

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)
SouthFirst Bank)
Sylacauga, Alabama)

AA-EC-2012-109

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”), through his authorized representative, has supervisory authority over SouthFirst Bank, Sylacauga, Alabama (“Bank”);

WHEREAS, the Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”), dated August 15, 2012, that is acceptable to the Comptroller through his duly authorized representative; and

WHEREAS, by this Stipulation, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

NOW THEREFORE, pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the

name of any new member shall be submitted in writing to the Director for Special Supervision (“Director”). The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) Within sixty (60) days, and monthly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Order;

(b) actions taken to comply with each Article of this Order; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Director within ten (10) days of receiving such report.

(5) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision
Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-7
Washington, DC 20219

with a copy to:
Assistant Deputy Comptroller
Birmingham Field Office
3595 Grandview Parkway, Suite 655
Birmingham, AL 35243

ARTICLE II

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by December 31, 2012, and thereafter maintain the following capital ratios (as defined in 12 C.F.R. Parts 165 and 167):

(a) Total risk-based capital at least equal to twelve percent (12%) of risk-weighted assets;

(b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.

(2) The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be “well-capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165, pursuant to 12 C.F.R. § 165.4(b)(1)(iv).

(3) Within sixty (60) days, the Board shall develop and implement an effective internal capital planning process to assess the Bank’s capital adequacy in relation to its overall risks and to ensure maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph one (1) of this Article. The capital planning process shall be consistent with OCC Bulletin 2012-16 (Guidance for Evaluating Capital Planning and Adequacy) (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the initial capital planning process and review the capital planning process at least annually or more frequently if requested by the Director in writing

(4) Within ninety (90) days, the Board shall forward to the Director for his review, pursuant to paragraph six (6) of this Article, a written Capital Plan for the Bank, consistent with the Business Plan pursuant to Article III, covering at least a two-year period. The written Capital Plan shall, at a minimum:

- (a) include specific plans for the maintenance of adequate capital, which shall in no event be less than the requirements of paragraph one (1) of this Article;
- (b) identify and evaluate all material risks;
- (c) determine the Bank’s capital needs in relation to material risks and strategic direction;

- (d) identify and establish a strategy to maintain capital adequacy and strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;
 - (e) include detailed quarterly financial projections; and
 - (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order that will have an impact on the Bank's capital
- (5) The Bank may declare or pay a dividend or make a capital distribution only:
- (a) when the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately following the declaration or payment of any dividend or capital distribution; and
 - (b) following the approval of the Director, pursuant to 12 U.S.C. Part 163, Subpart E.
- (6) Prior to adoption by the Board, a copy of the Bank's written Capital Plan shall be submitted to the Director for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually, no later than January 31, and more frequently if required by the Director in writing. Revisions to the Bank's written Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall thereafter adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.
- (7) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Capital Plan and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board

meeting minutes. The Board shall forward a copy of the quarterly evaluations to the Director within ten (10) days of completion of the evaluations.

(8) If the Bank fails to achieve or thereafter maintain the capital ratios required by paragraph one (1) of this Article or fails to implement a Capital Plan to which the Director has provided a written determination of no supervisory objection, then the Bank may, in the Director's sole discretion, be deemed undercapitalized for purposes of this Order. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 165. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by this Order, and any other action deemed advisable by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

ARTICLE III

BUDGET/BUSINESS PLAN

(1) Within ninety (90) days, the Board shall forward to the Director for his review, pursuant to paragraph (2) of this Article a written three-year business plan ("Business Plan") that shall include a projection of major balance sheet and income statement components, and shall coincide with the Capital Plan pursuant to Article II. The business plan shall also include a written profit plan and a detailed budget. Specifically, the plan shall describe the Bank's objectives for improving Bank earnings, contemplated strategies and major capital expenditures required to achieve those objectives. Such strategies shall include specific market segments that the Bank intends to promote or develop. Procedures shall also be established to monitor the Bank's actual results against these projections and to provide for appropriate adjustments to the

budget and profit plan. The plan shall set forth specific time frames for the accomplishment of these objectives.

(2) Prior to the adoption by the Board, a copy of the Business Plan shall be submitted to the Director for a prior written determination of no supervisory objection. The Board shall review and update the Bank's Business Plan at least annually and more frequently if needed or if required by the Director in writing. The Board shall submit any revisions to the Bank's Business Plan to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt the Business Plan. The Bank, subject to Board review and ongoing monitoring, shall implement and adhere to the Business Plan.

(3) The Bank may not initiate any action that deviates significantly from the Business Plan (that has received a written determination of no supervisory objection from the Director and that has been adopted by the Board) without a written determination of no supervisory objection from the Director. The Board must give the Director at least thirty (30) days advance written notice of its intent to deviate significantly from the Business Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Business Plan. For the purposes of this Article, changes that may constitute a significant deviation from the Business Plan include, but are not limited to, a change in the Bank's marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes

and practices, or funding strategy, any of which, alone or in the aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(4) Until the Business Plan required under this Article has been submitted by the Bank for the Director's review, has received a written determination of no supervisory objection from the Director, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for prior written determination of no supervisory objection to a significant deviation must be submitted to the Director at least 30 days in advance of the significant deviation, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change.

ARTICLE IV

CRITICIZED ASSETS

(1) Within sixty (60) days, the Board shall adopt, and the Bank, subject to Board review and ongoing monitoring shall adhere to a written program designed to protect the bank's interest in those assets criticized in the 2012 ROE, in any subsequent Report of Examination, by any internal or external loan review, or in any list provided to management by the OCC

Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include the development of Criticized Asset Reports ("CARs") identifying all credit relationships and other assets totaling in aggregate \$250,000 or more, criticized as "doubtful," "substandard," or "special mention." The CARs shall be updated and submitted to the Board and the Director quarterly. Each CAR shall include, at a minimum, analysis and documentation of the following:

- (a) the origination date and any renewal or extension dates, amount, purpose of the loan, and the originating and current loan officer(s);
- (b) the expected primary and secondary sources of repayment, and an analysis of the adequacy of the repayment source;
- (c) the appraised value of supporting collateral and the position of the Bank's lien on such collateral, where applicable, as well as other necessary documentation to support the current collateral valuation;
- (d) an analysis of current and complete credit information, including cash flow analysis where loans are to be repaid from operations;
- (e) results of any ASC 310 impairment analysis;
- (f) significant developments, including a discussion of changes since the prior CAR, if any; and
- (g) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(2) Upon adoption, a copy of the criticized assets program shall be forwarded to the Director.

- (3) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:
- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds two hundred fifty thousand dollars (\$250,000);
 - (b) management's adherence to the written program adopted pursuant to this Article;
 - (c) the status and effectiveness of the written program; and
 - (d) the need to revise the program or take alternative action.
- (4) A copy of each review shall be forwarded to the Director on a quarterly basis.
- (5) The Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the 2012 ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the OCC during any examination and whose aggregate loans or other extensions of credit exceed two hundred fifty thousand dollars (\$250,000) unless the Board, or a designated committee thereof, finds and documents in writing that each of the following conditions are met:
- (a) the extension of additional credit is necessary to promote the best interests of the Bank;
 - (b) the Bank has performed a written credit and collateral analysis as required by paragraph (1)(d) of this Article, and the proposed action referred to in paragraph (1)(g) of this Article is revised, as appropriate; and
 - (c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of additional credit.

(6) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE V

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written concentration risk management program consistent with guidance set forth in OCC Bulletin 2006-46 (Concentrations in Commercial Real Estate Lending) and the “Concentrations of Credit” booklet of the *Comptroller’s Handbook* (December 2011). The program shall include, at a minimum:

- (a) a review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit;
- and
- (d) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(2) For purposes of this Article, a concentration of credit is as defined in the “Concentrations of Credit” booklet of the *Comptroller’s Handbook*.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by (1)(b) of this Article and that the analysis demonstrates that the concentration will not subject the Bank to undue credit or interest rate risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Director immediately following the review.

ARTICLE VI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days, the Board shall adopt, and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter adhere to a revised program to ensure the maintenance of an adequate Allowance for Loan and Lease Losses (“ALLL Program”). The revised ALLL Program shall be consistent with 12 C.F.R § 160.160 and the Interagency Policy Statement on the Allowance for Loan and Lease Losses contained in OCC Bulletin 2006-47 (December 13, 2006). At a minimum, the revised ALLL Program shall include:

- (a) internal risk ratings of loans;
- (b) results of the Bank's internal loan review;
- (c) results of the Bank's independent loan review;
- (d) criteria for determining which loans will be reviewed under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310 *Receivables* (Pre-codification reference: Statement of Financial Accounting Standards ("FAS") Statement No. 114), how impairment will be determined, and procedures to ensure that the analysis of loans complies with ASC 310 requirements; and
- (e) criteria for determining loan pools under ASC 450 (Pre-codification reference: FAS Statement No. 5) and an analysis of those loan pools.

(2) The ALLL Program shall provide for an independent review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the

quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining ALLL adequacy.

(3) A copy of the Board's review of the adequacy of the ALLL shall be forwarded to the Director on a quarterly basis.

ARTICLE VII

INTERNAL LOAN REVIEW

(1) Within ninety (90) days, the Board shall employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases.

(2) Within ninety (90) days, the Board shall adopt, and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter adhere to an effective, independent, and on-going loan review program to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The program shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in 12 C.F.R. § 160.160, the "Rating Credit Risk" booklet of the *Comptroller's Handbook*, and OCC Bulletin 2006-47 ("Interagency Policy Statement on the Allowance for Loan and Lease Losses"), and all subsequently issued OCC regulations and guidance. Such reports shall include, at a minimum, conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;

- (d) credit and collateral documentation exceptions;
- (e) the identification and status of credit related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;
- (g) concentrations of credit;
- (h) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (i) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(3) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program providing for independent review of problem loans and leases in the Bank's loan and lease portfolios for the purpose of monitoring portfolio trends, on at least a quarterly basis. The program shall require a quarterly report to the Board. At a minimum, the program shall provide for an independent reviewer's assessment of the Bank's:

- (a) monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) system for monitoring previously charged-off assets and their recovery potential;

- (d) system for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function; and
- (e) system for monitoring the adequacy of credit and collateral documentation.

(4) A written description of the program called for in this Article shall be forwarded to the Director upon adoption.

(5) The Board shall evaluate the internal loan review report(s) and shall ensure that immediate, adequate, and continuing remedial action is taken upon all findings.

(6) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE VIII

TROUBLED DEBT RESTRUCTURE POLICY

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a Troubled Debt Restructure Policy (“TDR Policy”). The TDR Policy shall be consistent with OTS Thrift Bulletin 85 (Regulatory and Accounting Issues Related to Modifications and Troubled Debt Restructurings of 1-4 Residential Mortgage Loans) and the OCC Bank Accounting Advisory Series, June 2012. This policy shall include, at a minimum:

- (a) a definition of troubled debt restructure (“TDR”);
- (b) management roles and responsibilities;
- (c) documentation requirements from the borrower and analysis requirements for the Bank;
- (d) methodology for determining impairment;

- (e) a description of when an appraisal is required to determine impairment, considering the type, complexity, and size of the problem loan;
 - (f) a description of how impairment is to be calculated to ensure proper accounting treatment in accordance with Accounting Standards Codification 310-10;
 - (g) timely designation of loans and other assets as troubled debt restructurings in accordance with Call Report instructions and consistent with Accounting Standards Codification 310-40;
 - (h) the frequency of ongoing impairment measurements for TDRs; and
 - (i) classification and nonaccrual practices for TDRs.
- (2) The written TDR policy shall be forwarded to the Director upon adoption.

ARTICLE IX

LIQUIDITY

(1) The Board shall ensure the Bank has adequate sources of liquidity in relation to the Bank's needs. Monthly reports shall set forth liquidity requirements and sources. Copies of these reports shall be forwarded to the Director in the Bank's quarterly report to the Director.

(2) Within thirty (30) days, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter adhere to a Liquidity Contingency Plan consistent with the "Liquidity" booklet of the *Comptroller's Handbook* (June 2012), and which addresses the criticisms in the 2012 ROE.

ARTICLE X

VIOLATIONS OF LAW

(1) The Board shall ensure that the Bank immediately corrects each violation of law, rule, or regulation cited in the 2012 ROE, any subsequent Report of Exam, or that is brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Monthly, the Bank shall provide to the Board a list of any identified violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified time.

(2) Within ninety (90) days of the date of this Order, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring shall implement and thereafter ensure adherence to:

- (a) specific procedures to prevent violations as cited in the 2012 ROE and future Reports of Exams; and
- (b) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

ARTICLE XI

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) Reference in this Order to provisions of statutes, regulations and other published regulatory guidance shall be deemed to include references to all amendments to such provisions and to successor provisions as they become applicable.

(3) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(4) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(5) If the Bank requires a suspension or waiver of any provision or an extension of any timeframe within this Order, the Board shall submit a written request to the Director asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support a suspension or waiver of any provision or an extension of a timeframe within this Order.

(6) The Director's decision concerning a request submitted pursuant to paragraph five of this Article is final and not subject to further review.

(7) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller, through his authorized representative.

(8) In each instance in this Order in which the Board or a Board committee is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Order and that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order;
- (b) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

(9) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(10) The Office of Thrift Supervision (“OTS”) issued a Supervisory Agreement to the Bank on March 4, 2011 (“Supervisory Agreement”). This Order replaces the Supervisory Agreement in its entirety and is hereby terminated. Provided however, no provision in this Order

shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its IAPs for any failure to comply with the Supervisory Agreement while it was effective.

(11) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 15th day of August, 2012.

/signed/

Michael R. Brickman
Director for Special Supervision

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)
SouthFirst Bank)
Sylacauga, Alabama)

AA-EC-2012-109

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) intends to initiate cease and desist proceedings against SouthFirst Bank, Sylacauga, Alabama (“Bank”) pursuant to 12 U.S.C. § 1818 through the issuance of a Notice of Charges, for unsafe and unsound banking practices relating to credit risk management, concentrations of credit, capital, liquidity, violations of law, and noncompliance with the March 4, 2011 Supervisory Agreement; and

WHEREAS, the Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated August 15, 2012 (“Order”) by executing this Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”).

NOW THEREFORE, in consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a Federal savings association within the meaning of 12 U.S.C. § 1462(3) and an insured depository institution within the meaning of 12 U.S.C. § 1813(c).

(2) Pursuant to Section 312 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. § 5412, all powers, authorities, rights and duties relating to Federal savings associations that were vested in the Office of Thrift Supervision (“OTS”) and the Director of the OTS, transferred to the OCC on July 21, 2011.

(3) Pursuant to 12 U.S.C. § 1813(q), the Comptroller is “the appropriate Federal banking agency” to initiate and maintain a proceeding against the Bank pursuant to 12 U.S.C. § 1818(b).

(4) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1813(c)(2).

ARTICLE II

AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i).

(3) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Order and/or execute the Order.

(5) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(6) The terms and provisions of this Stipulation and the Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Stipulation or the Order.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) and 12 C.F.R. Part 109;
 - (d) all rights to seek any type of administrative or judicial review of the Order; and

(e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

CLOSING PROVISIONS

(1) The provisions of this Stipulation shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(2) Nothing in this Stipulation shall preclude any proceedings brought by the Comptroller to enforce the terms of the Order, and nothing in this Stipulation constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power, or authority of any other representative of the United States or an agency thereof, including without limitation, the United States Department of Justice, to bring other actions deemed appropriate.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/signed/

Michael R. Brickman
Director for Special Supervision

8/15/2012

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Neal Bice

Date

/signed/

Kenneth Easterling

8/15/2012

Date

/signed/

Randall Fields

8/15/2012

Date

/signed/

David Foote, Jr.

8/15/2012

Date

/signed/

Donald Hardy

8/15/2012

Date

/signed/

Robert Hayes

8/15/2012

Date

/signed/

Allen McMillian III

8/15/2012

Date