

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	Order No.: SE-09-004
	)	
	)	
Peoples First Community Bank	)	Effective Date: February 11, 2009
Panama City, Florida	)	
	)	
OTS Docket No. 07939	)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Peoples First Community Bank, Panama City, Florida, OTS Docket No. 07939 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

a. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

b. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

2. OTS Findings of Fact.

Based on its March 31, 2008 safety and soundness examination (2008 Examination) of the Association, the OTS finds that the Association has engaged in unsafe and unsound banking practices including, but not limited to, the following:

i. The Association initiated and pursued an aggressive lending growth strategy resulting in excessive levels of land; nonresidential real estate; and acquisition, development and construction (ADC) (High Risk Loans). The growth in High Risk Loans was not supported by appropriate levels of capital and allowance for loan and lease losses (ALLL) or adequate credit risk management and internal asset review and classification policies, procedures and practices;

ii. The Association has failed to maintain an effective loan review system with appropriate policies, procedures, and controls that ensure the Association identifies, monitors, and addresses asset quality problems in an accurate and timely manner;

iii. The Association’s policies, procedures, methodologies and practices for

establishing and maintaining appropriate levels of ALLL are inadequate, do not comply with the OTS guidelines, and have failed to ensure that the Association establishes and maintains an adequate level of ALLL in relation to the volume, type, and quality of loans held; and

iv. The Association's current capital levels are considered inadequate given the Association's risk profile in relation to the volume, type, and quality of loans held; the level of classified assets; and projected future earnings.

b. Further, the OTS finds that the Association has failed to comply with requirements of various laws, regulations and the OTS guidelines, including:

i. the real estate lending standards and interagency guidelines for real estate lending policies at 12 C.F.R. § 560.101;

ii. the Interagency Guidelines Establishing Standards for Safety and Soundness set forth in Appendix A of 12 C.F.R. Part 570;

iii. the OTS regulations regarding asset classification, 12 C.F.R. § 560.160;
and

iv. The Interagency Uniform Retail Credit Classification and Account Management Policy dated February 10, 1999 and contained in Chief Executive Officer Memorandum (CEO) # 103 (March 4, 199) and the Revised Uniform Retail Credit and Account Management Policy contained in CEO # 128 (June 27, 2000).

3. Consent.

The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements

of law.

4. Finality.

The Order is issued by the OTS under 12 U.S.C. § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

The Association waives the following:

- a. The right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- b. The right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- d. Any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

7. Other Governmental Actions Not Affected.

The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

8. Miscellaneous.

a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

b. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

c. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized

representative.

9. Signature of Directors/Board Resolution.

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation.

WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

PEOPLES FIRST COMMUNITY BANK
Panama City, Florida

OFFICE OF THRIFT SUPERVISION

By: /s/
Joseph F. Chapman, III
Chairman of the Board

By: /s/
John E. Ryan
Southeast Regional Director

Date: See Effective Date on page 1

 /s/
Raymond E. Powell, Director

 /s/
Marvin A. Urquhart, Jr., Director

 /s/
Jimmy D. Barr, Director

 /s/
John W. Lewis, Director

 /s/
Gregory M. Brudnicki, Director

/s/
Harry C. Futrell, Director

/s/
Philip W. Griffiths, Director

/s/
Clinton V. Mayo, Director

/s/
John Robert Middlemas, Director

/s/
Rodney C. Morris, Director

/s/
Charles A. Whitehead, Director

/s/
John S. Wilson, II, Director

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	
	)	Order No.: SE-09-004
	)	
Peoples First Community Bank	)	Effective Date: February 11, 2009
Panama City, Florida	)	
	)	
OTS Docket No. 07939	)	
	)	

ORDER TO CEASE AND DESIST

WHEREAS, Peoples First Community Bank, Panama City, Florida OTS Docket No. 07939 (Association), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Southeast Region (Regional Director), is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Order to Cease and Desist.

1. The Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about,

participating in, counseling or the aiding and abetting of any violation of applicable law, regulation and noncompliance with regulatory guidance including, but not limited to, the following:

- a. 12 C.F.R. § 560.101 (Real Estate Lending Standards);
- b. 12 C.F.R. Part 570 - Appendix A (Interagency Guidelines Establishing Standards for Safety and Soundness);
- c. 12 C.F.R. § 560.160 (Asset Classification);
- d. the Interagency Uniform Retail Credit Classification and Account Management Policy dated February 10, 1999 and contained in Chief Executive Officer Memorandum (CEO) # 103 (March 4, 199) and the Revised Uniform Retail Credit and Account Management Policy contained in CEO # 128 (June 27, 2000); and
- e. Section 501(b) of the Gramm-Leach Bliley Act, 42 USC §§ 4001-4129 (“GLBA”), 12 C.F.R. Parts 573 – Privacy of Consumer Financial Information, and the Interagency Guidelines Establishing Information Security Standards, dated December 19, 2000 implementing GLBA Section 501(b) (the “Guidelines”), at 12 C.F.R. Part 570 – Appendix B.

Capital.

- 2. The Association shall have and maintain Tier 1 and risk-based capital as follows:
 - a. On and after March 31, 2009, the Association shall have and maintain a Tier 1 capital ratio of at least seven (7) percent and a total risk-based capital ratio of at least eleven (11.00) percent.
 - b. On and after June 30, 2009, the Association shall have and maintain a Tier 1 capital ratio of at least seven (7) percent and a total risk-based capital ratio of at least eleven and a half (11.50) percent.

c. On and after December 31, 2009, the Association shall have and maintain a Tier 1 capital ratio of at least seven (7) percent and a total risk-based capital ratio of at least twelve (12) percent.

3. Within thirty (30) days, the Board shall prepare and submit for Regional Director review and comment a written plan to preserve and maintain the Association's capital at the levels prescribed in Paragraph 2 (Capital Augmentation Plan). At a minimum, the Capital Augmentation Plan shall:

i. consider the requirements and restrictions imposed by this Order;

ii. consider and address different scenarios based on current asset quality trends and real estate market conditions;

iii. require the Senior Executive Officers (Management)¹ to continually assesses the sufficiency of the Association's capital levels relative to the Association's risk profile, classified asset levels, allowance for loan and lease losses (ALLL), High Risk Loans as defined in Paragraph 10 below, earnings, and trends in all of the above-listed areas;

iv. establish the timeframes by which additional capital will be raised;

v. detail the method by which the additional capital will be raised and identify the sources of such capital;

vi. establish an alternative strategy, including but not limited to, seeking a merger or acquisition partner, to be implemented immediately if the Board's primary strategy to raise additional capital is unsuccessful; and

vii. require Management to prepare and submit for Board review at each regular monthly Board meeting, a written report on the Association's compliance with the Capital Augmentation Plan and the Association's current capital levels (Capital Status Report).

¹ The term Senior Executive Officer is defined at 12 C.F.R. § 563.555.

4. The Board shall make any changes to the Capital Augmentation Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Capital Augmentation Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Capital Augmentation Plan from the Regional Director, the Board shall adopt the revised Capital Augmentation Plan and the revised Capital Augmentation Plan shall be incorporated herein by reference and become part of this Order and any violation of the revised Capital Augmentation Plan shall be a violation of this Order. The Board shall ensure that the Association adheres to and implements the revised Capital Augmentation Plan. A copy of the revised Capital Augmentation Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

5. Effective immediately, the Board shall (a) review the Association's capital levels and the Capital Status Report at each regular monthly Board meeting; and (b) ensure that Management continually assesses the sufficiency of the Association's capital levels relative to the factors listed in Paragraph 3.iii. above. The Board's review of items (a) and (b) above at each regular monthly Board meeting shall be fully detailed in the Board meeting minutes. A copy of the Capital Status Report, any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review, shall be provided to the Regional Director within ten (10) days after the Board meeting.

Business Plan.

6. Within sixty (60) days, the Board shall prepare and submit to the Regional Director for review and comment a new comprehensive business plan that covers the calendar years 2009, 2010 and 2011 (Business Plan). The Business Plan shall, at a minimum, include: (a) a detailed

and specific discussion of the Board's plans and strategies to strengthen and improve the Association's operations, earnings, and profitability; (b) quarterly pro forma financial projections (balance sheet, income statement, and budget) for each period covered by the Business Plan; and (c) identification of all relevant assumptions and projections made in formulating the Business Plan, as well as documentation supporting such assumptions and projections.

7. The Board shall make any changes to the Business Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Business Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Business Plan from the Regional Director, the Board shall adopt the revised Business Plan and the revised Business Plan shall be incorporated herein by reference and become a part of this Order and any violation of the revised Business Plan shall be a violation of this Order. The Board shall ensure that the Association adheres to and implements the revised Business Plan. A copy of the revised Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting. Any material modifications to the revised Business Plan shall be submitted to the Regional Director for review and written non-objection at least forty-five (45) days prior to implementation. A modification shall be considered material under this section of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the revised Business Plan; or (b) exceed the level of any activity contemplated in the revised Business Plan or fail to meet target amounts established in the revised Business Plan by more than 10%, unless the activity involves assets risk-weighted 50% or less, in which case a variance of more than 25%.

8. The Board shall require Management to prepare and submit to the Board quarterly variance reports on the Association's compliance with the revised Business Plan within thirty (30) days after the close of each calendar quarter (Quarterly Business Plan Variance Reports) beginning with the calendar quarter ending March 31, 2009. The Quarterly Business Plan Variance Reports shall: (a) identify material variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the revised Business Plan; (b) contain an analysis and explanation of the identified variances; and (c) detail the specific measures to be taken to address such variances, including adjustments to the underlying assumptions.

9. The Board shall review the Quarterly Business Plan Variance Reports each quarter and conduct a thorough review and assessment of the Association's compliance with the revised Business Plan and take corrective actions if necessary to ensure adherence to the revised Business Plan. The Board's review of the Quarterly Business Plan Variance Reports and assessment of the Association's compliance with the revised Business Plan shall be fully documented in the appropriate Board meeting minutes.

Lending.

10. Effective immediately, the Association shall not originate or purchase, or commit to originate or purchase, any land, nonresidential real estate, or acquisition, development, and construction loans (collectively, High Risk Loans) without the prior written approval or non-objection of the Regional Director. Prior to requesting Regional Director approval of or non-objection to resume origination activity on any High Risk Loans, the Association shall have obtained updates on the collateral values of all existing loans and the creditworthiness of the borrowers. The Board shall provide the Regional Director with written certification that the

required updates have been obtained.

11. The Association may only renew, modify, or extend existing High Risk Loans provided that: (a) no new funds are advanced; (b) there are no interest reserves established or associated with such High Risk Loans; (c) updates of the collateral value and borrower's creditworthiness are obtained and reviewed by Management; and (d) the loan file documents that the Association has, at a minimum, obtained at least one principal reduction from the borrower in the twelve (12) month period preceding the proposed renewal, modification, or extension.

12. Effective immediately, Management shall prepare and submit to the Board for review at each regularly scheduled board meeting a written monthly report on all High Risk Loan renewal, modification, or extension of High Risk Loans undertaken pursuant to Paragraph 11 above (Loan Renewal Report). The Loan Renewal Report shall discuss the Association's level and amount of renewal, modification, or extension activity and include information on principal reductions by borrowers, modifications in the terms of each High Risk Loan, and such other information as the Board may require. The Board's review of the Loan Renewal Report, and any corrective actions adopted by the Board, shall be fully documented in the appropriate Board meeting minutes.

13. Within thirty (30) days, the Association shall prepare and submit to the Regional Director for review a written schedule of all loans with interest reserves, regardless of the funding source for such reserves (Interest Reserve Loan Schedule). At a minimum, the Interest Reserve Loan Schedule shall include the following for each loan with interest reserves:

- a. the total amount of interest reserves established;
- b. the total amount of interest reserves available and remaining;
- c. the loan maturity date and all renewal or extension dates;
- d. the projected date that the interest reserves shall be depleted; and

- e. the funding source for the interest reserves.

Problem Assets.

14. Within sixty (60) days, the Board shall prepare and submit to the Regional Director for review and comment a detailed, written plan with specific strategies and timeframes to reduce the Association's level of criticized assets, which include both classified assets and special mention, and delinquent loans (Problem Asset Plan). For purposes of this Paragraph, "reduce" means to collect, sell, charge off, or improve the quality of an asset sufficient to warrant its removal from adverse criticism or classification. At a minimum, the Problem Asset Plan shall require Management to prepare and submit for Board review: (a) specific asset resolution plans for each criticized asset and delinquent loan of One Million Dollars (\$1,000,000) or greater (Asset Resolution Plans); and (b) a quarterly written asset status report (Quarterly Asset Report). The Quarterly Asset Report shall be submitted to the Board at the first regularly scheduled Board meeting following the end of each calendar quarter, beginning with the quarter ending March 31, 2009. The Quarterly Asset Report shall include:

- i. a summary of and update on the current status of all Asset Resolution Plans for criticized assets and delinquent loans of \$1,000,000 or greater;
- ii. a detailed analysis of the calculation and adequacy of the Association's ALLL levels and comparison of ALLL levels to the total level of classified assets;
- iii. a comparison of classified assets to core and risk based capital;
- iv. a comparison of classified assets at the current quarter end with the preceding quarter;
- v. a breakdown of classified assets by type (residential, acquisition and development, construction, land loans, etc.); and

vi. a discussion of the actions taken during the preceding quarter to reduce the Association's level of criticized assets and delinquent loans and recommendations regarding any additional actions or steps that should be taken by Management in the future.

The Board's review of the Quarterly Asset Reports, and any corrective actions adopted by the Board, shall be fully documented in the appropriate Board meeting minutes.

15. Within thirty (30) days, the Board shall ensure adequate staffing is in place at the Association to assess and resolve the volume and level of criticized assets and delinquent loans as required by Paragraph 14, and to address the related areas identified in the March 31, 2008 OTS Report of Examination of the Association (2008 Examination) as requiring immediate attention including, but not limited to, credit administration, risk grading, risk monitoring, and management, and implementation of the Problem Asset Plan.

16. The Board shall make any changes to the Problem Asset Plan required by the Regional Director within forty-five (45) days after being notified of such changes and provide a copy of the revised Problem Asset Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Problem Asset Plan from the Regional Director, the Board shall adopt the revised Problem Asset Plan and ensure that the Association adheres to and implements the revised Problem Asset Plan.

17. The Board shall review the Association's compliance with the revised Problem Asset Plan and the Asset Resolution Plans within thirty (30) days after the close of each calendar quarter, beginning with the quarter ending March 31, 2009 (Quarterly Problem Asset Plan Review). The Board's review of the Quarterly Problem Asset Plan Reviews and assessment of the Association's compliance with the revised Problem Asset Plan and the Asset Resolution Plans shall be fully documented in the appropriate Board meeting minutes.

Concentrations of Credit.

18. Within sixty (60) days, the Board shall revise the Association's program for identifying, monitoring, and managing the risks associated with concentrations of credit to address the deficiencies discussed in the 2008 Examination (Credit Concentration Program). The Credit Concentration Program shall, at a minimum, include:

- a. establishment of comprehensive loan concentration limits to ensure that reasonable levels of concentrations are maintained at a level substantially below the levels existing as of June 30, 2008;
- b. establishment of concentration limits as a percent of total capital;
- c. specific procedures to identify, monitor, and control risks associated with concentrations of credit, by loan type and borrower/guarantor and as applicable, consistent with Interagency Guidance on Concentrations in Commercial Real Estate Lending and Sound Risk Management Practices, dated December 12, 2006 (SR 07-1, January 4, 2007).
- d. provisions for additional stratification levels and enhanced risk analysis, monitoring, and management of the concentrations of credit in High Risk Loans;
- e. quarterly reviews of the Association's balance sheet to identify any new concentrations of credit for enhanced analysis and review consistent with the Credit Concentration Program;
- f. a written analysis and reports to the Board of identified concentrations of credit assessing credit, liquidity, interest rate, or other risks associated with the concentration of credit; and
- g. a written action plan, including specific time frames, for reducing the level of concentrations and the risks associated with the Association's concentrations of credit.

The Board shall adopt the Credit Concentration Program and ensure that the Association adheres to and implements the Credit Concentration Program.

19. The Board shall review the Association's compliance with the revised Credit Concentration Program within thirty (30) days after the close of each calendar quarter, beginning with the quarter ending March 31, 2009 (Quarterly Credit Concentration Program Review). The Board's review of the Quarterly Credit Concentration Program Reviews and assessment of the Association's compliance with the revised Credit Concentration Program shall be fully documented in the appropriate Board meeting minutes.

Credit Risk Management

20. Within sixty (60) days, the Board shall prepare a written plan that details the specific actions that the Board shall take to strengthen the Association's credit risk management practices (Credit Risk Plan). The Credit Risk Plan shall, at a minimum, include:

- a. an evaluation of the effectiveness of the current credit risk management program (CRMP) and confirm that business and control functions are in compliance with the CRMP and any revisions made thereto;
- b. steps to ensure that the fundamental elements of the CRMP, including due diligence, documentation, and exposure capture and reporting, are in place and implemented for all counterparties and transactions;
- c. 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 lending limit that is appropriate in relation to the Association's capital and risk tolerance and exposure;

d. steps to ensure that credit decision-makers possess the necessary information concerning the counterparty's credit risk profile to effectively fulfill their responsibilities and ensure that such information is appropriately detailed and transparent for review by other control functions; and

e. an analysis of whether risk identification mechanisms, such as credit reporting systems, aggregation methods, credit limits, and credit-related trigger events incorporated into customer transactions, are adequate and result in effective measurement and control of customer exposure.

The Board shall adopt the Credit Risk Plan and ensure that the Association adheres to and implements the Credit Risk Plan.

21. The Board shall review the Association's compliance with the revised Credit Risk Plan within thirty (30) days after the close of each calendar quarter, beginning with the quarter ending March 31, 2009 (Quarterly Credit Risk Plan Review). The Board's review of the Quarterly Credit Risk Plan Reviews and assessment of the Association's compliance with the revised Credit Risk Plan shall be fully documented in the appropriate Board meeting minutes.

Loan Review and Classification.

22. Within seventy-five (75) days, the Board shall revise the Association's policies and procedures for identifying and classifying problem assets (Loan Review and Classification Program). The Loan Review and Classification Program shall address the deficiencies and incorporate the changes discussed in the 2008 Examination and identify the risks in the Association's loan portfolio to ensure the appropriate classification and reporting of the Association's assets and maintenance of adequate ALLL. The Loan Review and Classification

Program shall comply with 12 C.F.R. Part 560 and Section II G of Appendix A to the Safety and Soundness Standards of 12 C.F.R. Part 570 and shall, at a minimum, include:

a. identification and ongoing monitoring of assets classified as “loss”, “doubtful”, or “substandard”, or designated as “special mention” (collectively referred to as Criticized Assets) based on an assessment of all pertinent factors;

b. review by the Board of the Association’s loss mitigation strategies to ensure that restructured loans are accounted for properly with particular emphasis on Trouble Debt Restructuring (TDR) accounting and nonaccrual issues, which review shall include consultation with the Association’s independent auditor and require all restructured and/or modified loans that meet the definition of a TDR to be classified as substandard;

c. prompt charge-off of loans, or portions of loans, that available information indicates are uncollectible, consistent with FAS No. 114;

d. identification of any asset, and/or category of assets, that present excessive risks of nonpayment, or may otherwise be in violation of any applicable law or regulation, as well as a developed corrective plan for each such asset or category of assets;

e. periodic collateral value updates for all loans in active foreclosure based upon the anticipated completion date of the foreclosure process and acquisition of the title to collateral properties and utilizing the collateral value updates to establish current fair value estimates and loss reserves;

f. maintenance of an ALLL that adequately reflects the risk in the Association’s loan and lease portfolio in compliance with the Interagency Policy Statement on ALLL and Questions and Answers on Accounting for Loan and Lease Losses, dated December 13, 2006; and

g. a requirement for timely and accurate reporting by the Association on its Thrift Financial Reports (TFR).

The Board shall adopt the Loan Review and Classification Program and ensure that the Association adheres to and implements the Loan Review and Classification Program.

Allowance for Loan and Lease Losses.

23. Within forty-five (45) days, the Board shall revise the Association's policies, procedures, and methodology to ensure the timely establishment and maintenance of adequate ALLL in accordance with applicable regulatory requirements and guidance (ALLL Policy). The ALLL Policy shall, at a minimum, conform to the regulatory requirements and guidance contained in 12 C.F.R. § 560.160(b), Section 261 of the OTS Examination Handbook, the December 13, 2006 Interagency Policy Statement on ALLL, and Statement of Financial Accounting Standards (SFAS) No. 5 and SFAS No. 114. The Board shall adopt the ALLL Policy and ensure that the Association adheres to and implements the ALLL Policy.

24. Not less than ten (10) days prior to the end of each calendar quarter, beginning with the quarter ending March 31, 2009, Management shall analyze the adequacy of the Association's ALLL and prepare a written report containing Management's analysis of the Association's ALLL for the Board's review (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report shall be fully documented in the appropriate Board meeting minutes and shall include specific details regarding any corrective actions adopted by the Board. The Board shall document the factors considered and conclusions reached by the Board in determining the adequacy of the Association's ALLL in the appropriate Board meeting minutes. In assessing, establishing, and maintaining an appropriate level of ALLL, the Board shall, at a minimum, consider the following:

- a. the results of all internal loan reviews and classifications;
- b. the loan loss experiences and history of the Association covering an expanded segmentation of the Association's loan portfolio;
- c. an estimate of the potential loss exposure on each significant² credit;
- d. concentrations of credit; and
- e. current and prospective markets and economic conditions.

Any deficiency in the ALLL shall be remedied in the quarter in which it is discovered and before the Association files its TFR with the OTS.

25. Within sixty (60) days, the Board shall obtain and review a written report from a party who is independent of the Association's credit approval and ALLL establishment and maintenance process containing a detailed review and validation of the Association's ALLL methodology (ALLL Review). Thereafter, an ALLL Review shall be conducted within forty-five (45) days after June 30 and December 31 of each calendar year, beginning with June 30, 2009. Each ALLL Review shall consider the ALLL methodology and application to the Association in order to confirm its effectiveness. A copy of each ALLL Review, any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review and corrective actions, if any, shall be provided to the Regional Director within ten (10) days after the Board meeting.

Management and Staffing Review.

26. Within sixty (60) days, the Board shall complete a written assessment of the Association's management and staffing needs and the qualifications and performance of all Senior Executive Officers (Management Review). The primary purpose of the Management

² A credit shall be considered significant for the purposes of assessing, establishing, and maintaining an appropriate level of ALLL if it is/was \$500,000 or greater at origination.

Review shall be to ensure a suitable management structure that is adequately staffed by qualified and trained personnel. The Management Review shall, at a minimum, address, consider, and include:

- a. identification of the type and number of officers needed to manage and supervise the affairs of the Bank;
- b. establishment of policies and procedures ensuring that responsibility for any vacant positions is immediately temporarily assigned to another officer or employee until the vacant position is filled;
- c. development of an appropriate management succession plan;
- d. an evaluation of staffing needs and qualifications, particularly in the area of problem loan workouts; and
- e. 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 Order.

27. Within seventy-five (75) days, the Board shall provide a copy of the Management Review to the Regional Director.

Violations of Law.

28. Within sixty (60) days, the Board shall ensure that all violations of law, rule, and/or regulation cited in the 2008 Examination are corrected. Within ninety (90) days, the Board shall prepare, adopt, and thereafter ensure that the Association adheres to specific procedures to prevent future violations.

29. Within thirty (30) days of receipt of any subsequent OTS Report of Examination, internal audit report, independent external audit report, or other report prepared by the Association employees, agents, or independent contractors, which cites or discusses any weakness, deficiency, or violation of law, rule, or regulation, the Board shall prepare, adopt, and thereafter ensure the Association adheres to specific procedures to correct such weaknesses, deficiencies, and violations and prevent future weaknesses, deficiencies, and violations.

Growth.

30. Effective immediately, the Association is subject to and shall comply with the requirements and provisions of OTS Regulatory Bulletin (RB) 3b. Without the prior written approval of the Regional Director, the Association shall not increase its total assets during any quarter, beginning with the quarter ending December 31, 2008, in excess of an amount equal to net interest credited on deposit liabilities during the quarter. The growth restrictions imposed by this Paragraph shall remain in effect until the OTS review and approval of the Association's Business Plan under Paragraph 6 of this Order.

Management Changes.

31. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H, 12 C.F.R. §§ 563.550 through 563.590.

Employment Contracts and Compensation Arrangements.

32. Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of

the proposed employment contract or compensation arrangement, or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Severance and Indemnification Payments.

33. Effective immediately, the Association shall not make any golden parachute payment³ or prohibited indemnification payment⁴ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Third Party Contracts.

34. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant⁵ to the overall operation or financial condition of the Association or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the OTS with a minimum of thirty (30) days prior written notice of such arrangement or contract; (b) determined that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (c) received written notice of non-objection from the Regional Director.

35. Effective immediately, the Association shall provide the OTS with written notice of all arrangements or contracts with third party service providers consistent with the requirements of 12 U.S.C. § 1464(d)(7)(D)(ii). Such notice shall be provided to the Regional Director not later

³ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

⁴ The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

⁵ A contract shall be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two (2) percent of the Association's total capital.

than thirty (30) days after the earlier of: (a) the date on which the Association enters into the contract; or (b) the date on which the performance of the service is initiated. The Board shall review all arrangements or contracts with third party service providers covered by this Paragraph to ensure compliance with the standards and guidelines set forth in TB 82a.

Brokered Deposits.

36. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b)(2) and shall not, without obtaining the prior written approval of the Federal Deposit Insurance Corporation pursuant to 12 C.F.R. § 337.6(c)(i): (a) accept, renew, or roll over any brokered deposit, as that term is defined at 12 C.F.R. § 337.6(a)(2); or (b) act as a deposit broker, as that term is defined at 12 C.F.R. § 337.6(a)(5).

Dividends.

37. Effective immediately, the Association shall pay no dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director. The Association's written request for written approval should be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

Affiliate and Insider Transactions.

38. Effective immediately, the Association shall not engage in any transaction with an Affiliate⁶ unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which notice also shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate complies with the requirements of 12 C.F.R. § 563.41, 12 C.F.R. Part 223 (Regulation W), and the guidance contained in Section 310 of the OTS Examination Handbook.

⁶ 12 C.F.R. § 223.2

The Board shall ensure that documentation demonstrating such compliance is maintained in the Association's files and records.

39. Effective immediately, the Association shall not make any loans to or enter into any contracts or agreements with any Insiders⁷ except in compliance with applicable laws, rules, and regulations including, but not limited to, 12 C.F.R. Part 215 and 12 C.F.R. § 564.43, and Section 310 of the OTS Examination Handbook. The Board shall ensure that the Association complies with the requirements of this Paragraph and that documentation demonstrating such compliance is maintained in the Association's files and records.

Board Compliance Committee.

40. Within thirty (30) days, the Board shall appoint a committee (Regulatory Compliance Committee) comprising three or more non-employee directors to monitor and coordinate the Association's compliance with the provisions of this Order and the completion of all corrective action required in the 2008 Examination.

41. Within thirty (30) days after the end of each calendar quarter, beginning with the quarter ending March 31, 2009, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Order, the corrective actions required by the 2008 Examination, and the results of all such actions (Quarterly Regulatory Compliance Committee Report). The Board shall review the Quarterly Regulatory Compliance Committee Report and adopt a resolution: (a) certifying that each director has reviewed the progress report; (b) detailing the Association's compliance with the provisions of this Order and the corrective actions contained in the 2008 Examination; (c)

⁷ 12 C.F.R. § 215.2(h)

identifying each instance of noncompliance; and (d) setting forth in detail additional corrective actions or steps adopted or required by the Board to address each instance of noncompliance.

42. Within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director the following reports, each accompanied by any supporting documents, reports, or other information reviewed by the Board and the Board meeting minutes detailing the Board's review and corrective actions, if any:

- a. the Quarterly Business Plan Variance Report required by Paragraphs 8 and 9;
- b. the Loan Renewal Reports required by Paragraph 12;
- c. the Quarterly Asset Report required by Paragraph 14;
- d. the Quarterly Problem Asset Plan Review required by Paragraph 17;
- e. the Quarterly Credit Concentration Program Review required by Paragraph 19;
- f. the Quarterly Credit Risk Plan Review required by Paragraph 21;
- g. the Quarterly ALLL Report required by Paragraph 24; and
- h. the Quarterly Regulatory Compliance Committee Report required by Paragraph

41.

Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

Effective Date, Incorporation of Stipulation.

43. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

44. This Order shall remain in effect until terminated, modified, or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

45. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

46. The Regional Director may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

47. All submissions, including progress reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

48. Except as otherwise provided herein, all submissions, requests, communications, consents, or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

- a. To the OTS:
John E. Ryan, Regional Director
Office of Thrift Supervision
1475 Peachtree St., N.E.
Atlanta, Georgia 30309
404.897.1861 (Fax)
- b. To the Association:
Attn: Board of Directors
Peoples First Community Bank
1022 West 23rd Street
Panama City, FL 32405
850.770.7732 (Fax)

No Violations Authorized.

49. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: /s/
John E. Ryan
Southeast Regional Director

Date: See Effective Date on page 1