FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of DOUGLAS COUNTY BANK DOUGLASVILLE, GEORGIA (INSURED STATE NONMEMBER BANK)	ORDER TO CEASE AND DESIST FDIC- 08-357b

Douglas County Bank, Douglasville, Georgia ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and the Official Code of Georgia annotated § 7-1-91, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with a representative of the Legal Division for the Federal Deposit Insurance Corporation ("FDIC") and the Commissioner ("Commissioner") for the State of Georgia, Department of Banking and Finance, collectively, the ("Supervisory Authorities"), dated January 20, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the Supervisory Authorities.

The Supervisory Authorities considered the matter and determined that they have reason to believe that the Bank has engaged in unsafe or unsound banking practices and has committed violations of law and/or regulations. The Supervisory Authorities, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns cease and desist from the following unsafe and unsound banking practices and violations of law and/or regulation:

(a) Operating with a board of directors ("Board") that has failed to provide adequate supervision over and direction to management of the Bank;

(b) operating with management whose policies and procedures and strategic plan are damaging to the Bank and jeopardizes the safety and soundness of the Bank;

(c) operating with inadequate equity capital and reserves in relation to the volume and quality of assets held by the Bank;

(d) operating with a large volume of poor quality loans;

(e) operating with an inadequate allowance for loan and lease losses ("ALLL");

(f) operating with lax underwriting and weak loan administration practices;

(g) operating with inadequate liquidity and funds management;

(h) Operating in apparent violation of laws, regulations, and/or Statements of Policy as more fully discussed in the FDIC Report of examination dated June 2, 2008 ("ROE"); and

(i) Operating in such a manner as to produce operating losses.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

BOARD OF DIRECTORS

1. (a) Beginning with 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; capitalized interest on loans; investment activity; operating policies; and individual committee actions. Board minutes shall fully 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, responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Board. Three of the members of the Directors' Committee shall not be officers of the Bank. Bank management shall provide the Directors' Committee with 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 and any discussion related to the report or the ORDER shall be recorded in the appropriate minutes of the meeting of the Board and shall be retained in the Bank's records. Nothing contained herein shall 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 Bank shall designate a directors' committee to review and approve loans, with such committee being structured so that a majority of its members are persons who are not actively involved in the Bank's lending activities.

MANAGEMENT

2. (a) To facilitate having and retaining qualified management, the Board shall in no more than 30 days from the effective date of this Order develop a written analysis and assessment of the Bank's management and staffing needs ('management plan"), which shall 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 of active management;

(iii) evaluation of each Bank officer, and in particular the chief executive officer, and staff members 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 an a safe and sound condition.

(b) The written management plan and any subsequent modification thereto shall be submitted to the Supervising Authorities for review and comment. No more than

30 days from the receipt of any comment from the Supervisory Authorities, and after consideration of such comments, the Board shall approve the written management plan and/or any subsequent modification thereto which approval shall be recorded in the minutes of the Board.

(c) During the life of this Order, the Bank shall notify the Supervisory Authorities, in writing when it proposes to add or replace any individual to the Bank's Board or employ any individual as a senior executive officer, at that term is defined in Part 303 of the FDIC Rules and Regulations, 12 C.F.R. § 303.102. The notification should include a description of the background and experience of the individual or individuals to be added or employed and must be received at least 30 days before such addition or employment is intended to become effective.

CAPITAL

3. (a) Beginning with the effective date of this ORDER, the Bank shall maintain a Leverage Capital ratio (as defined in Part 325 of the FDIC's Rules and Regulations) of not less than eight (8.0%).

(b) Beginning with the effective date of this ORDER, the Bank shall maintain a Total Risk-based capital ratio of at least ten percent (10%) and a Tier 1 Risk-based capital ratio of not less than six percent (6%) (as defined in Part 325 of the FDIC's Rules and Regulations).

(c) The level of the capital ratios outlined in 3(a) and 3(b) that is required to be maintained during the life of this ORDER, shall be in addition to a fully funded ALLL, the adequacy of which shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

CHARGE-OFF AND REDUCTION OF CLASSIFIED ITEMS

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 ROE that have not been previously collected or charged-off.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days of the receipt of any future Report of examination or visitation 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 assets classified "Loss" and 50 percent of those classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities.

(c) Within 60 days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset in excess of $500,000 classified "Substandard" in the ROE. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plan mandated by this paragraph, the Bank shall, 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.

(d) In addition, the written plan mandated by this provision shall also include, but not be limited to, the following:

(i) a schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the ALLL;

(iv) a provision for the Bank's submission of monthly written progress reports to its Board; and

(v) a provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.

(e) The written plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" in the ROE in accordance with the following schedule. For purposes of this paragraph, "number of days" means number of days from the effective date of this ORDER.

(i) Within 180 days, to not more than $58,000,000.

(ii) Within 360 days, to not more than $39,000,000.

(iii) Within 540 days, to not more than $19,000,000.

(f) The requirements of this paragraph are not to be construed as standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets.

(g) The Bank shall immediately submit the written reduction plan to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the plan. Such plans shall be monitored and progress reports thereon shall be submitted to the Supervisory Authorities at 90-day intervals concurrently with the other reporting requirements set forth in paragraph 14 of this ORDER.

NO ADDITIONAL CREDIT

5. (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 (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 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" and is uncollected.

(c) Subparagraph 5(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 extending 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:

a. why the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;

b. that the Bank's position would be improved thereby; and

c. how the Bank's position would be improved.

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.

LENDING AND COLLECTION POLICIES

6 Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement a written lending and collection policy to provide effective guidance and control over the Bank’s lending function, which policy shall include, at a minimum, revisions to address all items of criticism enumerated on pages 9 and 10 of the ROE.

REDUCE CONCENTRATIONS OF CREDIT

7. Within 90 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the Concentrations of Credit listed on the Concentrations page of the ROE 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 capital account. A copy of this

analysis will 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 capital account. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

ESTABLISH/MAINTAIN ALLOWANCE FOR LOAN AND LEASE LOSSES

8. 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 should be completed at least ten (10) days prior to the end of each quarter, in order that the findings of the board of directors with respect to the ALLL 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. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge to current operating earnings. The minutes of the board of directors meeting at which such review is undertaken shall indicate the results of the review. The Bank’s policy for determining the adequacy of the Bank’s ALLL and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

VIOLATIONS OF LAW AND CONTRAVENTIONS OF STATEMENTS OF POLICY

9. (a) Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and contraventions of Statements of Policy, which are more fully set out on pages 14 through 17 of the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations. Full compliance with Financial Institutions Letter (FIL) 104-2006, entitled Commercial Real Estate Lending Joint Guidance dated December 12, 2006 shall be achieved. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable Statements of Policy, laws and regulations.

LIQUIDITY AND FUNDS MANAGEMENT

10. (a) Beginning with the effective date of this ORDER, Bank management shall review its liquidity position weekly to ensure that the Bank has sufficient liquid assets or sources of liquidity to meet current and anticipated liquidity needs. The results of this review shall be presented to the Board for review each month, with the review noted in the Board minutes.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity contingency plan. The written liquidity contingency plan shall incorporate the applicable guidance contained in Financial Institution Letter (FIL) 84-2008 dated August 26, 2008, entitled Liquidity Risk Management. The liquidity contingency plan shall provide restrictions on the use of Brokered and Internet deposits consistent with safe and sound banking practices.

Such plan shall be submitted to the Supervisory Authorities for review and approval, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

CASH DIVIDENDS

11. The Bank shall not pay cash dividends without the prior written consent of the Supervisory Authorities.

BROKERED DEPOSITS

12. Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a plan to reduce its cost of funds and minimize reliance on brokered deposits. The plan shall be submitted to the Supervisory Authorities for review and comment and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations. For purposes of this ORDER, brokered deposits are defined as described in section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6, to include any deposits funded by third party agents or nominees for depositors, including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance.

DISCLOSURE

13. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication,

statement, or notice shall be sent 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 to the Commissioner, Georgia Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341-5565, at least fifteen (15) days prior to dissemination to shareholders. Any changes requested to be made by the Supervisory Authorities shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

14. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within thirty (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 Report of Condition and the Bank's Report 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.

This ORDER shall become effective ten (10) days from the date of its issuance. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the Supervisory Authorities.

Pursuant to delegated authority.

Dated at Atlanta, Georgia, this 27TH day of January, 2009.

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Mark S. Schmidt
Regional Director
Atlanta Region
Federal Deposit Insurance Corporation

The Georgia Department of Banking and Finance ("Department"), 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 section 7-1-91 of the Official Code of Georgia Annotated, GA Code Ann. § 7-1-91.

Dated this 27th of January, 2009.

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