

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

In the Matter of
FRANKEWING BANCSHARES, INC.
Frankewing, Tennessee

Docket No. 24-036-B-HC
Order to Cease and Desist Issued
Upon Consent Pursuant to the
Federal Deposit Insurance Act, as
Amended

WHEREAS, Frankewing Bancshares, Inc., Frankewing, Tennessee (“Bancshares”), a registered bank holding company, owns and controls Bank of Frankewing, Frankewing, Tennessee, a state nonmember bank (the “Bank”);

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor of Bancshares;

WHEREAS, the most recent inspection report of Bancshares, dated July 16, 2024, conducted by the Federal Reserve Bank of Atlanta (the “Reserve Bank”) identified deficiencies with respect to the operations of Bancshares, including with respect to Bancshares’ ability to serve as a source of strength to the Bank;

WHEREAS, Bancshares and the Board of Governors have the common goal that Bancshares operate in a safe and sound manner and comply with all applicable federal and state laws, rules, and regulations;

WHEREAS, Bancshares and the Board of Governors have mutually agreed to enter into this consent Cease and Desist Order (the “Order”); and

WHEREAS, the board of directors of Bancshares has authorized the undersigned to enter into this Order and consent to compliance with each and every provision of this Order by Bancshares and to waive any and all rights that Bancshares may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges on any matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered that, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, pursuant to section 8(b)(1) and (3) of the FDI Act (12 U.S.C. § 1818(b)(1) and 1818(b)(3)), Bancshares shall cease and desist and take affirmative action as follows:

Source of Strength

1. The board of directors of Bancshares shall take appropriate steps to fully utilize Bancshares' financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the consent order entered into with the Federal

Deposit Insurance Corporation (“FDIC”) on October 9, 2024 and any other supervisory action taken by the Bank’s federal or state regulator.

Capital Conservation

2. (a) Effective immediately, Bancshares shall not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. All requests for prior approval shall be received in writing at least 30 days prior to the earlier of the proposed declaration, payment, or distribution date, or required notice of deferral, and shall contain, at a minimum, current and projected information, as appropriate, on Bancshares’ capital, earnings, and cash flow; the Bank’s asset quality, earnings, and allowance for credit losses; and identification of the source(s) of funding for the proposed payment or distribution.

(b) Effective immediately, Bancshares shall not, directly or indirectly, incur, increase, prepay, or guarantee any debt without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. All requests for prior approval shall be received at least 30 days prior to the proposed transaction date and contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

Cash Flow Projections

3. Within 30 days of this Order, Bancshares shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes (“Cash Flow Projection”) for 2025. Bancshares shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2025 at least one month prior to the beginning of that calendar year.

Compliance with Laws and Regulations

4. (a) 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, Bancshares 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 (12 C.F.R. §§ 225.71 *et seq.*).

(b) Bancshares 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 FDIC’s regulations (12 C.F.R. § 359).

Progress Reports

5. Within 30 days after the end of each calendar quarter following the date of this Order, the board of directors of Bancshares shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof.

Notices

6. All communications regarding this Order shall be sent to:
 - (a) Richard M. Ashton
Deputy General Counsel
Jason Gonzalez
Deputy Associate General Counsel
Board of Governors of the Federal Reserve System
20th & C Street, N.W.
Washington, D.C. 20551
 - (b) Jonathan Burns
Assistant Vice President
Stacey Suarez
Director of Examinations
Federal Reserve Bank of Atlanta
1000 Peachtree Street NE
Atlanta, Georgia 30309
 - (c) Mr. Richard Burleson
President and Chief Executive Officer
Frankewing Bancshares, Inc.
2324 Old Highway 64
Frankewing, Tennessee 38459

Miscellaneous

7. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its discretion, grant written extensions of time to Bancshares to comply with this Order. Bancshares must submit a written request to the Reserve Bank for any extension of time.
8. The provisions of this Order shall be binding upon Bancshares and each of its institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(4)), in their capacities as such, and their successors and assigns.

9. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

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

11. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto and their successors hereunder, any legal or equitable right, remedy or claim under this Order.

By Order of the Board of Governors of the Federal Reserve System effective this 20th day of February, 2025.

FRANKEWING BANCHARES, INC.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Richard D. Burleson

By: /s/ Anne E. Misback

Richard D. Burleson
President and
Chief Executive Officer

Ann E. Misback
Secretary of the Board