

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

STATE OF GEORGIA
DEPARTMENT OF BANKING AND FINANCE
ATLANTA, GEORGIA

Written Agreement by and among

COMMUNITY BANK OF WEST
GEORGIA
Villa Rica, Georgia

FEDERAL RESERVE BANK
OF ATLANTA
Atlanta, Georgia

and

BANKING COMMISSIONER OF
THE STATE OF GEORGIA
Atlanta, Georgia

Docket No. 08-22-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Community Bank of West Georgia, Villa Rica, Georgia (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Atlanta (the “Reserve Bank”), and the Banking Commissioner of the State of Georgia (the “Commissioner”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on September 10, 2008, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Robin S. Worley, to enter into this Agreement on behalf of the Bank, and consenting to compliance by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1813(u)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank, the Reserve Bank, and the Commissioner agree as follows:

Management and Staffing Review

(1) Within 60 days of this Agreement, the board of directors shall complete an assessment of the Bank’s management and staffing needs and the qualifications and performance of all senior Bank management. The primary purpose of the review shall be to aid in the development of a suitable management structure that is adequately staffed by qualified and trained personnel (the “Management Review”). The Management Review shall, at a minimum, address, consider, and include:

- (a) The identification of the type and number of officers needed to manage and supervise properly the affairs of the Bank;
- (b) an evaluation of staffing needs and qualifications, particularly in the area of problem loan workouts; and
- (c) an evaluation of each officer to determine whether the individual possesses the ability, experience, and other qualifications required to perform competently present and anticipated duties, including the ability to adhere to applicable laws and

regulations and the Bank's established policies and procedures, restore and maintain the Bank to a safe and sound condition, and comply with the requirements of this Agreement.

2. Upon completion of the assessment, the board of directors shall forward to the Reserve Bank and the Commissioner a written report of the findings of the assessment and of any plans to recruit and hire additional personnel with the requisite ability, experience, and other qualification to perform competently their assigned duties.

3. In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. §§ 225.71 *et seq.*).

4. The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Credit Risk Management

5. Within 60 days of this Agreement, the Bank shall submit an acceptable written plan to the Reserve Bank and the Commissioner that describes the specific actions that the board of directors proposes to take to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

(a) Measures to improve the credit risk management processes, including but not limited to: periodically reviewing and revising risk exposure limits to address changes in market conditions; strategies to minimize credit losses; and

establishing an internal Bank lending limit that is appropriate in relation to the Bank's capital and risk exposure;

(b) procedures to identify, monitor, and control risks associated with concentrations of credit, by types of types of loan and borrower/guarantor and as applicable, consistent with Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1, January 4, 2007).

Lending and Credit Administration

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner an acceptable written plan to improve loan underwriting and credit administration that, at a minimum, addresses, considers, and includes:

(a) Underwriting standards that are appropriate for each type of loan product offered by the Bank, and include and provide for, at a minimum, documented analysis of the borrower's repayment source, creditworthiness, and global cash flow and debt service ability;

(b) credit administration procedures that require the maintenance of credit files that adequately document project status, the borrower's ability to repay the loan according to its terms, and the periodic submission by borrowers of current financial statements and project status; and

(c) measures to address the deficiencies in loan policies and procedures and credit administration noted in the report of the findings from the examination of the Bank conducted by the Reserve Bank that was commenced on March 10, 2008 (the "Report of Examination").

Loan Review

7. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner an acceptable written program for the on-going review and grading of the Bank's loan portfolio by a qualified independent party or by qualified staff that is independent of the Bank's lending function. The program shall, at a minimum, address, consider, and include:

- (a) The scope and frequency of the loan review;
- (b) standards and criteria for assessing the credit quality of the loans;
- (c) application of loan grading standards and criteria to the loan portfolio; and
- (d) periodic written reports to the board of directors that identify the status of those loans that are adversely graded and the prospects for full collection or strengthening of the quality of any such loans.

Asset Improvement

8. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been charged off by the Bank, classified, in whole or in part, "loss," "substandard," or "doubtful" in the Report of Examination or in any subsequent report of examination, and is uncollected, without the prior approval of the board of directors, who shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank's interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in full compliance with the Bank's written loan policy, is

adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review.

(b) For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

9. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$100,000, including other real estate owned ("OREO") that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in any Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$100,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any

subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Commissioner an acceptable written plan to improve the Bank's position on such loan or asset.

- (c) The plan for each loan or other asset shall, at a minimum, include:
 - (i) The current status of the loan or other asset, including its carrying value, and the nature and value of supporting collateral;
 - (ii) proposed actions to improve, reduce, or eliminate the loan or other asset, time frames for such actions, and projected balance owing and value of any anticipated additional collateral; and
 - (iii) where appropriate, the borrower's acknowledgement of and response to the plan.

(d) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit to the Reserve Bank and the Commissioner a written progress report to update each asset improvement plan, along with a copy of the Bank's current problem loan list, extension report, past due/non-accrual report, and OREO report.

(e) Within 30 days of this Agreement, the board of directors shall establish a committee to monitor the resolution of problem assets. At a minimum, the committee shall review and approve the asset improvement plans required by this Agreement.

Allowance for Loan and Lease Losses

10. (a) Within 10 days of this Agreement, 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 that have not been previously collected in full or charged off.

Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified “loss” unless otherwise approved in writing by the Reserve Bank and the Commissioner.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 and December 13, 2006, and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank and the Commissioner. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank’s loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank’s loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall adopt a written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program

shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

11. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner an acceptable written plan to maintain a sufficient capital position at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:

- (a) Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B) and the Statement of Policies of the Department of Banking and Finance;
- (b) the volume of adversely classified assets;
- (c) the adequacy of the loan loss reserve;
- (d) any planned asset growth;
- (e) the anticipated level of retained earnings;

- (f) anticipated and contingent liquidity needs; and
- (g) the source and timing of additional funds to fulfill the future

capital and loan loss reserve needs of the Bank.

12. The Bank's board of directors shall monitor and review the sufficiency of the Bank's capital position on a monthly basis and shall reflect such reviews in the minutes of the board of directors' meetings.

Earnings Plan and Budget

13. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner a written business plan for the remainder of 2008 to improve the earnings and overall condition. The plan, at a minimum, shall provide for or describe the major areas in and means by which the Bank's board of directors will seek to improve the Bank's operating performance and provide a realistic and comprehensive budget.

(b) A business plan and budget for each calendar year subsequent to 2008 shall be submitted to the Reserve Bank and the Commissioner at least 30 days prior to the beginning of that calendar year.

Liquidity Management

14. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner an acceptable revised written plan designed to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

(a) Measures to enhance the monitoring and reporting of the Bank's liquidity position;

- (b) additional tools to measure and estimate liquidity needs on an ongoing basis;
- (c) specific liquidity targets and parameters and the maintenance of sufficient liquidity to meet contractual obligations and unanticipated demands; and
- (d) reduced reliance on short-term wholesale funding.

15. Within 60 days of this Agreement, the Bank shall revise and submit to the Reserve Bank and the Commissioner an acceptable written contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

Dividends

16. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of Banking Supervision and Regulation of the Board of Governors (the “Director”), and the Commissioner.

(b) Any request to declare or pay dividends must be consistent with the Board of Governors’ Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at pages 4-323) and the Georgia Department of Banking and Finance Statement of Policies. All requests for prior approval shall be received by the Reserve Bank and the Commissioner at least 30 days prior to the proposed dividend declaration date and shall contain, but not be limited to, current and projected information on earnings, cash flow, capital, asset quality, and loan loss reserve needs of the Bank.

Compliance with Laws and Regulations

17. The Bank shall immediately take steps to correct the violations of laws and regulations noted in the Report of Examination. In addition, the board of directors shall take necessary steps to ensure future compliance with all applicable laws and regulations.

Approval and Implementation of Plans, Policies, and Procedures

18. (a) Within 15 days of this Agreement, the board of directors shall appoint a compliance committee (the “Compliance Committee”) to monitor and coordinate the Bank’s compliance with the provisions of this Agreement. The Compliance Committee shall be comprised of at least three outside directors who are not executive officers or principal shareholders of the Bank, as defined in sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)). At a minimum, the Compliance Committee shall meet at least monthly, shall keep detailed minutes of each meeting, and shall report its findings to the board of directors.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, the Bank shall submit to the Reserve Bank and the Commissioner written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. The Reserve Bank and the Commissioner may, in writing, modify the reporting schedule or discontinue the requirement for progress reports.

19. (a) The Bank shall submit written plans and programs that are acceptable to the Reserve Bank and the Commissioner within the applicable time periods set forth in paragraphs 5, 6, 7, 9, 11, 14 and 15 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Commissioner, the Bank shall adopt the approved plans and programs. Upon adoption, the Bank shall promptly implement the approved plans and programs and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Commissioner.

Communications

20. All communications regarding this Agreement shall be sent to:

- (a) Mr. Robert D. Hawkins
Assistant Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree St., N.E.
Atlanta, Georgia 30309-4470
- (b) Mr. Robert M. Braswell
Commissioner
Department of Banking and Finance
2900 Brandywine Road
Suite 200
Atlanta, Georgia 30341
- (c) Mr. Robin S. Worley
Chairman
662 Highway 61
Villa Rica, Georgia 30180

Miscellaneous

21. Notwithstanding any provision of this Agreement, the Reserve Bank and the Commissioner may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

22. The provisions of this Agreement shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

22. Each provision of this Agreement shall remain effective and enforceable until jointly stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Commissioner.

23. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Commissioner, or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

24. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

25. This Agreement is issued by the Commissioner under Section 7-1-91(d) of the Financial Institutions Code of Georgia.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 11th day of September, 2008.

COMMUNITY BANK
OF WEST GEORGIA

FEDERAL RESERVE BANK
OF ATLANTA

By: /s/ Robin S. Worley
Robin S. Worley
Chairman

By: /s/ Robert D. Hawkins
Robert D. Hawkins
Assistant Vice President

BANKING COMMISSIONER OF
THE STATE OF GEORGIA

By: /s/ Robert M. Braswell
Robert M. Braswell
Commissioner