

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

_____)	
In the Matter of)	CONSENT ORDER
BRIGHTON BANK)	
BRIGHTON, TENNESSEE)	FDIC 18-0168b
(Insured State Nonmember Bank))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Brighton Bank, Brighton, Tennessee, (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“BOARD”) has executed a “STIPULATION TO THE ISSUANCE OF A CONSENT ORDER”

(“STIPULATION”), dated December 14, 2018, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation related to operating with inadequate liquidity, deficient capital levels, inadequate earnings, elevated sensitivity to market risk, ineffective BOARD and management oversight, poor strategic planning, and a violation of laws and/or regulations, to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

CAPITAL MAINTENANCE

1. (a) Within 60 days after the effective date of this ORDER and while this ORDER is in effect, the Bank, after establishing an Allowance for Loan and Lease Losses, shall maintain its Tier 1 Leverage Capital ratio equal to or greater than 8.5 percent of the Bank’s Average Total

Assets; shall maintain its Tier 1 Risk-Based Capital ratio equal to or greater than 10.0 percent of the Bank's Total Risk-Weighted Assets; and shall maintain its Total Risk-Based Capital ratio equal to or greater than 12.0 percent of the Bank's Total Risk Weighted Assets.

(b) If any such capital ratios are less than required by the ORDER, as determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the State of Tennessee, ("State"), the Bank shall, within 60 days after receipt of a written notice of the capital deficiency from the Regional Director, present to the Regional Director a plan to increase the Bank's Tier 1 Capital or to take such other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director responds to the plan, the Bank's BOARD, shall adopt the plan, including any modifications or amendments requested by the Regional Director.

(c) Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the plan, to increase its Tier 1 Capital by an amount sufficient to bring all the Bank's capital ratios to the percentages required by this ORDER within 90 days after the Regional Director responds to the plan. Such increase in Tier 1 Capital and any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The direct contribution of cash subsequent to the date of the Report of Examination, by the directors and/or shareholders of the Bank or by the Bank's holding company; or
- (3) Receipt of an income tax refund or the capitalization subsequent to date of the Report of Examination, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or

(4) Any other method approved by the Regional Director.

(d) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's BOARD shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director for prior approval.

(e) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank's securities. The written notice required by this paragraph shall be furnished within 10 days after the date such material development or change was planned or

occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(f) The Capital Plan must include a contingency plan ("Contingency Plan") that shall include a plan to sell or merge the Bank in the event that the Bank:

- (1) Fails to maintain the minimum capital ratios required by the ORDER; or
- (2) Fails to submit an acceptable Capital Plan; or
- (3) Fails to implement or adhere to a Capital Plan to which no written objection was provided by the Regional Director; or
- (4) Fails to keep outstanding Trust Preferred Securities ("TruPS") debit service current and in good standing; or
- (5) Fails to provide quarterly reports to the Bank's BOARD on progress to achieve the minimum capital ratios required by the ORDER.

(g) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 324 of the FDIC's Rules and Regulations, 12 C.F.R. Part 324.

LIQUIDITY - ASSET/LIABILITY MANAGEMENT

2. (a) Within 90 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director for review and approval a written plan addressing liquidity and asset/liability management. Annually thereafter, while this ORDER is in effect, the Bank shall review this plan for adequacy and, based upon such review, shall make necessary revisions to the plan to meet the Bank's liquidity needs. The initial plan shall include, at a minimum, provisions:

- (1) Establishing and maintaining a minimum On-Balance Sheet Liquidity (OBSL) ratio and defining how the ratio is to be calculated;
- (2) Requiring the retention of securities and/or other readily marketable permissible investments that can be liquidated within one day in amounts sufficient to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;
- (3) Establishing and maintaining contingent sources of liquidity at correspondent banks, such as the Federal Reserve Bank of St. Louis and Federal Home Loan Bank of Cincinnati, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other sources for liquidity proved to be inadequate;
- (4) Establishing contingency plans by identifying alternative courses of action designed to meet the Bank's short- and long-term liquidity needs;
- (5) Tracking and monitoring sources and uses of liquidity including off-balance sheet requirements, such as commitments to fund loans; and
- (6) Completing periodic liquidity stress tests and adjusting the bank's liquidity position appropriately.

(b) Within 30 days after the receipt of all such comments from the Regional Director, and after revising the plan as necessary, the Bank shall adopt the plan, which adoption shall be recorded in the minutes of a BOARD' meeting. Thereafter, the Bank shall implement the plan.

MANAGEMENT – BOARD SUPERVISION

3. Within 30 days after the effective date of this ORDER, the Bank's BOARD shall participate in the affairs of the Bank by assuming full responsibility for the approval of the

Bank's policies and objectives and for the supervision of the Bank's management in monitoring adherence to such policies and objectives, as well as applicable statutes, regulations, and principles of safety and soundness. The BOARD's participation in the Bank's affairs shall include review by the BOARD of asset liability management, liquidity, and mortgage loan activity and approval of related policies. The Bank's BOARD's minutes shall document the BOARD's reviews and approvals, including the names of any dissenting directors.

STRATEGIC PLAN

4. (a) Within 90 days after the effective date of this ORDER, the Bank shall prepare and adopt a comprehensive strategic plan. The strategic plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address, at a minimum:

- (1) A comprehensive Business Plan identifying all major lines of business;
- (2) Strategies for pursuing each major line of business;
- (3) Plans for sustaining adequate liquidity, including back-up lines of credit or other sources of funds to meet any unanticipated deposit withdrawals;
- (4) Short- and long-term plans to address the bank's outstanding TruPS indebtedness; and,
- (5) Financial goals, including pro forma statements for asset growth, capital adequacy, earnings, and interest rate risk.

(c) The Bank shall submit the strategic plan to the Regional Director. After consideration of all such comments, the Bank shall approve the plan, which approval shall be

recorded in the minutes of the Bank's BOARD's meeting. Thereafter, the Bank shall implement and follow the strategic plan.

(d) Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank's BOARD shall evaluate the Bank's performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank's BOARD' meeting at which such evaluation is undertaken.

(e) The strategic plan required by this ORDER shall be revised and submitted to the Regional Director for review and comment 30 days after the end of each calendar year for which this ORDER is in effect. Within 30 days after receipt of all such comments from the Regional Director and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the Bank's BOARD's meeting. Thereafter, the Bank shall implement the revised plan.

GROWTH RESTRICTIONS

5. While this ORDER is in effect, the Bank shall not increase its Total Assets by more than five percent during any consecutive three-month period without providing, at least 30 days prior to its implementation, a growth plan to the Regional Director. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written consent of the Regional Director.

BUDGET AND PROFIT PLAN

6. (a) While this ORDER is in effect, the Bank shall not enter into any new line of business without the prior written consent of the Regional Director.

(b) Within 90 days after the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the BOARD shall develop a written profit plan consisting of goals and strategies for improving the earnings of the Bank for each calendar year. The written profit plan shall include, at a minimum:

- (1) Identification of the major areas in, and means by, which the BOARD will seek to improve the Bank's operating performance;
- (2) Realistic and comprehensive budgets;
- (3) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and
- (4) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(c) Such written profit plan and any subsequent modification thereto shall be submitted to the Regional Director for review and comment. Within 30 days after the receipt of any comment from the Regional Director, the Bank's BOARD shall approve the written profit plan, which approval shall be recorded in the minutes of the Bank's BOARD. Thereafter, the Bank, its directors, officers, and employees shall follow the written profit plan and/or any subsequent modification.

DIVIDEND RESTRICTION

7. While this ORDER is in effect, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director.

CORRECTION OF VIOLATIONS

8. While this ORDER is in effect, the Bank shall, to the extent possible, eliminate and/or correct all violations of law and regulations noted in the Report of Examination.

INTEREST RATE RESTRICTIONS

9. Within 30 days after the effective date of this ORDER, the BOARD shall develop, adopt and enforce policies and procedures to ensure compliance with Part 337.6(b) of the FDIC Rules and Regulations.

(a) The BOARD shall develop and adopt procedures to ensure that Bank management and appropriate Bank staff members are kept informed of current interest rate limitations prior to soliciting, accepting, renewing, or rolling over any insured deposits.

(b) The BOARD shall devise a plan to bring maturing time deposits and non-maturity deposits that are in apparent violation of Part 337.6(b) into compliance with rate restrictions and shall report quarterly to the FDIC regarding the progress.

(c) The BOARD shall review a summary report at least quarterly and discuss the Bank's progress with the plan to bring deposits into compliance with rate restrictions and to ensure that new deposit activity complies with rate restrictions under Part 377.6(b).

SHAREHOLDER NOTIFICATION

10. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) 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 Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

11. Within 45 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director written progress reports detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has released, in writing, the Bank from making further reports.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued pursuant to delegated authority this 21st day of December, 2018.

/s/

Kristie K. Elmquist
Regional Director
Dallas Region
Division of Risk Management Supervision
Federal Deposit Insurance Corporation