



Conditional Approval #1148
March 2016

February 26, 2016

Mr. Kyle Shadid
Senior Consultant
DD&F Consulting
521 South Rock Street
Little Rock, Arkansas 72202

Re: SOUTHBANK, A Federal Savings Bank, Huntsville, Alabama (Charter No. 708854)
Substantial Asset Change, Capital Distribution and Voluntary Dissolution Applications
OCC Control Nos. 2015-HQ-5.53-146230, 2015-HQ-Capital&Div-146573, and
2013-HQ-Termination-144128

Dear Mr. Shadid:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the Substantial Asset Change Application, the Capital Distribution Application, and the Voluntary Dissolution Application (collectively, Applications) filed by SOUTHBANK, A Federal Savings Bank, Huntsville, Alabama (Bank). The Bank is a federal stock savings bank that is wholly owned by Commonwealth Savingsshares Corporation (Holding Company). The OCC received the Voluntary Dissolution Application on November 27, 2013, and received the other Applications on December 31, 2015. The Bank has submitted revisions to its Applications and provided supplemental information in response to the OCC's requests for additional information. All references to the Applications are to the most recent amended versions.

The OCC reviewed the Applications in accordance with applicable laws, regulations, and OCC policy. Based on a thorough review of all available information, including the representations and commitments made in the Applications and by the Bank's representatives, the OCC has concluded that the Applications satisfy the applicable approval standards, provided the Bank complies with the conditions of approval and consummation requirements set forth herein.

The Proposed Transactions

The Bank's Board of Directors approved the Plan of Voluntary Dissolution (Plan), effective December 28, 2015, and entered into a Purchase and Assumption Agreement, dated December 11, 2015, with Reliance Bank, Athens, Alabama (Reliance), an Alabama state-chartered bank. The Plan provides for, among other things: (1) the transfer of identified assets to, and the assumption of certain liabilities and all deposit accounts by, Reliance (the Substantial Asset Change Transaction); (2) a liquidating distribution to the Holding Company (the Capital

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Distribution); and (3) the termination of the Bank's corporate existence and dissolution of the Bank (the Voluntary Dissolution).

The Applications include a Liquidating Trust Agreement that provides for the establishment of a liquidating trust (Liquidating Trust) that will pay and discharge all claims and obligations of the Bank, including all contingent, conditional, or unmatured contractual claims known or unknown to the Bank as of the date of funding of the Liquidating Trust (Effective Date) or that are presented within two years after the Effective Date.

Substantial Asset Change

The OCC has reviewed the Substantial Asset Change Application under 12 CFR 5.53(d)(3), which requires the OCC to consider: (1) the capital level of any resulting federal savings association; (2) the conformity of the transaction to applicable law, regulation, and supervisory policies; (3) the purpose of the transaction; (4) the impact of the transaction on the safety and soundness of the federal savings association; and (5) the effect of the transaction on the federal savings association's shareholders, depositors, other creditors, and customers. The OCC considered these factors and found them consistent with approval, subject to the conditions set forth herein.

Capital Distribution

The Capital Distribution Application, filed pursuant to 12 CFR 5.55, requests OCC approval for the Bank to issue a liquidating dividend to the Holding Company. The dividend would consist of all of the Bank's remaining cash, loans, unsold premises, equipment, other real estate owned and all other remaining assets. The dividend would be paid to the Holding Company once the sale to Reliance is complete, all known liabilities have been paid, and the Liquidating Trust has been funded.

Pursuant to 12 CFR 5.55, the OCC reviews a capital distribution application under the procedures in 12 CFR 5.55(g) and the factors set forth in 12 CFR 5.55(h). It may deny a capital distribution application, in whole or in part, if the proposed distribution would: (a) cause the institution to become undercapitalized, significantly undercapitalized, or critically undercapitalized as set forth in 12 CFR 6.4, following the capital distribution,¹ (b) raise safety or soundness concerns, or (c) violate a prohibition contained in any statute, regulation, agreement between the bank and the OCC or OTS, or a condition imposed on the federal savings association in an application or notice approved by the OCC or the OTS.²

The OCC has reviewed the Bank's Capital Distribution Application pursuant to the terms of 12 CFR 5.55 and concludes that approval is consistent with the regulations, subject to the conditions set forth herein.

¹ If this factor is met, the OCC may still approve the capital distribution request if it determines that the capital distribution is permitted under 12 USC 1831o(d)(1)(B).

² The OCC may determine whether to permit the capital distribution notwithstanding this prohibition or condition.

Voluntary Dissolution

The Bank has filed a Voluntary Dissolution Application to voluntarily dissolve. The proposed dissolution would occur following consummation of the Substantial Asset Change Transaction, funding of the Liquidating Trust, and the Capital Distribution.

The OCC has reviewed the Voluntary Dissolution Application pursuant to 12 CFR 146.4,³ which provides that the OCC may approve a dissolution plan if the OCC believes the plan is advisable and best for all concerned. The OCC has reviewed the Bank's Voluntary Dissolution Application pursuant to the terms of 12 CFR 146.4 and concludes that approval is consistent with the regulations, subject to the conditions set forth herein.

Conditions

The OCC's approval of the Applications is subject to the following conditions:

1. Prior to the date of consummation of the Substantial Asset Change Transaction, the Bank shall submit to the OCC a copy of the executed and effective liquidating trust agreement in a form substantially the same as that submitted to the OCC on January 15, 2016;
2. No later than three business days prior to the date of consummation of the Voluntary Dissolution, the Bank must publish notice of its dissolution in the form specified in the Applications and furnish the OCC with proof of such publication. The Notice must also include a description of how to make a claim against the Liquidating Trust;
3. If the Bank is not dissolved in the manner contemplated in the Applications, within seven days of the consummation of the Substantial Asset Change Transaction, the Bank shall submit a plan to continue the liquidation of the Bank, obtain Licensing's written non-objection to the plan, and thereafter adhere to that plan;
4. The Bank shall not complete the Capital Distribution to the Holding Company until each of the following is satisfied: (i) the Bank consummates the Substantial Asset Change Transaction; (ii) the Bank submits to the OCC a copy of the certification submitted to the Federal Deposit Insurance Corporation under 12 CFR 307.2(c) seeking termination of deposit insurance; and (iii) the Bank funds the Liquidating Trust as provided in the Plan and consistent with the Applications. If the Bank seeks to make any capital distribution prior to satisfaction of all conditions, the Bank must obtain Licensing's written non-objection.

³ The Bank filed the Voluntary Dissolution Application before the effective date of the amendments to the OCC's Licensing regulations that rescinded 12 CFR 146.4 and applied 12 CFR 5.48 to dissolutions of federal savings associations. Accordingly, the OCC has processed the Voluntary Dissolution Application under 12 CFR 146.4.

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The conditions of this approval are conditions “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

Consummation Requirements

On the business day prior to the date of the consummation of the Substantial Asset Change Transaction, a duly authorized officer of the Bank must certify in writing to the OCC that no material adverse events or material adverse changes have occurred with respect to the financial condition or operation of the Bank as disclosed in the Applications. If additional information having a material adverse effect on any feature of the Applications is brought to the attention of the Bank or the OCC since the date of the financial statements submitted with the Applications, the Bank must not consummate the Substantial Asset Change Transaction, any capital distribution, or the Voluntary Dissolution, as applicable, unless the information is presented to the OCC and the OCC provides written non-objection to consummation of the Substantial Asset Change Transaction, any capital distribution, or the Voluntary Dissolution, as applicable.

The approvals set forth herein are granted based on our understanding that other regulatory approvals, non-objections or waivers with respect to the proposed transactions will have been received prior to consummating the transactions. Please ensure that you submit the following information to Licensing within the stated timeframes:

- Copies of all regulatory approvals not previously submitted prior to the Substantial Asset Change Transaction;
- No later than the date of consummation of the Voluntary Dissolution, return of Reports of Examination or provide certification that Reports of Examination were properly disposed of;
- No later than five business days after the date of consummation of the Substantial Asset Change Transaction, Capital Distribution, and Voluntary Dissolution, certifications must be filed with Licensing stating the effective date of each transaction. The certifications must specify the transaction, or transactions, that were consummated and that such transactions were completed in accordance with all applicable laws and regulations, the Applications, and this letter; and
- No later than five business days after the date of consummation of the Voluntary Dissolution, all official copies of the federal charter of the Bank must be returned to Licensing.

If the transactions are not consummated within 120 calendar days of the approval date, the approval shall automatically terminate, unless the OCC grants an extension for good cause.

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These approvals and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the Bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

All correspondence regarding the Applications should reference the control numbers. If you have any questions, please contact Carla Holiman, Senior Licensing Analyst at (202) 639-6339 or carla.holiman@occ.treas.gov.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing