

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____	)	
In the Matter of	)	
	)	CONSENT ORDER
NORTH ALABAMA BANK	)	
HAZEL GREEN, ALABAMA	)	FDIC-09-731b
	)	
(Insured State Nonmember Bank)	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for North Alabama Bank, Hazel Green, Alabama (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation to the Issuance of a Consent Order” (“STIPULATION”), dated April 8, 2010, that is accepted by the FDIC and the Alabama State Banking Department (“Department”). The Department may issue an order pursuant to the Code of Alabama Annotated Section 5-2A-12 (1980). With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in asset quality, capital adequacy, earnings, management effectiveness, and liquidity, to the issuance of this Consent Order (“ORDER”) by the FDIC and the Department.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Code of Alabama Annotated Section 5-2A-12 (1980) have been satisfied,

the FDIC and the Department hereby order that:

**DIRECTORS**

1. (a) Immediately upon the effective date of this ORDER, the Board shall enhance its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. At each Board meeting (to be held no less frequently than monthly), this enhanced participation shall include, at a minimum, the following areas which shall be reviewed and approved: capital adequacy; liquidity; classified and criticized assets; reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 30 days from the effective date of this ORDER, the Board shall establish a Board committee ("Directors' Committee"), consisting of at least four members, to oversee the Bank's compliance with the ORDER. Three of the members of the Directors' Committee shall not be officers of the Bank. The Directors' Committee shall receive from Bank management monthly reports detailing the Bank's actions with respect to compliance with the ORDER. The Directors' Committee shall present a report detailing the Bank's adherence to the ORDER to the Board at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board's meeting and shall be retained in the Bank's records. Establishment of this committee

does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

### **MANAGEMENT**

2. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the chairman of the Board, chief executive officer, president, senior lending officer, and cashier. All management officials shall have an appropriate level of experience and expertise that is needed to perform his or her duties. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

(b) The qualification of management shall be assessed on their ability to:

- (i) comply with the requirements of this ORDER;
  - (ii) operate the Bank in a safe and sound manner;
  - (iii) comply with applicable laws, regulations and statements of policy;
- and
- (iv) restore all aspects of the Bank to a safe and sound condition, including asset quality (e.g. upgrading a low quality loan portfolio), capital adequacy, earnings, risk management, management effectiveness, liquidity, and sensitivity to market risk.

(c) Within 60 days from the effective date of this ORDER, the Bank shall develop and approve a written analysis and assessment of the Bank's management and

staffing needs (“Management Plan”) for the purpose of providing qualified management for the Bank. The Management Plan shall include, at a minimum:

- (i) identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) annual written evaluations of all Bank officers and staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including, but not limited to, adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;
- (iv) a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions consistent with the needs identified in the Management Plan; and
- (v) an organizational chart.

(d) The Bank shall submit the Management Plan to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the FDIC and the Department (collectively, “Supervisory Authorities”), and after due consideration of any recommended changes, the Bank shall approve the Management Plan which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Management Plan.

(e) During the life of this ORDER, the Bank shall provide written notice to the Supervisory Authorities when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer as that term is defined in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101. The notification to the Supervisory Authorities shall comply with the requirements set forth in 12 C.F.R. Part 303, Subpart F. The notification should include a completed Interagency Biographical and Financial Report, which shall include a description of the background and experience of the individual or individuals to be added or employed and must be received at least 60 days before such addition or employment is intended to become effective. The Bank may not add any individual to its Board or employ any individual as senior executive officer unless the Superintendent provides prior written approval of such individual and the Regional Director does not issue a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. §1831i, with respect to any proposed individual.

### **ETHICS**

3. Within 30 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written ethics policy ("Ethics Policy") and program ("Ethics Program").

(a) The Ethics Policy shall state the ethical standards expected of directors, officers, employees, agents and other persons participating in the conduct of the affairs of the Bank ("Covered Individuals"), in the performance of their duties and responsibilities.

(b) The Ethics Program shall establish the definitions, instructions and format to be followed by Covered Individuals in the preparation of comprehensive conflict

disclosure statements (“Statements”) to be filed for review by an Ethics Counselor and/or Ethics Committee; and require:

- (i) initial statements from all existing Covered Individuals;
  - (ii) initial statements from any person who becomes a new Covered Individual;
  - (iii) periodic statements from all Covered Individuals; and
  - (iv) immediate reporting of new conflicts or discovery of previously unreported conflicts.
- (c) At a minimum, the Ethics Program shall address the:
- (i) acceptance of gifts, entertainment, favors and loans;
  - (ii) use of official information;
  - (iii) employment of relatives;
  - (iv) use of Bank property;
  - (v) reimbursement of travel expenses;
  - (vi) indebtedness to the Bank or any other financial institution;
  - (vii) financial interests and obligations that appear to conflict with the individual's duties and responsibilities, including, but not limited to, participation of any sort in any transaction or loan in which the individual, his spouse, child, partner, or any organization in which the individual has a financial interest, or serves as an officer, director, trustee, or partner, is involved;
  - (viii) purchase of Bank property;
  - (ix) provision of goods or services to the Bank; and

(x) outside employment and other activities.

(d) Within 30 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement written policies and procedures designed to bring to the attention of each member of the Board conflicts of interest which may exist in approving loans or other transactions in which Covered Individuals are involved. Such policies and procedures shall, at a minimum, ensure that each member of the Board has been apprised of any potential conflict prior to making a decision, or acting specifically on any loan or other transaction in which Covered Individuals and/or their business associates are, directly or indirectly, involved. The results of any deliberations by the Board regarding potential conflicts shall be reflected in the minutes of its meetings.

#### **CAPITAL**

4. (a) Within 90 days from the effective date of this ORDER, the Bank shall have Tier 1 Capital in such an amount as to equal or exceed 9 percent of the Bank's total assets and total risk-based capital in such an amount as to equal or exceed 11 percent of the Bank's total risk-weighted assets. Thereafter, the Bank shall maintain Tier 1 Capital and total risk based capital ratios equal to or exceeding 9 percent and 11 percent, respectively, during the life of this ORDER. Tier 1 Capital and total risk based capital ratios shall be calculated at the end of each calendar quarter utilizing the definitions contained in 12 C.F.R. § 325.2. Within 30 days of the last day of each calendar quarter, the Bank shall determine from its Reports of Condition and Income, its capital ratios for that calendar quarter. In the event these capital ratios fall below the required percentages at the end of any calendar quarter, the Bank shall notify the Supervisory Authorities of the capital deficiency within ten days. Also, within 30 days of the date of that

notification, the Bank shall submit a written plan to the Supervisory Authorities describing the means and timing by which the Bank shall increase such ratios up to levels which meet or exceed the established minimums.

(b) The level of Tier 1 Capital and total risk-based capital to be maintained during the life of this ORDER pursuant to paragraph 4(a) shall be in addition to an adequately funded allowance for loan and lease losses (“ALLL”), the adequacy of which shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(c) Any increase in Tier 1 Capital and total risk based capital necessary to meet the requirements of paragraph 4(a) of the ORDER may be accomplished by the following:

- (i) sale of common stock;
- (ii) direct contribution of cash by the Board, shareholders, and/or parent holding company;
- (iii) any other means acceptable to the Supervisory Authorities; or
- (iv) any combination of the above means.

(d) Any increase in Tier 1 Capital necessary to meet the requirements of paragraph 4 of this ORDER may not be accomplished through a deduction from the Bank's ALLL.

(e) If all or part of any necessary increase in capital required by paragraph 4 of this ORDER is accomplished by the sale of new securities, the Board shall forthwith take all necessary steps to adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them

in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with any applicable securities laws. Prior to the implementation of the plan and, in any event, not less than 15 days prior to the dissemination of such materials, the plan and any materials to be used in the sale of the securities shall be submitted to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429, and the Superintendent, Alabama State Banking Department, 401 Adams Avenue, Suite 680, Montgomery, Alabama 36130-1201 for review. Any changes requested to be made in the plan or materials shall be made prior to their dissemination.

(f) For the purposes of this ORDER, the terms "Tier 1 Capital," "total risk-based capital," "total assets," and "total risk-weighted assets" shall have the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

#### **RESTRICTION ON CERTAIN PAYMENTS**

5. (a) While this ORDER is in effect, the Bank shall not declare or pay dividends or bonuses without the prior written approval of the Supervisory Authorities. All requests for prior approval shall be received at least 30 days prior to the proposed dividend or bonus payment declaration date (at least 5 days with respect to any request filed within the first 30 days after the date of this ORDER) and shall contain, but not be

limited to, an analysis of the impact such dividend or bonus payment would have on the Bank's capital, income, and/or liquidity positions.

(b) During the term of this ORDER, the Bank shall not make any distributions of interest, principal or other sums on subordinated debentures, if any, without the prior written approval of the Supervisory Authorities.

### **CONCENTRATIONS OF CREDIT**

6. Within 60 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the Concentrations of Credit listed on the Concentrations page of the Joint Report of Examination dated October 5, 2009 (“Report”). Concentrations, at a minimum, should be identified by product type, geographic distribution, underlying collateral or other asset groups, which are considered economically related and in the aggregate represent a large portion of the Bank’s Tier 1 Capital and reserve for ALLL. A copy of this analysis shall be provided to the Supervisory Authorities and the Board shall develop a plan to reduce any segment of the portfolio which the Supervisory Authorities deem to be an undue concentration of credit in relation to the Bank’s Tier 1 Capital and reserve for ALLL. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

### **CHARGE-OFF**

7. (a) Within 30 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” and 50 percent of those classified “Doubtful” in the Report that have not been previously collected or charged-off unless otherwise approved in writing by the

Supervisory Authorities. If an asset classified “Doubtful” is loan or a lease, the Bank may, in the alternative, increase its ALLL by an amount equal to 50 percent of the loan or lease classified “Doubtful”. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days from the receipt of any official Report of Examination of the Bank from the FDIC or the Department, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any asset classified “Loss” and 50 percent of those classified “Doubtful” unless otherwise approved in writing by the Supervisory Authorities. If an asset classified “Doubtful” is loan or a lease, the Bank may, in the alternative, increase its ALLL by an amount equal to 50 percent of the loan or lease classified “Doubtful”. Elimination or reduction of assets through proceeds of other loans made by the Bank is not considered collection for purposes of this provision.

#### **ALLOWANCE FOR LOAN AND LEASE LOSSES**

8. (a) Within 10 days from the date of this ORDER, the Board shall make a provision which will replenish the ALLL for the loans charged off as a result of this examination and reflect the potential for further losses in the remaining loans or leases classified “Substandard” as well as all other loans and leases in its portfolio.

(b) Within 30 days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL and establish a comprehensive policy for determining the adequacy of the ALLL. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified “Loss”. The policy shall provide for a review of the ALLL at least once each calendar

quarter in order that the findings of the Board with respect to the ALLL may be properly reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. The review should include a review of compliance with Statement of Financial Accounting Standards Number 114, including the identification of and the appropriate value for collateral dependent loans. The policy shall adhere to the guidance set forth in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses*. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Reports of Condition and Income, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the ALLL and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

#### **SPECIAL MENTION**

9. Within 60 days from the effective date of this ORDER, the Bank shall correct the cited deficiencies in the loans listed for "Special Mention" on page 48 of the Report, to the extent they are correctible.

#### **ADVERSELY CLASSIFIED ASSETS**

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset, or relationship in excess of \$500,000 classified "Substandard" in the Report. For purposes of this

provision, “reduce” means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank’s collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

- (i) a quarterly schedule for reducing the outstanding dollar amount of adversely classified assets;
- (ii) a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank’s projected Tier 1 Capital plus the ALLL;
- (iii) a provision for the Bank’s submission of monthly written progress reports to its Board; and
- (iv) a provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the Board meeting.

(c) The plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified “Substandard” in the Report in accordance with the following schedule. For purposes of this paragraph, “days” means number of days from the effective date of this ORDER.

- (i) within 180 days, a reduction of twenty-five percent (25%) in the balance of assets classified "Substandard";
- (ii) within 360 days, a reduction of forty-five percent (45%) in the balance of assets classified "Substandard";
- (iii) within 540 days, a reduction of sixty percent (60%) in the balance of assets classified "Substandard"; and
- (iv) within 720 days, a reduction of seventy-five percent (75%) in the balance of assets classified "Substandard".

(d) The requirements of paragraph 10(c) do not represent standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets.

(e) Within 45 days of the effective date of this ORDER, the Bank shall submit the written plan to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the plan.

#### **RESTRICTIONS ON ADVANCES TO ADVERSELY CLASSIFIED**

##### **BORROWERS**

11. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" and is uncollected. The requirements of this paragraph shall not

prohibit the Bank from renewing (after collection in cash of interest due from the borrower) any credit already extended to any borrower.

(b) Additionally, as of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Substandard" or "Doubtful" and is uncollected but exclude any actions taken within the guidance found in FDIC Financial Institution Letter-61-2009 entitled *Policy Statement on Prudent Commercial Real Estate Loan Workouts*.

(c) Paragraph 11 (b) shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to the extending of any additional credit pursuant to this paragraph, either in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by a majority of the Board or a designated committee thereof, who shall certify in writing as follows:

- (i) why the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;
- (ii) that the Bank's position would be improved thereby; and
- (iii) how the Bank's position would be improved.

(d) The signed certification shall be made a part of the minutes of the Board or its designated committee and a copy of the signed certification shall be retained in the borrower's credit file.

### **VIOLATIONS OF LAW AND REGULATION**

12. Within 60 days from the effective date of this ORDER, the Bank eliminate and/or correct all violations of laws, regulations, and/or contraventions of statements of policy in the Report and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable federal and state laws, regulations and/or statements of policy.

### **INTERNAL LOAN REVIEW**

13. Within 90 days from the effective date of this Order, the Bank shall revise its internal loan review grading system to provide for periodic review of the Bank's loan portfolio in order to identify and categorize the Bank's loans, and other extensions of credit which are carried on the Bank's books as loans, on the basis of credit quality. Such system and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

### **LENDING AND COLLECTION POLICIES**

14. Within 90 days from the effective date of this ORDER, the Bank shall ensure the full implementation of its written lending and collection policy to provide effective guidance and control over the Bank's lending function, which implementation shall include the resolution of those exceptions enumerated in the Report. In addition, the Bank shall attempt to obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities.

### **PLAN FOR EXPENSES AND PROFITABILITY**

15. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and fully implement a written plan and a comprehensive budget for calendar year 2010 for all categories of income and expense. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices and taking into account the Bank's other written policies, to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, control overhead, and improve and sustain earnings of the Bank. The plan shall include a projected balance sheet and a description of the operating assumptions that form the basis for and adequately support major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30 of each subsequent year. The plans and budgets required by this paragraph shall be acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan and budget required by paragraph 15(a) of this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

### **WRITTEN STRATEGIC BUSINESS PLAN**

16. Within 60 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities its written strategic plan consisting of long-term goals designed to improve the condition of the Bank and its viability and strategies for achieving those goals. The plan shall be in a form and manner acceptable to the Supervisory Authorities, but at a minimum shall cover three years and provide specific

objectives for asset growth, concentrations of credit, deposit structure, funding strategies, market focus, earnings projections, capital needs, and liquidity position.

### **LIQUIDITY AND FUNDS MANAGEMENT**

17. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan to improve liquidity, contingency funding, interest rate risk, and asset liability management.

(b) The plan shall incorporate the guidance contained in the FDIC Financial Institution Letter 84-2008 entitled *Liquidity Risk Management*. The plan shall provide restrictions on the use of brokered and Internet deposits consistent with safe and sound banking practices.

(c) A copy of the plan shall be submitted to the Supervisory Authorities upon its completion for review and comment. Within 30 days from the receipt of any comments from the Supervisory Authorities, the Bank shall incorporate those recommended changes. Thereafter, the Bank shall implement and follow the plan, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(d) Beginning with the effective date of this ORDER, the Bank's management shall review its liquidity position to ensure that the Bank has sufficient liquid assets or sources of liquidity to meet current and anticipated liquidity needs. This review shall include an analysis of the Bank's sources and uses of funds (cash flow analysis). The results of this review shall be presented to the Board for review each month, with the review noted in the minutes of the Board meeting.

## **INTEREST RATE RISK MANAGEMENT**

18. Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a written policy for managing interest rate risk in a manner that is appropriate to the size of the Bank and the complexity of its assets. The policy shall comply with the *Joint Agency Policy Statement on Interest Rate Risk* and Financial Institution Letter 02-2010 entitled *Financial Institution Management of Interest Rate Risk* shall be consistent with the comments and recommendations detailed in the Report and shall include, at a minimum, the means by which the interest rate risk position will be monitored, the establishment of risk parameters, and provision for periodic reporting to management and the Board regarding interest rate risk with adequate information provided to assess the level of risk. Such policy and its implementation shall be satisfactory to the Supervisory Authorities.

## **REPURCHASE LOAN PARTICIPATIONS**

19. Following the effective date of this ORDER, the Bank shall not repurchase any loan participations sold after December 31, 2009, or any loan participations sold while this ORDER is in effect, unless legally obligated to do so, if the following conditions exist:

- (a) the loan has been adversely classified at an examination or visitation conducted by the Supervisory Authorities and remains classified as of the date the repurchase is considered; or
- (b) the loan exhibits any of the following characteristics:

- (i) the loan is in non-accrual status or should be in non-accrual status as defined in the Instructions for the Preparation of Reports of Condition and Income;
- (ii) principal or interest payments on the loan are more than 30 days past due; or
- (iii) the terms of the loan have been renegotiated or compromised due to the deteriorating financial condition of the borrower.

#### **OTHER REAL ESTATE POLICY**

20. Within 60 days from the effective date of this ORDER, the Board shall develop a written policy for managing the Other Real Estate (“ORE”) of the Bank. The Bank shall submit the policy to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Bank shall implement and fully comply with the policy.

#### **BROKERED DEPOSITS**

21. (a) Throughout the effective life of this ORDER, the Bank shall not accept, renew, rollover any brokered deposit, as defined by 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b), governing solicitation and acceptance of brokered deposits by insured depository institutions.

(b) The Bank shall comply with the restrictions on the effective yields on deposits described in 12 C.F.R. § 337.6.

### **ASSET GROWTH LIMITATIONS**

22. During the life of this ORDER, the Bank shall limit asset growth to 10 percent per annum and in no event shall asset growth result in noncompliance with the capital maintenance provisions of this ORDER without receiving prior written approval of the Supervisory Authorities.

### **AUDITS**

23. Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a comprehensive written audit program. A copy of the audit program shall be submitted to the Supervisory Authorities upon its completion for review and comment. Within 30 days from the receipt of any comments from the Supervisory Authorities, the Bank shall incorporate those recommended changes. The Bank shall thereafter implement and enforce an effective system of internal and external audits. The internal auditor shall make written monthly reports of audit findings directly to the Board. The minutes of the meetings of the Board shall reflect consideration of these reports and describe any action taken as a result thereof.

### **PROGRESS REPORTS**

24. (a) Within 30 days after the end of the first quarter following the effective date of this ORDER, and within 45 days after the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such written reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of this ORDER. The reporting

requirements shall continue for the life of this ORDER unless modified or terminated in writing by the Supervisory Authorities.

(b) All progress reports and other written responses to this ORDER shall be reviewed by the Board and be made a part of the minutes of the appropriate Board meeting.

### **DISCLOSURE TO SHAREHOLDERS**

25. Following the issuance of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication or (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17<sup>th</sup> Street, N.W., Room F-6066, Washington, D.C. 20429 and to the Superintendent, Alabama State Banking Department, 401 Adams Avenue, Suite 680, Montgomery, Alabama 36130-1201 to review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and the Department shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the in writing by the Supervisory Authorities.

Issued Pursuant to Delegated Authority

Dated this 26<sup>th</sup> day of April, 2010.

By: /s/

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Doreen R. Eberley  
Acting Regional Director  
Atlanta Region  
Federal Deposit Insurance Corporation

The Alabama Superintendent of Banks, having duly approved the foregoing ORDER, and the Bank, through its Board, agree that the issuance of said ORDER by the Federal Deposit Insurance Corporation shall be binding as between the Bank and the Alabama Superintendent of Banks to the same degree and legal effect that such ORDER would be binding on the Bank if the Alabama Superintendent of Banks had issued a separate ORDER that included and incorporated all the provisions of the foregoing ORDER pursuant to the provisions of the §5-2A-12, Code of Alabama, 1980.

Dated this 8th day of April, 2010.

/s/

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John D. Harrison  
Superintendent of Banks  
Alabama State Banking Department