

AGREEMENT BY AND BETWEEN
The Slocomb National Bank dba Friend Bank
Slocomb, Alabama
and
The Comptroller of the Currency

The Slocomb National Bank doing business as Friend Bank, Slocomb, Alabama (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to, among other things, asset quality, credit risk management, and problem loan resolution efforts at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Birmingham Field Office
100 Concourse Parkway; Suite 240
Birmingham, AL 35244

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which at least one (1) shall not be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

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

(3) Within forty five (45) days of the date of this Agreement and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

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

ARTICLE III

CREDIT RISK MANAGEMENT

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program designed to reduce the high level of credit risk in the Bank. The program shall include, but not be limited to:

- (a) procedures to strengthen credit underwriting;
- (b) procedures to strengthen management of loan operations and to maintain an adequate, qualified staff in all lending areas;
- (c) procedures for strengthening collections;
- (d) a strengthened system that effectively tracks and analyzes exceptions to the Bank's lending and leasing policies;

- (e) procedures to ensure that, after extensions of credit are approved, the Bank will thereafter continue to timely secure and analyze current and satisfactory credit information on its borrowers so as to be able to determine and appropriately respond to the borrowers' respective on-going repayment capacities;
- (f) an action plan to ensure that the Bank will grow its loan portfolio only after ensuring that appropriate risk management policies and procedures are in place.
- (g) procedures to ensure you periodically stress test rental property for vacancy rates, shock for a rise in interest rates and monitor on a more frequent basis to include obtaining quarterly rent rolls; and
- (h) improved procedures that detail when collateral valuations should be updated based on changing market conditions or deterioration in a borrower's financial condition.

(2) The Board shall submit a copy of the program to the Assistant Deputy Comptroller.

(3) At least quarterly, the Board shall prepare a written assessment of the Bank's progress in reducing its credit risk under the aforementioned program. To the extent that this assessment identifies deficiencies in the Bank's program for reducing its credit risk, the Board shall also prepare a written analysis of the revisions to the program that will be needed in order to correct those deficiencies. The Board shall submit a copy of this assessment, as well as any proposed revisions, to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IV

LOAN REVIEW AND PROBLEM LOAN IDENTIFICATION

(1) Within ninety (90) days, the Board shall implement a written program which ensures that the Bank's loan officers are, on an on-going basis, timely and accurately identifying and classifying problem loans and leases. This program shall emphasize that it is the individual loan officer's responsibility to timely identify and risk rate any problem loans or leases originated by that officer and/or within that officer's portfolio. Performance appraisals and incentive programs for loan officers shall appropriately consider their performance relative to, among other factors, accuracy and timeliness in credit grading.

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

(3) Within ninety (90) days, the Board shall implement an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses" booklets of the Comptroller's Handbook and OCC Bulletin 2006-47 – Interagency Policy Statement on the Allowance for Loan and Lease Losses. Such reports shall include, at a minimum, conclusion regarding:

- (a) the overall quality of the loan and lease portfolio;
- (b) monitoring systems for early problem loan identification;

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

(4) A written description of the programs called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

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

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

(7) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for effective monitoring of early problem loan

identification to assure the timely identification and rating of loans and leases, based on lending officer submissions.

(8) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the programs and systems developed pursuant to this Article.

ARTICLE V

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days, the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination. To the extent that borrowers refuse to provide the requested information, the Bank shall document in writing its efforts to obtain the information and shall continue to attempt to obtain such information.

(2) Within ninety (90) days, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;

- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank.
 - (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE VI

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) The specific reasons for the asset's classification;
- (b) an identification of, and detailed written analysis of, the expected sources of repayment;
- (c) the current appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (d) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (e) the proposed formal action/workout plan designed to eliminate the basis of criticism of the asset, and the time frame for its accomplishment. The workout plan shall be reviewed and updated at least quarterly to reflect, among other things, all material changes in the borrower's circumstances and/or proposed and/or actual changes in the Bank's collection strategies; and
- (f) on-going monitoring of collection progress and problem loan resolution.

(3) A copy of the written program developed pursuant to this Article shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

(4) Upon adoption, a copy of the program for all criticized assets equal to or exceeding fifty thousand dollars (\$50,000) shall be forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(6) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds fifty thousand dollars (\$50,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(7) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(8) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed fifty thousand dollars (\$50,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and

records, in writing, why such extension is necessary to promote the best interests of the Bank; and

- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

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

ARTICLE VII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) 1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (“Allowance”) and shall implement a program for the maintenance of an adequate Allowance. Among other things, the program must ensure that the methodology for calculating the Allowance is consistent with Generally Accepted Accounting Principles (“GAAP”). This review and program shall be designed consistent with (i) OCC Bulletin 2001-37 (Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions); (ii) OCC Bulletin 2006-47 (Allowance for Loan and Lease Losses); (iii) Accounting Standards Codification (“ASC”) #310 (Receivables); and (iv) ASC #450 (Contingencies). The loss measurements calculated for ASC 450 loan pools must also consider and be adjusted for those qualitative or environmental factors that are likely to cause estimated credit losses to differ from historical loss experience. Factors to consider include the following:

- (a) changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- (b) changes in international, national, regional, and local economic and business conditions and developments that affect the collectibility of the portfolio, including the condition of various market segments;
- (c) changes in the nature and volume of the portfolio and in the terms of loans;
- (d) changes in the experience, ability, and depth of lending management and other relevant staff;
- (e) changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;
- (f) changes in the quality of the institution's loan review system;
- (g) changes in the value of underlying collateral for collateral-dependent loans;
- (h) the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- (i) the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is

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

(3) A copy of the Board's review of the adequacy of the Allowance shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

(4) A copy of the Board's program developed pursuant to this Article shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VIII

REAL ESTATE APPRAISAL EVALUATIONS

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to written guidelines for real estate appraisal evaluations. These guidelines shall provide that all evaluations include, but not be limited to the following:

- (a) a detailed description of the property;
- (b) details of any adjustments made to the value or tax appraisal;
- (c) current pictures of the subject property; and
- (d) details of current sales of comparable properties to support the final value.

(2) A copy of the written guidelines developed pursuant to this Article shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IX

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

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

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are

amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

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

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has

statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

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

/S/

Julie A. Pleimling
Assistant Deputy Comptroller
Birmingham Field Office

8/10/10

Date

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

/S/

Joe Dalton

8/10/10

Date

/S/

Marjorie Harris

8/10/10

Date

/S/

Hope Johnson

8/10/10

Date

/S/

Joseph Johnson

8/10/10

Date

/S/

Harri Anne Smith

8/10/10

Date