

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of)	
)	
FIRST ALLIANCE BANK)	CONSENT ORDER
CORDOVA, TENNESSEE)	
)	FDIC-10-508b
(Insured State Nonmember Bank))	
)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for FIRST ALLIANCE BANK, CORDOVA, TENNESSEE (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting board of directors, has executed a STIPULATION TO THE ISSUANCE OF A CONSENT ORDER (“STIPULATION”), dated April 22, 2011, that is accepted by the FDIC. With the Stipulation, the Bank has consented to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) has been satisfied, the FDIC hereby orders that:

COMPLIANCE COMMITTEE – NON-EMPLOYEE DIRECTORS REQUIRED

1. Within 30 days after the effective date of this ORDER, the Bank’s board of directors shall establish a committee of the board of directors of the Bank charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. At least five of the members of such committee shall be directors not employed in any capacity by the Bank other than as a director. The committee shall report monthly to the full board of directors

of the Bank, and a copy of the report and any discussion relating to the report or the ORDER shall be noted in the minutes of the Bank's board of directors' meetings. The establishment of this committee shall not diminish the responsibility or liability of the entire board of directors of the Bank to ensure compliance with the provisions of this ORDER.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

2. (a) Within 30 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss by the FDIC or the Tennessee Department of Financial Institutions ("State") as a result of its examination of the Bank as of May 24, 2010. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 60 days after the effective date of this ORDER, the Bank shall submit a written plan to the FDIC Regional Director ("Regional Director") and the Commissioner of the Tennessee Department of Financial Institutions ("Commissioner") to reduce the remaining assets classified Doubtful and Substandard as of May 24, 2010 ("Classified Asset Reduction Plan"). The Classified Asset Reduction Plan shall address each asset so classified with a balance of \$400,000 or greater and provide the following:

- (1) The name under which the asset is carried on the books of the Bank;
- (2) Type of asset;
- (3) Actions to be taken in order to reduce the classified asset; and
- (4) Time frames for accomplishing the proposed actions.

The Classified Asset Reduction Plan shall also include, at a minimum:

- (1) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
- (2) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Bank's Classified Asset Reduction Plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the Classified Asset Reduction Plan shall contain a provision requiring the submission of monthly progress reports to the Bank's board of directors and a provision mandating a review by the Bank's board of directors.

(c) The Bank shall present the Classified Asset Reduction Plan to the Regional Director and the Commissioner for review. Within 45 days after the Regional Director's and the Commissioner's response, the Classified Asset Reduction Plan, including any requested modifications or amendments shall be adopted by the Bank's board of directors which approval shall be recorded in the minutes of the meeting of the Bank's board of directors. The Bank shall then immediately initiate measures detailed in the Classified Asset Reduction Plan to the extent such measures have not been initiated.

(d) For purposes of the Classified Asset Reduction Plan, the reduction of adversely classified assets as of May 24, 2010, shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's Allowance for Loan and Lease Losses and may be accomplished by:

- (1) Charge-off;

- (2) Collection;
- (3) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State;
 - (i) any internal upgrade of assets determined by the Bank prior to regulatory approval must be (1) consistent with safe and sound banking practices, (2) justified in writing and placed in the Bank board of directors' minutes, and (3) noted in the Bank's quarterly progress reports to the Regional Director and the Commissioner ; or
- (4) Increase in the Bank's Tier 1 Capital.

(e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future examination conducted by the FDIC or the State.

REDUCTION OF DELINQUENCIES

3. (a) Within 60 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner for review and comment a written plan for the reduction and collection of delinquent loans ("Collection Plan"). Such Collection Plan shall include, but not be limited to, provisions which:

- (1) Prohibit the extension of credit for the payment of interest;
- (2) Delineate areas of responsibility for implementing and monitoring the Bank's collection policies;

- (3) Establish specific collection procedures to be instituted at various stages of a borrower's delinquency;
- (4) Establish dollar levels to which the Bank shall reduce delinquencies within 180 days; and
- (5) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the Bank's board of directors.

(b) For purposes of the Collection Plan, "reduce" means to:

- (1) Charge-off; or
- (2) Collect.

(c) After the Regional Director and the Commissioner have responded to the Collection Plan, the Bank's board of directors shall adopt the Collection Plan as amended or modified by the Regional Director and the Commissioner. The Collection Plan will be implemented immediately to the extent that the provisions of the Collection Plan are not already in effect at the Bank.

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

4. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit has been classified Loss by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph

shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose extension of credit is classified Doubtful and/or Substandard by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, unless the Bank's board of directors has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Bank's board of directors' meeting.

COMMERCIAL REAL ESTATE LENDING

5. (a) Within 60 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner for review and comment a written plan ("CRE Plan") for reducing and monitoring the Bank's portfolio of commercial real estate ("CRE") loans and Construction and Development ("C&D") loans, as defined in Financial Institution Letter "Commercial Real Estate Lending: Joint Guidance" (FIL-104-2006), to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location.

At a minimum, the CRE Plan shall include the following:

- (1) Dollar levels and percent of total capital to which the Bank shall reduce CRE and C&D loans;
- (2) Time frames for achieving the reduction in dollar levels identified in response to (1) above;

- (3) Procedures for monitoring the Bank's compliance with the CRE Plan and submission of monthly written progress reports to the Bank's Board of Directors;
- (4) Procedures for close monitoring and prompt resolution of non-performing CRE & C&D related loans;
- (5) Implement of steps to ensure compliance with the monitoring requirements pursuant to FIL 104-2006, particularly stress testing and capital analysis.

When fully implemented, the CRE Plan shall establish appropriate measures to ensure portfolio levels are reduced significantly and are consistent with the thresholds set forth in FIL 104-2006.

(b) The Bank shall submit the CRE Plan to the Regional Director and the Commissioner for review and comment. Within 30 days after receipt of comments from the Regional Director and the Commissioner, the CRE Plan shall be fully implemented by Bank management.

ALLOWANCE FOR LOAN AND LEASE LOSSES

6. (a) Within 30 days of the date of this Resolution, the Bank shall establish and shall thereafter maintain, through charges to current operating income, an adequate Allowance for Loan and Lease Losses ("ALLL"). In determining the adequacy of the ALLL, the Board shall, at a minimum, review the following:

- (1) The instructions contained in the Federal Financial Institutions Examination Council booklet entitled Instructions-Consolidated Reports of Condition and Income;
- (2) The volume and mix of the existing loan portfolio; including the volume and severity of nonperforming loans, adversely classified credits, and loans on the Bank's watch list; as well as an analysis of net charge-offs experienced on previously adversely classified loans;
- (3) The extent to which loan renewals and extensions are used to maintain loans on a current basis and the degree of risk associated with such loans;
- (4) The trend in loan growth, including any rapid increase in loan volume within a relatively short time period;
- (5) The general and local economic conditions affecting the collectability of the Bank's loans;
- (6) The Bank's previous loan loss experience by loan type, including the trend of net charge-offs as a percent of average loans over the past three years;
- (7) The instructions contained in the Revised Policy Statement on The Allowance for Loan and Lease Losses and Frequently Asked Questions (FIL 105-2006);

- (8) The overall risk associated with each concentration of credit together with the degree of risk associated with each related individual borrower; and
- (9) Any other factors appropriate in determining future ALLL levels.

(b) Prior to the submission of any Consolidated Report of Condition and Income, the Board shall review the adequacy of the Bank's ALLL. The minutes of the Board meetings at which each review is undertaken shall indicate the results of the review, the basis for the amount of the ALLL, and the amount of any increase to the ALLL (if an increase is deemed warranted). A copy of each quarter's analysis shall be sent to the Commissioner and Regional Director for review.

BUDGET AND PROFIT PLAN

7. (a) Within 60 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner for review and comment a written profit plan ("Profit Plan") and a realistic, comprehensive budget for all categories of income and expense for calendar year 2011. The Profit Plan required by this paragraph shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings and net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

- (b) The written Profit Plan shall address, at a minimum:
 - (1) An analysis of the Bank's pricing structure; and
 - (2) A recommendation for reducing the Bank's cost of funds.

(c) Within 30 days after the end of each calendar quarter following completion of the Profit Plan and budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the written Profit Plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting when such evaluation is undertaken.

(d) A written Profit Plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director and the Commissioner for review and comment within 30 days after the end of each year. Within 30 days after receipt of all such comments from the Regional Director and the Commissioner and after adoption of any recommended changes, the Bank shall approve the written Profit Plan and budget, which approval shall be recorded in the minutes of a board of directors' meeting.

Thereafter, the Bank shall implement and follow the Profit Plan.

CAPITAL INCREASE AND MAINTENANCE

8. (a) The Bank, after establishing an ALLL, shall achieve and maintain a Tier 1 Leverage Capital ratio equal to or greater than 8 1/2 percent of the Bank's Average Total assets by June 30, 2011. The Bank shall then achieve and maintain a Tier 1 Leverage Capital ratio equal to or greater than 9 percent of the Bank's Average Total Assets; a Tier 1 Risk-Based Capital ratio equal to or greater than 11 percent of the Bank's Total Risk-Weighted Assets; and a Total Risk-Based Capital ratio equal to or greater than 12 percent of the Bank's Total Risk Weighted Assets by December 31, 2011. Any increase in the Bank's Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

(1) The sale of securities in the form of common stock; or

- (2) The direct contribution of cash subsequent to May 24, 2010, by the directors and shareholders of the Bank, by the Bank's holding company; or
- (3) Receipt of an income tax refund or the capitalization subsequent to May 24, 2010, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (4) Any other method approved by the Regional Director and the Commissioner.

(b) If any such capital ratios are less than the percentages required by this ORDER, as determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the State, the Bank shall, within 60 days after receipt of a written notice of the capital deficiency from the Regional Director and the Commissioner, present to the Regional Director and the Commissioner a plan ("Capital Plan") to increase the Bank's Tier 1 Capital or to take other measures to bring all the capital ratios to the percentages required by this ORDER. The Capital Plan must include a contingency plan ("Contingency Plan") that outlines specific steps the Bank will take to improve the capital position of the Bank in the event the Bank (i) fails to maintain the minimum capital ratios required by the ORDER, (ii) fails to submit an acceptable Capital Plan or (iii) fails to implement or adhere to a Capital Plan to which no written objection was provided by the Regional Director and the Commissioner. The Contingency Plan shall include, among the options to be considered, a plan to sell or merge the Bank if all other contingencies have been ineffective. The Bank shall implement the Contingency Plan upon written notice from the Regional Director and the Commissioner.

(c) After the Regional Director and the Commissioner respond to the Capital Plan, the Bank's board of directors shall adopt the Capital Plan, including any modifications or amendments requested by the Regional Director and the Commissioner. Thereafter, the Bank shall immediately initiate measures detailed in the Capital Plan to the extent such measures have not previously been initiated, to increase the Bank's Tier 1 Capital by an amount sufficient to bring all the capital ratios to the percentages required by this ORDER within 30 days after the Regional Director and the Commissioner respond to the Capital Plan.

(d) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's board of directors shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned 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 Federal securities laws. Prior to the implementation of the plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Commissioner for prior approval.

(e) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank's securities. The written notice required by this paragraph shall be furnished within 10 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(f) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(g) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

DIVIDEND RESTRICTION

9. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

MANAGEMENT – BOARD SUPERVISION

10. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall increase its participation in the affairs of the Bank by assuming full responsibility

for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all the Bank's activities. The board's participation in the Bank's affairs shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, nonaccrued, and recovered loans; investment activities; operating policies; and individual committee actions. The Bank's board of directors' minutes shall document the board's reviews and approvals, including the names of any dissenting directors.

MANAGEMENT

11. (a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management personnel shall be evaluated on their ability to:

- (1) Comply with the requirements of the ORDER;
- (2) Operate the Bank in a safe and sound manner;
- (3) Comply with applicable laws and regulations; and
- (4) Restore all aspects of the Bank to a safe and sound condition, including improve the Bank's asset quality, capital adequacy, earnings, management effectiveness, liquidity, and its sensitivity to market risk.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in the Bank's Directors or Senior Executive Officers as defined by Section 303.101 of FDIC's Rules and Regulations, 12 C.F.R. §

303.101. The notification must include the name(s) and background(s) of any replacement personnel and must be provided 30 days prior to the individual(s) assuming the new position(s).

STRATEGIC PLAN

12. (a) Within 90 days after the effective date of this ORDER, the Bank shall prepare and adopt a comprehensive strategic plan (“Strategic Plan”). The Strategic Plan required by this paragraph shall contain an assessment of the Bank’s current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written Strategic Plan shall address, at a minimum:

- (1) Specific plans to address capital deficiencies if current strategies are insufficient;
- (2) Specific plans to address asset quality problems resulting from excessive investment in C&D and CRE loans with goals for reducing problem loans;
- (3) Specific plans to address earnings deficiency;
- (4) Plans for implementing an Interest Rate Risk model shock test that anticipates rising interest rates;
- (5) Strategies for pricing policies and asset/liability management;
- (6) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;
- (7) Plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions;

- (8) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings;
- (9) Formulation of a mission statement and the development of a strategy to carry out that mission.

(c) The Bank shall submit the Strategic Plan to the Regional Director and the Commissioner for review and comment. After consideration all such comments, the Bank shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement and follow the Strategic Plan.

(d) Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's performance in relation to the Strategic Plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank's board of directors' meeting at which such evaluation is undertaken.

(e) The Strategic Plan required by this ORDER shall be revised and submitted to the Regional Director and the Commissioner for review and comment 30 days after the end of each calendar year for which this ORDER is in effect. Within 30 days after receipt of all such comments from the Regional Director and the Commissioner and after consideration of all such comments, the Bank shall approve the revised Strategic Plan, which approval shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement the revised Strategic Plan.

CORRECTION OF VIOLATIONS

13. (a) Within 30 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination.

(b) Within 30 days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

CONTINGENCY FUNDING

14. Within 60 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner for review and comment a written contingency funding plan (“Contingency Funding Plan”) that is consistent with Financial Institution Letter “Liquidity Risk Management” (FIL-84-2008) and with the Interagency Policy Statement on Funding and Liquidity Risk Management (FIL-13-2010). Within 30 days after receipt of comments from the Regional Director and the Commissioner, the Contingency Funding Plan shall be fully implemented by Bank management. Annually thereafter, while this ORDER is in effect, the Bank shall review the Contingency Funding Plan for adequacy and, based upon such review, shall make necessary revisions to the Contingency Funding Plan to maintain adequate provisions to meet the Bank’s contingency funding needs.

SHAREHOLDER NOTIFICATION

15. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank’s next shareholder communication, and also (2) 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 Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

16. Within 30 days after the end of the first calendar quarter following the effective date of this ORDER, and within 30 days after the end of each successive calendar quarter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by the ORDER have been accomplished and the Regional Director has released the Bank in writing from making additional reports.

The provisions of this ORDER shall not bar, stop, 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 FDIC and the State.

Issued pursuant to delegated authority this 22nd day of April 2011.

/s/

Kristie K. Elmquist
Acting Regional Director
Dallas Region
Division of Risk Management Supervision
Federal Deposit Insurance Corporation