

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

_____	)	
In the Matter of	)	DOCKET NO. 97-027-B-BHC
	)	
PUTNAM-GREENE FINANCIAL	)	
CORPORATION	)	Cease and Desist Order
	)	Issued Upon Consent
Eatonton, Georgia	)	Pursuant to the Federal
	)	Deposit Insurance Act,
_____	)	as Amended

WHEREAS, in recognition of their common goal to maintain the integrity of the records and information systems of Putnam-Greene Financial Corporation, Eatonton, Georgia ("Putnam-Greene"), a registered bank holding company, and to ensure that all computer-related operations performed for itself and its subsidiary banks, The Farmers and Merchants Bank, Eatonton, Georgia, The Farmers Bank, Union Point, Georgia, and the First Bank of Coastal Georgia, Pembroke, Georgia, state nonmember banks (collectively, the "Subsidiary Banks"), are functional and continue to be so on and after January 1, 2000, the Board of Governors of the Federal Reserve System (the "Board of

Governors") and Putnam-Greene have mutually agreed to enter into this consent Cease and Desist Order (the "Order"); and

WHEREAS, on NOVEMBER 10, 1997, the board of directors of Putnam-Greene adopted a resolution (1) authorizing and directing LURNER O. BENTON, III to enter into this Order on behalf of Putnam-Greene, and consenting to compliance with each and every provision of this Order by Putnam-Greene and its institution-affiliated parties, as such term is defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u) and 1818(b)(3)); (2) waiving the issuance of a notice of charges and of hearing on any matter set forth in this Order relating to Putnam-Greene; (3) waiving a hearing for the purpose of taking evidence on any matter set forth in this Order; (4) waiving any and all rights to contest the issuance of a cease and desist order by the Board of Governors pursuant to 12 U.S.C. 1818 and 12 C.F.R. Part 263; and (5) waiving any and all rights to challenge or contest in any manner the basis, issuance, validity, terms, effectiveness, or enforceability of this Order or any provisions hereof.

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors in connection with this proceeding:

IT IS HEREBY ORDERED, pursuant to section 8 of the FDI Act, that Putnam-Greene and its institution-affiliated parties take the following affirmative actions:

1. By December 31, 1997, Putnam-Greene shall acquire and put into service electronic information systems hardware, operating systems, and application software (collectively, "Electronic Information Systems") that are adequate to perform all data processing services that Putnam-Greene provides for itself and the Subsidiary Banks.

2. Within 30 days of this Order, Putnam-Greene shall submit to the Federal Reserve Bank of Atlanta (the "Reserve Bank") an acceptable plan describing the specific actions that will be taken by the board of directors and management to ensure

that each of Putnam-Greene's Electronic Information Systems are Year 2000 compliant ("Year 2000 Plan"). At a minimum, the Year 2000 Plan shall comply with the Interagency Statement on Year 2000 Project Management Awareness issued by the Federal Financial Institutions Examination Council on May 5, 1997 (the "FFIEC Year 2000 Statement"), and shall address, consider, or include the following:

(a) The communication by Putnam-Greene to its personnel, the Subsidiary Banks, any other customers, any third-party information systems service providers, any third-party providers of services that involve embedded microprocessors or telecommunications links, and any other service providers with whom Putnam-Greene conducts business by exchange of information in electronic form, the nature of the Year 2000 problem, as described in the FFIEC Year 2000 Statement and the need for Putnam-Greene, its Subsidiary Banks, any other customers, and its service providers to identify and correct any deficiencies in Putnam-Greene's capability to process correctly all transactions involving dates later than December 31, 1999;

(b) a written risk assessment of all Electronic Information Systems that must be renovated or modified to become Year 2000 compliant, including the identification of all interdependencies between Putnam-Greene's Electronic Information Systems and those of the Subsidiary Banks, any other customers, its vendors, and its service providers;

(c) the establishment of time frames and identification of resources necessary to complete each phase of the Year 2000 Plan;

(d) the renovation and modification of all Electronic Information Systems that are used by Putnam-Greene, including, but not limited to code enhancements, hardware and software upgrades, to correct all Year 2000 compliance deficiencies that are identified in the risk assessment phase of the Year 2000 Plan;

(e) the testing of all renovated or modified Electronic Information Systems, to be completed by no later than December 31, 1998, to ascertain that all such systems are Year 2000 compliant; and

(f) after successful testing, the implementation, no later than July 1, 1999, of Year 2000 compliant Electronic Information Systems.

3. Within 90 days of this Order, Putnam-Greene shall submit to the Reserve Bank an acceptable written disaster recovery plan describing the specific actions that will be taken by the board of directors and management of Putnam-Greene to ensure the prompt resumption of business in the event that any of the organization's Electronic Information Systems fails on or after January 1, 2000. At a minimum, the plan shall address, consider, or include the following:

(a) The establishment of back-up systems to preserve and maintain Putnam-Greene's and the Subsidiary Banks' books and records that are maintained in electronic format;

(b) the processing of Putnam-Greene's and the Subsidiary Banks' payments by a third-party, such as a correspondent bank; and

(c) the establishment of back-up sources and lines of credit to provide necessary liquidity.

4. (a) Within 30 days of this Order, Putnam-Greene shall appoint a senior manager who will be responsible for implementing the Year 2000 Plan, and shall submit to the Reserve Bank an acceptable written job description for this position, a resume, and on-going training that will be provided.

(b) Putnam-Greene shall notify the Reserve Bank of any change in the identity of the senior manager responsible for implementing the Year 2000 Plan. Such notification shall be made in writing and must include the name and qualification of the replacement and must be provided at least 30 days prior to the replacement assuming the new position.

5. Within 60 days of this Order, Putnam-Greene shall submit to the Reserve Bank revised data processing service contracts between Putnam-Greene and each of the Subsidiary Banks that meet the requirements set forth in the FFIEC Information Systems Examination Handbook.

6. Within 60 days of this Order, Putnam-Greene shall submit to the Reserve Bank a written description of the steps it plans to take to ensure that an appropriate number of employees are fully trained and duly authorized to operate the Electronic Information Systems that are used by the consolidated organization.

7. Within 60 days of this Order, Putnam-Greene shall submit to the Reserve Bank an acceptable information systems policy that, at a minimum, shall address and consider the following:

(a) The authority and responsibility of each member of Putnam-Greene's management with respect to its Electronic Information Systems function, including the responsibility and authority for defining Putnam-Greene's information processing needs and the identification of information systems or service providers to meet such needs;

(b) appropriate operational procedures for Putnam-Greene's Electronic Information Systems; and



(c) appropriate operational controls for Putnam-Greene's Electronic Information Systems, including, at a minimum, provisions regarding: (i) virus protection software on each computer and its periodic update; (ii) appropriate controls on access to computer-based information, such as password protection of access to computer-based programs and data files, encryption of employee passwords whenever such passwords are maintained in an electronic file or displayed visually on a computer screen, and appropriate protections with respect to the confidentiality of data regarding Putnam-Greene's and the Subsidiary Banks' customers; and (iii) the privileges, duties and responsibilities of employees with respect to the use of the Putnam-Greene's computer systems.

8. Putnam-Greene shall take all actions necessary to ensure the segregation of the duties of its personnel and the personnel of any of the Subsidiary Banks so that no single employee of Putnam-Greene or any of the Subsidiary Banks both conducts a business transaction on behalf of Putnam-Greene or any of the Subsidiary Banks and performs data processing tasks, such as data entry, proofing, or data reconciliation, with respect to the same transaction.

9. Within 120 days of this Order, Putnam-Greene shall submit to the Reserve Bank an acceptable internal audit plan that includes a review of all intercompany transactions, including, but not limited to, services provided by Putnam-Greene to the Subsidiary Banks, and other fees and expenses paid by the Subsidiary Banks to Putnam-Greene.

10. Within 60 days of this Order, Putnam-Greene shall submit to the Reserve Bank a plan to increase the number of its outside directors and shall report quarterly to the Reserve Bank on Putnam-Greene's efforts in securing new outside directors.

11. Within 60 days of this Order, Putnam-Greene shall secure a fidelity and indemnity blanket bond that includes all coverages of its present bond and also coverage for errors and omissions of Putnam-Greene's data processing service.

12. (a) Within 30 days after the end of each calendar quarter (December 31, March 31, June 30, and September 30) following the date of this Order, Putnam-Greene shall furnish 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, including updated reports on compliance with time frames for the Year 2000 Plan required by paragraph 2 hereof. Such reports may be discontinued when the Reserve Bank has, in writing, released Putnam-Greene from making further reports.

(b) The reporting requirements described in paragraph 12(a) hereof are in addition to the reporting requirements of the February 1989 Informal Supervisory Action between Putnam-Greene and the Reserve Bank, which are not superseded by this Order.

13. The plans and policy required by paragraphs 2, 3, 7, and 9, and the job description described in paragraph 4 hereof shall be submitted to the Reserve Bank for review and approval. Acceptable plans, an acceptable policy, and an acceptable job description shall be submitted to the Reserve Bank within the required time periods set forth in this Order. Putnam-Greene shall adopt the approved plans, policy, and job description within 10 days of receipt of approval by the Reserve Bank and then fully comply with them. During the term of this Order, the approved plans, policy, and job description shall not be amended

or rescinded without the prior written approval of the Reserve Bank.

14. All communications regarding this Order shall be sent to:

(a) Marion P. Rivers, III  
Assistant Vice President  
Federal Reserve Bank of Atlanta  
Supervision and Regulation Department  
104 Marietta St., N.W. /  
Atlanta, Georgia 30303

(b) Mr. Lurner O. Benton, III  
Chairman of the Board and  
President  
Putnam-Greene Financial Corporation  
P.O. Box 4450  
Eatonton, Georgia 31024

15. The provisions of this Order shall be binding upon Putnam-Greene and all of its institution-affiliated parties, in their capacities as such, and their successors and assigns:

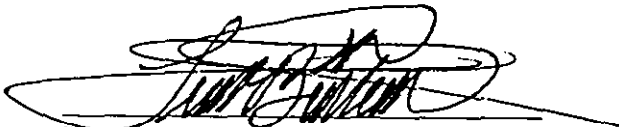
16. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors.

17. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to Putnam-Greene to comply with any provision of this Order.

18. The provisions of this Order shall not bar, estop, or otherwise prevent any federal or state agency or department from taking any other action affecting Putnam-Greene or any of its current or former institution-affiliated parties and their successors or assigns.

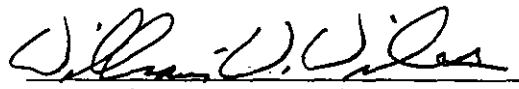
By order of the Board of Governors of the Federal Reserve System effective this 12<sup>th</sup> day of November, 1997.

PUTNAM-GREENE FINANCIAL  
CORPORATION



Lurner O. Benton, III  
Chairman of the Board  
and President

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM



William W. Wiles  
Secretary of the Board