UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	Order No.: SE-10-054
SOUTHBANK, A FSB	Effective Date: November 19, 2010
Huntsville, Alabama OTS Docket No. 08854	

ORDER TO CEASE AND DESIST

WHEREAS, SouthBank, A Federal Savings Bank, Huntsville, AL, OTS Docket No. 08854 (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:

Cease and Desist.

1. The Association, its institution-affiliated parties,[1] and its successors and assigns, shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting the unsafe or unsound banking practices that resulted in:

(a) operating the Association with an excessive level of adversely classified loans;

(b) operating with an inadequate allowance for loan and lease losses for the volume, type, and quality of loans and leases held;

(c) failing to properly identify risk and assess the level of risk in problem loans;

(d) failing to properly identify and classify problem assets;

(e) failing to properly report problem assets on its books, records and financial reports;

(f) failing to accurately reflect the condition of the Association in Thrift Financial Reports;

(g) operating the Association with management whose policies and practices are detrimental to the Association and jeopardize the safety of its deposits;

(h) operating the Association with a board of directors that has failed to exercise adequate supervision over and provide adequate direction to management of the Association to prevent unsafe and unsound banking practices and violations of laws or regulations;

(i) operating the Association with inadequate internal review policies or procedures and/or internal routines and controls;

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[1] The term "institution-affiliated party" is defined at 12 U.S.C. § 1813(u).

(j) failing to adequately document business expenses;

(k) operating with an inadequate asset or liability funds management policy;

(l) failing to establish a complete and adequate interest rate risk management process that effectively identifies, measures, monitors, and controls risk and provides for periodic independent review; and

(m) operating in contravention of supervisory policy statements and other guidance, including, but not limited to:

(i) Interagency Guidelines Establishing Standards for Safety and Soundness;

(ii) Interagency Guidelines for Real Estate Lending Policies;

(iii) Interagency Policy on Funding and Liquidity Risk Management;

(iv) Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL);

(v) Interagency Guidance on Sound Incentive Compensation Policies; and

(vi) Accounting Considerations Related to Other-Than-Temporary Impairment.

2. The Association, its institution-affiliated parties, and its successors and assigns, shall also cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting violations of the following laws and regulations:

(a) 12 C.F.R. § 563.160 (relating to the classification of assets);

(b) 12 C.F.R. § 562.1(b) (relating to audited financial statements and financial reporting);

(c) 12 C.F.R. § 563.200 (relating to conflicts of interest);

(d) 12 C.F.R. § 564.4 (relating to appraisals);

(e) 12 C.F.R. § 563.41(c)(3) (relating to transactions with affiliates);

(f) 12 C.F.R. §§ 223.13 and 223.14(a) (relating to transactions with affiliates); and

(g) 12 C.F.R. Part 570 (relating to safety and soundness standards).

Capital.

3. By March 31, 2011, the Association shall have and maintain a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8%) and a Total Risk-Based Capital Ratio equal to or greater than thirteen percent (13%).[2]

4. By November 30, 2010, the Association shall submit to the Regional Director for review and non-objection a written plan to achieve and maintain the Association's capital at the levels prescribed in Paragraph 3 (Capital Plan). At a minimum, the Capital Plan shall:

(a) identify the specific sources of additional capital and the timeframes and methods by which additional capital will be raised, including specific target dates and corresponding capital levels;

(b) detail the Association's capital preservation and enhancement strategies with specific narrative goals;

(c) address the requirements and restrictions imposed by this Order relating to capital under at least three (3) different forward-looking scenarios involving progressively stressed economic environments;

(d) include detailed quarterly financial projections, including Tier 1 (Core) and Total Risk-Based Capital Ratios;

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[2] The requirement in Paragraph 3 to have and maintain a specific capital level means that the Association may not be deemed to be "well-capitalized" for purposes of 12 U.S.C. §1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. §565.4(b)(1)(iv).

(e) address the Association's level of classified assets, ALLL, earnings, asset concentrations, liquidity needs, and trends in the foregoing areas; and

(f) address current and projected trends in real estate market conditions.

5. Upon receipt of written non-objection from the Regional Director, the Association shall implement and adhere to the Capital Plan. A copy of the Capital 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.

6. On a monthly basis, beginning with the first month following receipt of non-objection from the Regional Director, the Board shall review the Association's compliance with the Capital Plan. At a minimum, the Board's review shall include:

(a) a comparison of actual operating results to projected results;

(b) detailed explanations of any material deviations;[3] and

(c) a discussion of specific corrective actions or measures that have been or will be implemented to address each material deviation.

7. Within fifteen (15) days after: (a) the Association fails to meet the capital requirements prescribed in Paragraph 3; (b) the Association fails to comply with the Capital Plan prescribed in Paragraph 4; or (c) any written request from the Regional Director, the Association shall submit a written Contingency Plan that is acceptable to the Regional Director.

8. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with,

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[3] A deviation shall be considered material under this Paragraph of the Order when the Association determines that it needs to adjust its identified sources of additional capital, timeframes, methods, or target dates by which it will raise capital.

or acquisition by, another federally insured depository institution or holding company thereof; or (b) voluntary dissolution by filing an appropriate application with the OTS in conformity with applicable laws, regulations and regulatory guidance.

9. Upon receipt of written notification from the Regional Director, the Association shall implement and adhere to the Contingency Plan immediately. The Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1^{st}) and fifteenth (15^{th}) of each month following implementation of the Contingency Plan.

Problem Assets.

10. By November 30, 2010, the Association shall develop a detailed, written plan with specific strategies, targets and timeframes to reduce[4] the Association's level of problem assets[5] (Problem Asset Reduction Plan). The Problem Asset Reduction Plan, at a minimum, shall include:

(a) quarterly targets for the level of problem assets as a percentage of Tier 1 (Core) capital plus ALLL;

(b) a description of the methods for reducing the Association's level of problem assets to the established targets; and

(c) all relevant assumptions and projections, and documentation supporting such assumptions and projections.

11. By December 15, 2010, the Association shall submit its Problem Asset Reduction Plan to the Regional Director for review and comment. Upon receipt of written notification from the

[4] 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.
[5] The term "problem assets" shall include all assets classified as substandard or doubtful.

Regional Director that the Problem Asset Reduction Plan is acceptable, the Association shall implement and adhere to the Problem Asset Reduction Plan. The Board's review and approval of the Problem Asset Reduction Plan shall be documented in the Board meeting minutes.

12. By November 30, 2010, the Association shall develop individual written specific workout plans for each problem asset or group of loans to any one borrower or loan relationship of Five Hundred Thousand Dollars ($500,000.00) or greater (Asset Workout Plan). Each Asset Workout Plan shall:

(a) require the Association to review, analyze, and document the financial position of each borrower, including source of repayment, repayment ability, and alternative repayment sources;

(b) require the Association to review, analyze and document the value and accessibility of any pledged or assigned collateral; and

(c) require the Association to review, analyze and document other actions to improve the Association's collateral position.

13. Within forty five (45) days after the end of each quarter, beginning with the quarter ending December 31, 2010, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

(a) the current status of all Asset Workout Plans;

(b) a comparison of problem assets to Tier 1 (Core) capital plus ALLL and Total Risk-Based capital;

(c) a comparison of problem assets at the current quarter end with the preceding quarter;

(d) a breakdown of problem assets by type and risk factor [for example, residential, acquisition and development, construction, land loans, location and origination source];

(e) an assessment of the Association's compliance with the Problem Asset Reduction Plan;

(f) a discussion of the actions taken during the preceding quarter to reduce the Association's level of problem assets; and

(g) any recommended revisions or updates to the Problem Asset Reduction Plan.

14. Within forty-five (45) of days after the end of each quarter, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

Internal Asset Review and Classification.

15. By November 30, 2010, the Association shall revise its written internal asset review and classification program (IAR Program) to address all corrective actions set forth in the 2010 ROE relating to internal asset review and classification of assets. The IAR Program shall comply with all applicable laws, regulations and regulatory guidance. At a minimum, the IAR Program shall:

(a) require that updated or new appraisals be obtained on all new classified loans, if the appraisal on file in over one year old;

(b) require that updated or new appraisals must be obtained every twelve (12) months for classified assets on other than permanent 1-4 family residential properties with balances in excess of Five Hundred Thousand Dollars ($500,000.00);

(c) require that updated valuations be obtained at least every six months on classified assets secured by permanent single-family dwellings;

(d) require classification of REO and below investment grade investment securities;

and

(e) be approved by the full Board.

16. By November 30, 2010, the Association shall submit its IAR Program to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the IAR Program is acceptable, the Association shall implement and adhere to the IAR Program. The Board's review and approval of the IAR Program shall be documented in the Board meeting minutes.

Allowance for Loan and Lease Losses.

17. By November 30, 2010, the Association shall revise its policies, procedures, and methodology relating to the timely establishment and maintenance of an adequate ALLL level (ALLL Policy) to address all corrective actions set forth in the 2010 ROE relating to ALLL. The ALLL Policy shall comply with applicable laws, regulations, and regulatory guidance and shall require support for the qualitative or environmental factors relied upon in estimating the level of unallocated portion of ALLL.

18. Effective immediately, the Association shall increase its ALLL by One Million One Hundred Fifty-Five Thousand Dollars ($1,155,000), or, to the extent higher, the amount reflected by the Institution's ALLL analysis.

Loan Charge-offs.

19. Effective immediately, the Association shall establish specific valuation allowances to address all corrective actions set forth in the 2010 ROE regarding loan charge-offs and valuation allowances and comply with applicable laws, regulations and regulatory guidance. The Association shall establish specific valuation allowances during the same quarter as the Association's classification of the loan as loss. The Association shall provide the Regional

Director with documentation that the required adjustments have been made within ten (10) days after completion of the adjustments.

Management.

20. Effective immediately, the Association shall cease paying for, or reimbursing any employee or director for, any country club or other similar membership fees and expenses.

21. By November 30, 2010, the Association shall retain a qualified and independent third party to evaluate the reasonableness of the Association's management compensation and benefits payments and programs and compliance with applicable law, regulation and regulatory guidance.[6] The third party shall specifically consider and address all payments made to directors and senior executive officers[7] for the preceding two (2) years and the findings and corrective actions discussed in the 2010 ROE. The third party's findings, including identification of any payments that were inappropriate and should be reimbursed, shall be set forth in a written report to the Board that shall be delivered to the Board on or before December 31, 2010. A copy of the third party's written report shall be provided to the Regional Director by January 15, 2011.

22. Effective immediately, the Chairman of the Board shall abstain from all approvals of new deposit relationships or loans, or the modification, extension or renewal of any existing deposit relationships or loans.

23. By October 31, 2010, each Board member and senior executive officer shall identify in writing all persons with whom each member or officer has a business relationship and all entities in which each member of officer is a member, partner or 10% or greater shareholder. Thereafter,

[6] Such laws, regulations and regulatory guidance shall include, without limitation, 12 C.F.R. § 563.39, 12 C.F.R. § 563.161, 12 C.F.R. Part 570 – Appendix A, Regulatory Bulletin 27b, and CEO Memo 354 - Interagency Guidance on Sound Incentive Compensation Policies.

[7] The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

by March 31 of each calendar year, each Board member and senior executive officer shall review and submit an updated list of such persons and entities.

Risk Management.

24. By October 31, 2010, the Board shall designate a committee to monitor, control and reduce the Association's enterprise risk exposure (Risk Management Committee). The Risk Management Committee shall be comprised of three (3) or more directors, the majority of whom shall be independent[8] directors. The Risk Management Committee shall conduct a review of the Association's operations and structure and develop a plan that addresses the corrective actions in the 2010 ROE and will reduce the Association's overall level of risk exposure (Risk Reduction Plan). The Risk Reduction Plan shall be presented to the full Board for consideration and adoption on or before December 15, 2010. A copy of the Risk Reduction Plan shall be provided to the Regional Director by December 31, 2010, after adoption by the full Board.

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[8] For purposes of this Order, an individual who is "independent" with respect to the Association shall be any individual who:

(a) is not employed in any capacity by the Association, its subsidiaries, or its affiliates, other than as a director;
(b) does not own or control more than ten percent (10%) of the outstanding shares of the Association or any of its affiliates;
(c) is not related by blood or marriage to any officer or director of the Association or any of its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Association or any of its affiliates, and who does not otherwise share a common financial interest with any such officer, director or shareholder;
(d) is not indebted, directly or indirectly, to the Association or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 10 percent (10%) of the Association's total Tier 1 (Core) capital;. and
(e) has not served as a consultant, advisor, underwriter, or legal counsel to the Association or any of its affiliates within the twelve (12) months preceding the Effective Date of this Order.

Liquidity.

25. By November 30, 2010, the Association shall revise its Contingency Funding Plan to address the corrective actions noted in the 2010 ROE. At a minimum, the Contingency Funding Plan shall:

(a) comply with applicable law, regulation and regulatory guidance;

(b) include additional early warning triggers, stress testing and scenario analysis;

(c) address the maturity of brokered deposits, the scenarios in which large public funds are withdrawn, and restrictions upon the Association's ability to borrow funds from the Federal Home Loan Bank, Federal Reserve Bank and other sources;

(d) include detailed cash flow projections that were developed using reasonable, well-documented assumptions; and

(e) provide for regular testing of the Contingency Funding Plan.

26. By November 30, 2010, the Association shall revise it liquidity and funds management policies (Liquidity Policy) to establish specific policies and procedures for bidding on public deposits and reasonable limits on the amount of public funds accepted by the Association.

27. By November 30, 2010, the Association shall revise its procedures for calculating other than temporary impairment (OTTI) for its trust preferred commercial debt obligations. The revised procedures shall require that an appropriate fair value and discount rate are used in calculating OTTI. The Association shall maintain detailed documentation to support all key assumptions.

Interest Rate Risk Management.

28. By November 30, 2010, the Association shall revise its policies and procedures governing the Association's interest rate risk (IRR) management (IRR Policy) to address all corrective actions in the 2010 ROE related to IRR. The Association's IRR Policy shall comply with all applicable laws, regulations and regulatory guidance and, at a minimum, shall:

(a) require establishment and guidance of the Association's strategic direction and tolerance for IRR, which shall include prudent limits on the nature and amount of IRR that can be taken;

(b) specify strategies and timeframes for reducing the Association's IRR exposure to the Board-approved limits;

(c) identify and substantiate the selection of effective tools to measure and monitor the Association's performance and overall IRR profile, which shall include the establishment of adequate model validation and back-testing policies, procedures and processes;

(d) require preparation of adequate management reports on which to base sound IRR management decisions, including periodic review of the Association's adherence to the IRR Policy;

(e) require the Board's Asset Liability Committee to maintain detailed meeting minutes; and

(f) establish an IRR monitoring and review process that includes quarterly reports (IRR Report) to the Board for discussion and corrective action.

29. By December 31, 2010, the Association shall submit its IRR Policy to the Regional Director for review and comment. Upon receipt of written notification from the Regional

Director that the IRR Policy is acceptable, the Association shall implement and adhere to the IRR Policy. The Board's review and approval of the IRR Policy shall be documented in the Board meeting minutes.

Violations of Law.

30. By November 15, 2010, 2010, the Association shall ensure that all violations of law and/or regulation and the May 21, 2009 Cease and Desist Order discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Growth.

31. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director.

Brokered Deposits.

32. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b).

Transactions with Affiliates.

33. Effective immediately, the Association shall not engage in any transaction with an affiliate 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 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 for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

Directorate and Management Changes.

34. Effective immediately, the Association shall comply with the prior notification requirements for Changes in Directors and Senior Executive Officers[9] set forth in 12 C.F.R. Part 563, Subpart H.

Dividends and Other Capital Distributions.

35. Effective immediately, the Association shall not declare or pay 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 in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

Employment Contracts and Compensation Arrangements.

36. 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 Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director 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 Regional Director 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

[9] The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

– Appendix A, and the Interagency Guidance on Sound Incentive Compensation Policies contained in OTS Chief Executive Officer Memorandum No. 354.

Golden Parachute and Indemnification Payments.

37. Effective immediately, the Association shall not make any golden parachute payment[10] or prohibited indemnification payment[11] 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.

38. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association[12] or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (b) received written notice of non-objection from the Regional Director.

Board Oversight of Compliance with Order.

39. By October 31, 2010, the Board shall designate a committee to monitor and coordinate the Association's compliance with the provisions of this Order and the completion of all

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[10] The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).
[11] The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).
[12] A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

corrective actions required in the 2010 ROE (Oversight Committee). The Oversight Committee shall be comprised of three (3) or more directors, the majority of whom shall be independent directors.

40. Within sixty (60) days after the end of each quarter, beginning with the quarter ending December 31, 2010, the Oversight Committee shall submit a written compliance progress report to the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

(a) separately list each corrective action required by this Order and the 2010 ROE;

(b) identify the required or anticipated completion date for each corrective action; and

(c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

41. Within sixty (60) days after the end of each quarter, beginning with the quarter ending December 31, 2010, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within ten (10) days after the Board's review of the Compliance Tracking Report.

42. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order. The Board shall review and adopt all policies and procedures required by this Order prior to submission to the OTS.

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, or an OTS authorized representative, 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 any 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:
Regional Director
Office of Thrift Supervision
1475 Peachtree St., N.E.
Atlanta, Georgia 30309

404.897.1861 (Fax)

(b) To the Association:
Board of Directors
SOUTHBank, a Federal Savings Bank
118 Jefferson St S
Huntsville, AL 35801-4845

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/
James G. Price
Regional Director, Southeast Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	Order No.: SE-10-054
SOUTHBANK, A FSB	)	Effective Date: November 19, 2010
Huntsville, Alabama OTS Docket No. 08854	)	

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 SOUTHBank, A Federal Savings Bank, Huntsville, AL, OTS Docket No. 08854 (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 Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. 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).

2. 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).

OTS Findings of Fact.

3. Based on its March 15, 2010 examination of the Association (2010 ROE), the OTS finds that the Association has engaged in unsafe or unsound banking practices; has other deficiencies in its management and in its operations; and/or has failed to comply with conditions imposed in writing by the OTS, including:

(a) operating the Association with an excessive level of adversely classified loans;

(b) operating with an inadequate allowance for loan and lease losses for the volume, type, and quality of loans and leases held;

(c) failing to properly identify risk and assess the level of risk in problem loans;

(d) failing to properly identify and classify problem assets;

(e) failing to properly report problem assets on its books, records and financial reports;

(f) failing to accurately reflect the condition of the Association in Thrift Financial Reports;

(g) operating the Association with management whose policies and practices are detrimental to the Association and jeopardize the safety of its deposits;

(h) operating the Association with a board of directors that has failed to exercise adequate supervision over and provide adequate direction to management of the Association to prevent unsafe and unsound banking practices and violations of laws or regulations;

(i) operating the Association with inadequate internal review policies or procedures and/or internal routines and controls;

(j) failing to adequately document business expenses;

(k) operating with an inadequate asset or liability funds management policy;

(l) failing to establish a complete and adequate interest rate risk management process that effectively identifies, measures, monitors, and controls risk and provides for periodic independent review; and

(m) operating in contravention of supervisory policy statements and other guidance, including, but not limited to:

(i) Interagency Guidelines Establishing Standards for Safety and Soundness;

(ii) Interagency Guidelines for Real Estate Lending Policies;

(iii) Interagency Policy on Funding and Liquidity Risk Management;

(iv) Interagency Policy Statement on the Allowance for Loan and Lease Losses;

(v) Interagency Guidance on Sound Incentive Compensation Policies; and

(vi) Accounting Considerations Related to Other-Than-Temporary Impairment.

4. Based on its 2010 ROE of the Association, the OTS finds that the Association has engaged in violations of law and regulation, including:

(a) 12 C.F.R. § 563.160 (related to the classification of assets);

(b) 12 C.F.R. § 562.1(b) (related to audited financial statements and financial reporting);

(c) 12 C.F.R. § 563.200 (related to conflicts of interest);

(d) 12 C.F.R. § 564.4 (related to appraisals);

(e) 12 C.F.R. § 563.41(c)(3) (related to transactions with affiliates);

(f) 12 C.F.R. §§ 223.13 and 223.14(a) (relating to transactions with affiliates); and

(f) 12 C.F.R. Part 570.

Consent.

5. 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.

Finality.

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

Waivers.

7. 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.

OTS Authority Not Affected.

8. 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.

Other Governmental Actions Not Affected.

9. 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 8 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.

Miscellaneous.

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

11. 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.

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

13. 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.

14. 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.

15. 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.

Signature of Directors/Board Resolution.

16. 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. This Stipulation may be executed in counterparts by the directors

after approval of execution of the Stipulation at a duly called board meeting.

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

SOUTHBank , a FSB
Huntsville, Alabama

By: /s/
Danny L. Wiginton
Chairman

/s/
Gerald R. McLemore, Director

/s/
Harry B. Brock, III, Director

/s/
Rick G. Hall, Director

/s/
William C. Hussey, Director

/s/
A. H. Taylor, III, Director

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: /s/
James G. Price
Regional Director, Southeast Region

Date: See Effective Date on page 1