

**#2003-47**

**AGREEMENT  
BY AND BETWEEN  
THE FIRST NATIONAL BANK OF CHATSWORTH  
CHATSWORTH, GEORGIA  
AND  
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY**

The First National Bank of Chatsworth, Chatsworth, Georgia, (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination, dated December 31, 2002, (ROE).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

**ARTICLE I**

**JURISDICTION**

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller  
Georgia Field Office  
1117 Perimeter Center West, Suite W401  
Atlanta, Georgia 30338

And to:

Deputy Comptroller of the Currency  
Southeastern District  
Marquis One Tower, Suite 600  
245 Peachtree Center Avenue, N.E.  
Atlanta, Georgia 30303

## **ARTICLE II**

### **COMPLIANCE COMMITTEE**

(1) The Board shall continue its Compliance Committee of at least five (5) directors, of which no more than one (1) shall be an employee of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person.

The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) The Compliance Committee shall submit quarterly written progress reports to the Board setting forth in detail:

(a) actions taken to comply with each Article of this Agreement; and

(b) the results of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller.

### **ARTICLE III**

#### **MANAGEMENT AND BOARD SUPERVISION STUDY**

(1) Within sixty (60) days, the Compliance Committee shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Compliance Committee shall be set forth in a written report to the Board. At a minimum, the report shall contain:

(a) the identification of present and future management and staffing requirements of each area of the Bank, with particular emphasis given to the lending area and to the positions of president and chairman of the board;

(b) detailed written job descriptions for all executive officers, including the president and the chairman of the board;

- (c) an evaluation and assessment of the compensation being provided to the president and the chairman of the board;
- (d) an evaluation of each officer's qualifications and abilities and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of his/her officer position;
- (e) recommendations as to whether management or staffing changes should be made, including the need for additions to or deletions from the current management team;
- (f) objectives by which management's effectiveness will be measured;
- (g) a training program to address any identified weaknesses in the skills and abilities of the Bank's staff and management team;
- (h) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (i) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers, including the Bank's president and chief executive officer;
- (j) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen any identified weaknesses;

- (k) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary responsibilities and other responsibilities under law;
- (l) recommendations to expand the scope, frequency and sufficiency of information provided to the Board by management;
- (m) an evaluation of the extent of responsibility of current management and/or the Board for present weaknesses in the Bank's condition; and
- (n) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(2) Within forty-five (45) days of completion of this study, the Board shall develop, implement, and thereafter ensure Bank adherence to a written plan, with specific time frames, that will correct any deficiencies which are noted in the study.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

(4) Copies of the Board's written plan and the Compliance Committee's study shall be forwarded to the Assistant Deputy Comptroller. The Assistant Deputy Comptroller shall retain the right to determine the adequacy of the report and its compliance with the terms of this Agreement. In the event the written plan, or any portion thereof, is not implemented, the Board shall immediately advise the Assistant Deputy Comptroller, in writing, of specific reasons for deviating from the plan.

## ARTICLE IV

### CAPITAL PLAN AND HIGHER MINIMUMS

- (1) The Bank shall maintain the following capital levels (as defined in 12 C.F.R. Part 3):
  - (a) Total risk based capital at least equal to eleven percent (11%) of risk-weighted assets;
  - (b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.
- (2) The requirement in this Agreement to maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).
- (3) The Bank shall implement and adhere to the capital program approved by the Board on June 20, 2002, as amended by the Board on November 21, 2002.
- (4) The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Any updated capital program shall include:
  - (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
  - (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
  - (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
  - (i) when the Bank is in compliance with its approved capital program;
  - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
  - (iii) if the dividend is for any purpose other than servicing debt of the Bank's holding company, with the prior written approval of the Assistant Deputy Comptroller.

Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

- (5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program required by this Article.

## **ARTICLE V**

### **STRATEGIC PLAN**

(1) Within forty-five (45) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of non-performing assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve

those objectives and, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(c) of this Article;
- (e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (1)(c) of this Article;
- (f) product line development and market segments that the Bank intends to promote or develop;
- (g) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (h) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (i) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in



the Bank's operating environment; and

(j) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and approval.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

## **ARTICLE VI**

### **GROWTH RESTRICTIONS**

(1) The Bank shall not permit its total assets to increase unless such growth is consistent with the Bank's Capital Plan and Strategic Plan, which will be adopted pursuant to Articles IV and V, respectively, of this Agreement, and which thereafter may be amended with the OCC's prior written approval.

## **ARTICLE VII**

### **LOAN PORTFOLIO MANAGEMENT**

(1) The Board shall, within forty-five (45) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include the Bank's consumer loan portfolio as well as its real estate and commercial loan portfolios. The program shall include, but not be limited to:

(a) procedures to ensure satisfactory and perfected collateral documentation;

- (b) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (c) procedures to ensure conformance with loan approval requirements;
- (d) a system to track and analyze exceptions;
- (e) procedures to ensure the accuracy of internal management information systems;
- (f) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters;
- (g) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios; and
- (h) procedures to develop specific action plans for problem credits, identifying specific repayment sources and specific timeframes, and a system to track them so that progress in reducing problem loans can be monitored.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(3) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems that provide for effective monitoring of:

- (a) early problem loan identification to assure the timely identification and

rating of loans and leases based on lending officer submissions;

(b) statistical records that will serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;

(c) previously charged-off assets and their recovery potential;

(d) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;

(e) adequacy of credit and collateral documentation; and

(f) concentrations of credit.

(4) Beginning June 1, 2003, and on a monthly basis thereafter, management will provide the Board with written reports including, at a minimum, the following information:

(a) the identification, type, rating, and amount of problem loans and leases;

(b) the identification and amount of delinquent loans and leases;

(c) credit and collateral documentation exceptions;

(d) the identification and status of credit related violations of law, rule or regulation;

(e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;

(f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;

(g) the identification and amount of loans and leases to executive officers,

directors, principal shareholders (and their related interests) of the Bank; and

(h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

## **ARTICLE VIII**

### **CREDIT AND COLLATERAL EXCEPTIONS**

(1) Within thirty (30) days the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination. At the expiration of the thirty (30) day period, the Board shall list all loans for which it is unable to obtain such information. This list shall include an explanation of the actions taken to obtain such information, the reasons why such information has not been obtained, and a plan to obtain such information by a specified time.

(2) Within thirty (30) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the

conclusion of an examination. At the expiration of the thirty (30) day period, the Board shall list all loans for which it is unable to obtain such information. This list shall include an explanation of the actions taken to obtain such information, the reasons why such information has not been obtained, and a plan to obtain such information by a specified time.

(3) Effective immediately, except for loans or other extensions of credit fully secured by a certificate of deposit, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
  - (i) Failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank.
  - (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by the National Bank Examiners at subsequent examinations of the Bank; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(4) Effective immediately, with respect to any lending relationships of two hundred fifty thousand dollars (\$250,000) or more, loan officers will prepare written memoranda updating any changes in the obligor's financial position or ability to repay, document any significant discussion between management and the obligor during the course of the loan, and note any changes in or departure from the original terms. This documentation shall be maintained in the credit files of the individual borrowers for review by the National Bank Examiners.

## **ARTICLE IX**

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

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (Allowance) and shall establish a program for the maintenance of an adequate Allowance. This review and program shall follow guidelines on maintaining a proper Allowance found in the Allowance for Loan and Lease Losses booklet of the Comptroller's Handbook, A-ALLL, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal loan review;
- (b) results of the Bank's external loan review;
- (c) an estimate of inherent loss exposure on each significant credit;
- (d) loan loss experience;
- (e) trends of delinquent and nonaccrual loans;
- (f) concentrations of credit in the Bank;
- (g) present and prospective economic conditions; and
- (h) written documentation of peer group data and written analysis of the soft

factors noted in the Allowance for Loan and Lease Losses booklet of the Comptroller's Handbook, A-ALLL.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied for the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income for that quarter, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

## **ARTICLE X**

### **PRODUCTS AND SERVICES - EXISTING OR NEW**

(1) Prior to the Bank's involvement in any new products or services the Board shall prepare a written analysis of said product or service. The analysis shall, at a minimum, include the following:

(a) an assessment of the risks and benefits of the product or service to the Bank;

- (b) an explanation of how the product or service is consistent with the Bank's strategic plan;
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service; and
- (d) a profitability analysis, including growth projections and interest rate risk.

(2) Prior to the Bank's involvement in the new product or service, a copy of the analysis shall be submitted to the Assistant Deputy Comptroller for review and a written no objection.

## **ARTICLE XI**

### **CLOSING**

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or approval, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.



(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) This Agreement is intended, and shall be construed to be a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC’s exercise of its supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

*/s/ Jo Ann Young*

*April 28, 2003*

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Jo Ann Young  
Assistant Deputy Comptroller  
Georgia Field Office

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Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed K.W. Gong	4-24-03 Date
Signed James R. Gregory	4/24/03 Date
Signed J. Roland Harbin	4/24/03 Date
Signed J. Hoyle Lents	4-24-03 Date
Signed Gary A. Middleton	4-24-03 Date
Signed Linda Mullinax Peebles	4-23-03 Date
Signed Gerald A. Petty	4-24-03 Date
Signed James H. Phillips	4-24-03 Date
Signed Paul H. Ross	4-23-03 Date
Signed John H. Waters	4/23/03 Date