear current and off the Bank's past due list so that he could maximize his bonus, McGlamry authorized payment extensions in violation of the Bank's written policy on payment extensions for installment loans which required loan officers to document the reasons for the extension. McGlamry's actions resulted in concealment of the payment extensions from the Bank. McGlamry's excessive use of loan extensions jeopardized the full collection of amounts due by allowing potential problem situations to deteriorate over

time. The following are loans for which McGlamry authorized payment extensions in violation of the Bank's loan policy and on which the Bank suffered a loss:

(a) \*\*\*\*\* - payments extended on four occasions based on directions given to loan administrators by McGlamry. The Bank has recognized a loss of \$35,300 on this loan.

(b) \*\*\*\*\* payments extended on five occasions based on directions given to loan administrators by McGlamry. The Bank has recognized a loss of \$14,576 on this loan.

#### Concluding Allegations

15. By reason of the unsafe or unsound practices and breaches of fiduciary duty described in paragraphs 7 through 14 above, McGlamry received financial gain or other benefit.

16. By reason of the unsafe or unsound practices and breaches of fiduciary duty described in paragraphs 7 through 14 above, the Bank suffered or will probably suffer financial loss or other damage. As of May 31, 2009, the FDIC determined the losses to the Bank to be in the amount of approximately \$2,673,915 with future losses highly likely and yet to be realized.

#### H. Grounds for Section 8(e) Prohibition Order

17. As a result of the Respondent's foregoing acts, omissions and/or practices, the Respondent has engaged and/or participated in unsafe or unsound banking practices in connection with the Bank.

18. As a result of the Respondent's foregoing acts, omissions and/or practices, the Respondent breached his fiduciary duty as a Vice President and Branch Manager of the Bank.

19. By reason of the practices or breaches as specified in paragraphs 7 through 14, the Bank has suffered or will probably suffer financial loss or other damage.

20. By reason of the violations, practices or breaches as specified in paragraphs 7 through 14, Respondent has received financial gain or other benefit.

21. The acts, violations, omissions and/or practices of the Respondent as set forth in

paragraphs 7 through 14 demonstrate a willful or continuing disregard for the safety or soundness of the Bank and/or evidence the Respondent's personal dishonesty.

I. Grounds for Section 8(i)(2) Second Tier Civil Money Penalty

22. As a result of the foregoing facts and conclusions, the FDIC concludes that Respondent recklessly engaged in unsafe or unsound practices in conducting the affairs of the Bank.

23. Further, as a result of the foregoing facts and conclusions, the FDIC concludes that Respondent breached his fiduciary duty to the Bank.

24. Further, as a result of the foregoing facts and conclusions, the FDIC concludes that Respondent's reckless, unsafe or unsound practices and/or breaches of fiduciary duty to the Bank were part of a pattern of misconduct.

25. Further, as a result of the foregoing facts and conclusions, the FDIC concludes that Respondent's reckless, unsafe or unsound practices and/or breaches of fiduciary duty to the Bank caused more than a minimal loss to the Bank.

26. Further, as a result of the foregoing facts and conclusions, the FDIC concludes that Respondent's reckless unsafe or unsound practices and/or breaches of fiduciary duty to the Bank resulted in pecuniary gain or other benefit to the Respondent.

ORDER TO PAY

By reason of the reckless, unsafe or unsound practices and/or breaches of fiduciary duty set forth in the NOTICE OF ASSESSMENT, the FDIC has concluded that a civil money penalty should be assessed against the Respondent pursuant to section 8(i)(2) of the Act, 12 U.S.C. § 1818(i)(2). After taking into account the appropriateness of the penalties with respect to the size of financial resources and the good faith of the Respondent, the gravity of the reckless, unsafe or

unsound practices and/or breaches of fiduciary duty, and such other matters as justice may require, it is:

ORDERED, that by reason of the reckless, unsafe or unsound practices and/or breaches of fiduciary duty set forth in paragraphs 7 through 14 hereof, a penalty of \$25,000 be, and hereby is, assessed against Respondent, Ronald Darrin McGlamry, pursuant to section 8(i)(2) of the Act, 12 U.S.C. § 1818(i)(2);

FURTHER ORDERED, that the effective date of this ORDER TO PAY be, and hereby is, stayed with respect to the Respondent until 20 days after the date of receipt of the NOTICE OF ASSESSMENT by the Respondent, during which time the Respondent may file an answer and request a hearing pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19.

If the Respondent fails to file a request for a hearing within 20 days of receipt of this NOTICE OF ASSESSMENT, the penalty assessed against the Respondent, pursuant to this ORDER TO PAY, will be final and shall be paid within 60 days after the date of receipt of this NOTICE OF ASSESSMENT.

#### NOTICE OF HEARING

IT IS FURTHER ORDERED, that, if Respondent requests a hearing with respect to the charges alleged in this NOTICE OF ASSESSMENT and NOTICE OF PROHIBITION, the hearing shall commence sixty (60) days from the date of receipt of this NOTICE OF ASSESSMENT and NOTICE OF PROHIBITION at Atlanta, Georgia, or at such other date or place upon which the parties to this proceeding and the Administrative Law Judge may agree. The purpose of the hearing will be for the taking of evidence on the charges, findings and conclusions stated herein in order to determine: (1) whether a permanent order should be issued

to prohibit the Respondent from further participation in the conduct of the affairs of the Bank and any insured depository institution or organization enumerated in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without the prior permission of the FDIC and the appropriate federal financial institutions regulatory agency, as that term is defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D); and (2) whether the FDIC's ORDER TO PAY should be sustained.

The hearing will be public, and in all respects conducted in accordance with the provisions of the Act, 12 U.S.C. §§ 1811-1831y, the Administrative Procedure Act, 5 U.S.C. §§ 551-559, and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge to be appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The exact time and precise location of the hearing will be determined by the Administrative Law Judge.

In the event Respondent requests a hearing, Respondent is hereby directed to file an answer to this NOTICE TO PROHIBIT and NOTICE OF ASSESSMENT within 20 days from the date of service as provided by section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19.

An original and one copy of the answer, any such request for a hearing, and all other documents in this proceeding must be filed in writing with the Office of Financial Institution Adjudication, 3501 N. Fairfax Dr., Suite VS-D8116, Arlington, Virginia 22226-3500, pursuant to section 308.10 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.10. Also, copies of all papers filed in this proceeding shall be served upon the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429, A. T. Dill, III, Assistant General Counsel, Legal Division, Enforcement Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429, and upon

Andrea Fulton Toliver, Regional Counsel, Atlanta Regional Office, Federal Deposit Insurance Corporation, 10 Tenth Street, Suite 800, Atlanta, Georgia 30309-3906.

Pursuant to delegated authority.

Dated at Washington, D.C., this 14<sup>th</sup> day of December, 2010.

/s/  
\_\_\_\_\_  
Serena L. Owens  
Associate Director  
Division of Supervision and Consumer Protection