

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: SE-11-022
)	
GREENEVILLE FEDERAL BANK, FSB))	Effective Date: July 1, 2011
Greenville, Tennessee)	
OTS Docket No. 06518)	

ORDER TO CEASE AND DESIST

WHEREAS, Greenville Federal Bank, FSB, Greenville, Tennessee, OTS Docket No. 06518 (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 inadequate level of capital protection for the volume, type, and quality of assets held by the Association;
- (b) operating the Association with inadequate earnings to augment capital and fund reserves;
- (c) operating the Association with an excessive level of adversely classified loans or assets;
- (d) operating the Association with an excessive concentration of loans related to commercial real estate, purchased participation loans, and nonresidential mortgage loans; and
- (e) operating the Association with an inadequate allowance for loan and lease losses (ALLL) for the volume, type, and quality of loans and leases held.

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. § 560.160 (regarding accurate and timely classification of assets); and
- (b) 12 C.F.R. § 563.170 (regarding establishment and maintenance of records).

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

Capital.

3. By December 31, 2011, the Association shall have and maintain a Tier 1 (Core) Capital Ratio equal to or greater than seven percent (7%) and a Total Risk-Based Capital Ratio equal to or greater than thirteen percent (13%).²

4. Within sixty (60) days, the Association shall submit a written plan to achieve and maintain the Association's capital at the levels prescribed in Paragraph 3 (Capital Plan) that is acceptable to the Regional Director. 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;
- (d) include detailed quarterly financial projections, including Tier 1 (Core) and Total Risk-Based Capital Ratios;
- (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 notification from the Regional Director that the Capital Plan is acceptable, the Association shall implement and adhere to the Capital Plan. A copy of the

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).

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, 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, 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

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.

implementing the Contingency Plan by no later than the first (1st) and fifteenth (15th) of each month following implementation of the Contingency Plan.

Business Plan.

10. By August 31, 2011, the Association shall submit a new business plan for second half of calendar year 2011 (Business Plan) that is acceptable to the Regional Director. Thereafter, the Association shall submit a new one (1) year Business Plan at least sixty (60) days prior to the end of each calendar year. At a minimum, the Business Plan shall include:

- (a) plans and strategies to restructure the Association's operations, improve the Association's earnings, control and reduce expenses, and achieve positive core income;
- (b) strategies for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the Business Plan;
- (c) quarterly pro forma financial projections (balance sheet, capital forecasts, and income statement);
- (d) plans and strategies to address each deficiency noted in the December 29, 2010 examination of the Association as described in the Report of Examination (2010 ROE);
and
- (e) identification of all relevant assumptions made in formulating the Business Plan and retention of documentation supporting such assumptions.

11. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Board shall adopt and ensure that the Association implements and adheres to the Business Plan. A copy of the Business 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.

12. Any material modifications⁴ to the Business Plan must receive the prior written non-objection of the Regional Director. The Association shall submit proposed modifications to the Regional Director at least forty-five (45) days prior to the proposed date of implementation of the proposed modifications.

13. Within forty-five (45) days after the close of each calendar quarter, beginning with the calendar quarter ending September 30, 2011, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Quarterly Business Plan Variance Reports). The Quarterly Business Plan Variance Reports shall:

- (a) identify material variances⁵ in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken to address identified variances.

14. The Board's review of the Quarterly Business Plan Variance Reports, including any corrective actions adopted by the Board, shall be fully documented in the Board meeting minutes. A copy of the Quarterly Business Plan Variance Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the Board meeting.

⁴ A modification shall be considered material under this section of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a modification of more than twenty-five percent (25%) shall be deemed to be a material modification.

⁵ A variance shall be considered material under this section of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material variance.

Internal Asset Review and Classification.

15. Within thirty (30) days, the Association shall retain a qualified, independent asset review firm to revise its written internal asset review and classification program (IAR Program) that is acceptable to the Regional Director and addresses all corrective actions set forth in the 2010 ROE relating to internal asset review and classification and that complies with all applicable laws, regulations, and regulatory guidance. At a minimum, the IAR Program shall :

- (a) ensure the accurate and timely identification, classification, and reporting of the Association's assets, including the designation of loans as special mention or placement of loans on a watch list where a borrower's credit standing has deteriorated;
- (b) detail the Association's loan grading system and specify parameters for the identification of problem loans for each type of loan offered by the Association;
- (c) establish specific review and classification standards for any loans where interest, loan fees, late fees, loan costs, or collection costs of problem loans have been capitalized into the loan balance;
- (d) require internal asset reviews and updates for the Association's commercial loan portfolio to be conducted not less than every three (3) months;
- (e) require monthly reports be submitted to the Board detailing the Association's adversely classified, special mention, and delinquency ratios;
- (f) require the enhancement of staff within ninety (90) days as necessary to ensure the accurate and timely identification, classification, and reporting of the Association's assets and to fully implement the IAR Program; and
- (g) provide for the appointment of a qualified, experienced, and independent third party to conduct, at a minimum, annual reviews of the Association's commercial loan

portfolio and assessments of the Association's internal asset review process thereof.

16. Within sixty (60) days, 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 of the IAR Program shall be documented in the Board meeting minutes. A copy of the IAR Program shall be provided to the Regional Director within thirty (30) days of adoption by the Board.

Allowance for Loan and Lease Losses.

17. Within sixty (60) days, 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:

- (a) incorporate the results of all internal loan reviews and classifications;
- (b) address the historical loan loss rates of the Association in compliance with regulatory guidance;
- (c) require an expanded segmentation of the Association's loan portfolio for internal loan review analysis;
- (d) include an estimate of the potential loss exposure on each significant⁶ credit;
- (e) require the stress testing of loss rates and delinquency rates to: (i) determine the sensitivity of the ALLL methodology to changes from primary inputs, and (ii) evaluate the appropriateness of the ALLL in a range of credit environments;

⁶ A credit shall be considered significant for the purposes of assessing, establishing, and maintaining an appropriate level of ALLL if it is/was FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) or greater at origination.

(g) address the level and impact of the Association's current concentrations of credit, including geographic concentrations; and

(h) take into consideration current and prospective market and economic conditions.

18. Within sixty (60) days, the Association shall retain a qualified and independent third party to: (a) assess the adequacy and effectiveness of the Association's ALLL methodology and its compliance with this Order and applicable regulatory guidance; and (b) validate the sufficiency of the ALLL level as of March 31, 2011 (ALLL Analysis Report) in conformance with the policies, procedures, and methodologies developed pursuant to Paragraph 17. The Association shall submit a copy of the ALLL Analysis Report to the Regional Director by September 30, 2011.

19. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending September 30, 2011, the Association shall analyze the adequacy of the ALLL consistent with its ALLL Policy (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report, including, but not limited to, all qualitative factors considered in determining the adequacy of the Association's ALLL, shall be fully documented in the Board meeting minutes. Any deficiency in the ALLL shall be remedied by the Association in the quarter in which it is discovered and before the Association files its Thrift Financial Report (TFR) with the OTS.

Problem Assets.

20. Within sixty (60) days, the Association shall prepare and adopt a detailed, written plan with specific strategies, targets, and timeframes to reduce⁷ the Association's level of criticized

⁷ 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.

assets⁸ (Problem Asset Plan). At a minimum, the Problem Asset Plan shall require Management to prepare and submit for Board review individual written asset resolution plans for each criticized asset and delinquent loan or group of loans to the same borrower of Five Hundred Thousand Dollars (\$500,000.00) or greater (Asset Resolution Plans).

21. Within forty-five (45) days after the end of each calendar quarter, beginning with the quarter ending September 30, 2011, the Board shall review a quarterly written asset status report (Quarterly Asset Report). The Quarterly Asset Report shall include, at a minimum:

- (a) the current status of all Asset Resolution Plans;
- (b) a detailed analysis of the calculation and adequacy of the Association's ALLL levels and comparison of ALLL levels to the total level of classified assets;
- (c) a comparison of classified assets to core and risk based capital;
- (d) a comparison of classified assets at the current quarter end with the preceding quarter;
- (e) a breakdown of classified assets by type (residential, acquisition and development, construction, land loans, etc.);
- (f) an assessment of the Association's compliance with the Problem Asset Plan; and
- (g) a discussion of the actions taken during the preceding quarter to reduce the Association's level of criticized assets and delinquent loans.

22. The Board's review of the Quarterly Asset Reports, and any corrective actions adopted by the Board, shall be fully documented in the appropriate Board meeting minutes. A copy of the Quarterly Asset Report and the Board meeting minutes detailing the Board's review shall be

⁸ The term "criticized assets" shall include all classified assets, assets designated special mention or watch, all nonperforming assets, and all delinquent loans with payments thirty (30) days or more past due.

provided to the Regional Director within ten (10) days after the Board meeting.

Lending.

23. Effective June 30, 2011, the Association shall not originate, purchase, or commit to originate or purchase any new commercial real estate loans, participations in any new commercial real estate loans, or nonresidential mortgage loans (collectively, CRE loans) without the prior written non-objection of the Regional Director. Any such request for non-objection shall: (a) be submitted to the Regional Director at least twenty (20) days prior to the date of the proposed action; and (b) include a certification by the Board that the increase to the Loan Portfolio: (i) fully comports with the Association's underwriting standards; and (ii) was considered and approved by the Board, subject to receipt of non-objection by OTS.

24. Notwithstanding the restrictions set forth in Paragraph 23 above, the Association may continue to make loans to finance the sale of real estate owned provided that the Association (a) does not advance new funds; (b) does not release the collateral; (c) underwrites the loan in accordance with the Association's policy and procedures, including a written memorandum supporting the decision and analyzing financial information from the borrower and an updated valuation of the loan collateral; and (d) the loan will not violate any law or regulation.

Concentrations of Credit.

25. Within sixty (60) days, the Association shall develop a written program for identifying, monitoring, and controlling risks associated with concentrations of credit (Credit Concentration Program) to ensure that it is acceptable to the Regional Director and addresses all corrective actions set forth in the 2010 ROE relating to concentrations of credit. The Credit Concentration Program shall comply with all applicable laws, regulations and regulatory guidance and shall :

- (a) establish comprehensive concentration limits expressed as a percentage of Tier 1 (Core) Capital plus ALLL, and document the appropriateness of such limits based on the Association's risk profile;
- (b) establish stratification categories of the Association's concentrations of credit, such as commercial real estate loans, purchased participation loans, and nonresidential mortgage loans, *e.g.*, land loans, construction loans, income property loans, nonresidential real estate loans, commercial loans and establish enhanced risk analysis, monitoring, and management for each stratification category;
- (c) contain specific review procedures and reporting requirements, including written reports to the Board, designed to identify, monitor, and control the risks associated with concentrations of credit and periodic market analysis for the various property types and geographic markets represented in its portfolio; and
- (d) contain a written action plan, including specific time frames, for bringing the Association into compliance with its concentration of credit limits.

26. Within sixty (60) days, the Association shall submit its Credit Concentration Program to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the Credit Concentration Program is acceptable, the Association shall implement and adhere to the Credit Concentration Program. The Board's review of the Credit Concentration Program shall be documented in the Board meeting minutes. A copy of the Credit Concentration Program shall be provided to the Regional Director within thirty (30) days of adoption by the Board.

27. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending September 30, 2011, the Board shall review the appropriateness of the Association's

concentration limits given current conditions and the Association's compliance with its Credit Concentration Program, including the written action plan to revise the current level of concentrations. The Board's review of the Association's Credit Concentration Program shall be documented in the Board meeting minutes.

Liquidity Management.

28. Within sixty (60) days, the Association shall revise its liquidity and funds management policies and procedures (Liquidity Management Policy) to address all corrective actions set forth in the 2010 ROE relating to liquidity and funds management. The Liquidity Management Policy shall, at a minimum, comply with all applicable laws, regulations and regulatory guidance, including but not limited to, the Interagency Policy Statement on Funding and Liquidity Risk Management (March 17, 2010) (the "Liquidity IPS"). The Liquidity Management Policy shall incorporate a projected sources and uses of funds analysis that is consistent with the guidance set forth in the Liquidity IPS.

29. The Liquidity Management Policy shall include a Contingency Funding Plan, which shall, at a minimum, include:

- (a) alternative funding sources for meeting extraordinary demands or to provide liquidity in the event the sources identified are insufficient. Such alternative funding sources must consider, at a minimum, the selling of assets, obtaining secured lines of credit, recovering charged-off assets, injecting additional equity capital, and the priority of their implementation; and
- (b) sources and uses of funds projections under various stress scenarios including, but not limited to, (i) falling below PCA well-capitalized status; (ii) restricted access to

brokered deposits; (iii) restricted access to FHLB borrowings; (iv) loss of uninsured deposits; and (v) limitations on deposit offering rates.

30. Beginning on September 30, 2011, the Association shall submit to the Regional Director a monthly written assessment of its current liquidity position (Liquidity Report). The Liquidity Report shall be acceptable to the Regional Director and include an assessment of the Association's compliance with its Liquidity Management Policy and Contingency Funding Plan.

At a minimum, the Liquidity Report shall include:

- (a) cash on hand;
- (b) a maturity schedule of certificates of deposit, including, but not limited to, large uninsured deposits, brokered deposits, and public funds deposits;
- (c) the volatility of demand deposits, including escrow deposits;
- (d) a schedule of all funding obligations, including money market accounts, unfunded loan commitments, outstanding lines of credit and outstanding letters of credit;
- (e) a listing of funding sources, including federal funds sold; unpledged assets and assets available for sale; and borrowing lines by lender, including original amount, remaining availability, type and book value of collateral pledged, terms, and maturity date, if applicable;
- (f) an analysis of the continuing availability and volatility of present funding sources;
- (g) an analysis of the impact of decreased cash flow from the Association's loan portfolio resulting from delinquent and non-performing loans;
- (h) an analysis of the impact of decreased cash flow from the sale of loans or loan participations; and

(i) a schedule of deposit offering rates by type and maturity compared to national offering rates as published by the FDIC.

31. Within ten (10) days after receipt of communication from a Federal Home Loan Bank, Federal Reserve Bank, correspondent bank, or government agency with collateralized public unit deposits regarding restrictions or limitation in the Association's borrowing and/or increased collateral requirements, the Association shall notify the Regional Director in writing of such communication.

Management.

32. Within ninety (90) days, the Association's independent⁹ board members shall conduct a management review analyzing the Association's current officer organizational structure and assessing and determining whether such structure is commensurate with the Association's size, financial condition, complexity, current and projected operations and risk profile as outlined in Paragraph 33 (Management Study) and submit a copy of the Management Study to the Regional Director.

33. At a minimum, the Management Study shall include:

(a) assessment of the current Senior Executive Officers,¹⁰ the Association's organizational structure, and staffing levels of the Association;

⁹ For purposes of this Paragraph, a director who is "independent" with respect to the Association shall be any individual who:

- (a) is not employed in any capacity by the Association or its subsidiaries, other than as a director;
- (b) is not related by blood or marriage to any officer or director of the Association or any of its subsidiaries, and who does not otherwise share a common financial interest with any such officer or director;
- (c) is not indebted, directly or indirectly, to the association except for 1-4 family mortgage loans secured by a first lien on the borrower's primary residence; and
- (d) has not served as a consultant, advisor, auditor, underwriter, or legal counsel to the Association or any of its subsidiaries.

¹⁰ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

- (b) identification of present and future staffing requirements for each business line, including Senior Executive Officers, commensurate with the Association's Business Plan;
- (c) detailed written job descriptions and minimum qualifications for all Senior Executive Officers;
- (d) evaluation of each Senior Executive Officer's knowledge, skills, abilities and a determination whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of each Senior Executive Officer's position;
- (e) detailed evaluation of the Association's compliance with 12 C.F.R. § 563.161(b) with respect to each Senior Executive Officer;
- (f) establishment of quantitative and qualitative standards by which the effectiveness of Senior Executive Officers' will be measured;
- (g) evaluation of current lines of authority, reporting responsibilities, and delegation of duties for all Senior Executive Officers, including identification of any overlapping duties or responsibilities or lack of independent checks and balances;
- (h) consideration of the requirements of this Order and any other requirements or restrictions imposed upon the Association by law, regulation, or the OTS;
- (i) compliance with OTS regulations and regulatory guidance;
- (j) establishment of benefit and compensation ranges, including performance evaluation review timeframes and requirements, that are reasonable and commensurate for each Senior Executive Officer position; and

(k) recommendations for correcting or eliminating any other deficiencies in the supervision or organizational structure of the Association.

34. Upon receipt of written notification from the Regional Director that the Management Study is acceptable, the Association shall implement and adhere to any corrective actions and recommendations contained in the Management Study.

Violations of Law.

35. Within thirty (30) days, the Association shall ensure that all violations of law and/or regulation 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.

36. Effective June 30, 2011, 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.

Directorate and Management Changes.

37. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

38. 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 – Appendix A.

Golden Parachute and Indemnification Payments.

39. Effective immediately, the Association shall not make any golden parachute payment¹¹ or prohibited indemnification payment¹² unless, with respect to 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.

40. 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 Association¹³ 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.

¹¹ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

¹² The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

¹³ 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.

Brokered Deposits.

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

42. Within forty-five (45) days after the end of each calendar quarter, beginning with the calendar quarter ending September 30, 2011, management must submit to the Board for review a written report detailing the level of brokered deposits for each month within the quarter (Brokered Deposit Report). The Board must review the Brokered Deposit Report to ensure the Bank's compliance with paragraph 40. A copy of the Board meeting minutes detailing the Board's review, including any corrective actions, and a copy of the Brokered Deposit Report must be provided to the Regional Director within ten (10) days after the Board meeting.

Transactions with Affiliates.

43. Effective immediately, the Association shall not engage in any new 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).

44. Within sixty (60) days, the Association shall revise its transaction with affiliates policies to ensure that all transactions with an affiliate comply with all applicable laws, regulations, and regulatory guidance, including the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

Board Compliance Committee.

45. Within thirty (30) days after the end of each calendar quarter, beginning with the quarter ending September 30, 2011, the Board shall prepare a quarterly written progress report that: (i)

details the Association's compliance with each of the provisions of this Order and the corrective actions contained in the 2010 ROE; (ii) identifies and discusses each instance of noncompliance; and (iii) discusses in detail the additional corrective actions or steps adopted or required by the Board to address each instance of noncompliance.

46. Within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director a copy of the quarterly progress report required by Paragraph 45 of this Order, including the Board meeting minutes. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

Effective Date, Incorporation of Stipulation.

47. 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.

48. 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.

49. 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.

50. 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.

51. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

52. 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 Street, N.E.
Atlanta, Georgia 30309
404.897.1861 (Facsimile)

- (b) To the Association:
Brandon C. Hull, President and CEO
Greeneville Federal Bank, FSB
101 W. Summer Street
Greeneville, Tennessee 37743-4924
423.638.6397 (Facsimile).

53. Following the Transfer Date, all submissions, requests, communications, consents, or other documents relating to this Order made by the Association shall be directed to the Comptroller of the Currency, or to the individual, division, or office designated by the Comptroller of the Currency.¹⁴

No Violations Authorized.

54. 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.

¹⁴ See Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law N. 111-203, § 311, 124 Stat. 1520-21 (2010).

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-11-022
)	
GREENEVILLE FEDERAL BANK, FSB)	Effective Date: July 1, 2011
)	
Greeneville, Tennessee)	
OTS Docket No. 06518)	
_____)	

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 Greeneville Federal Bank, FSB, Greeneville, Tennessee, OTS Docket No.06518 (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 December 29, 2010 examination of the Association as described in the Report of Examination (2010 ROE), the OTS finds that the Association has engaged in unsafe or unsound banking practices including:
 - (a) operating the Association with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association;
 - (b) operating the Association with inadequate earnings to augment capital and fund reserves;
 - (c) operating the Association with an excessive level of adversely classified loans or assets;
 - (d) operating the Association with an excessive concentration of loans related to commercial real estate, purchased participation loans, and nonresidential mortgage loans;

and

(e) operating the Association with an inadequate allowance for loan and lease losses (ALLL) for the volume, type, and quality of loans and leases held.

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

(a) 12 C.F.R. § 560.160 (regarding accurate and timely classification of assets); and

(b) 12 C.F.R. § 563.170 (regarding establishment and maintenance of records).

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.

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

Accepted by:

GREENEVILLE FEDERAL BANK, FSB
Greeneville, Tennessee

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Brandon C. Hull
Chairman

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

Date: See Effective Date on page 1

_____/s/
Annie B. Cansler, Director

_____/s/
Leslie A. Hull, Director

_____/s/
Janice R. Moore, Director

_____/s/
Robert S. Thompson, Director