

#2010-184

Also Terminates #2010-008

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

In the Matter of:)
BankMeridian, National Association)
Columbia, South Carolina)

AA-EC-10-94

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiner, has supervisory authority over BankMeridian, National Association, Columbia, South Carolina ("Bank");

WHEREAS, the Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a Stipulation and Consent to the Issuance of a Consent Order ("Stipulation and Consent"), dated September 16, 2010, that is accepted by the Comptroller; and

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

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

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Order, the Board shall appoint a Compliance Committee of at least five (5) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Director for

Special Supervision. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

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

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

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

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

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

Director for Special Supervision
Comptroller of the Currency
250 E Street, S.W.
Mail Stop 7-4
Washington, DC 20219

with a copy to:
Carolinas Field Office
Comptroller of the Currency
212 South Tryon, Ste 700
Charlotte, NC 28281

(6) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Order, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order.

ARTICLE II

BOARD OVERSIGHT, MANAGEMENT AND STAFFING

(1) The Board shall ensure that the Bank has competent management in place on a full-time basis in all executive officer positions, including but not limited to Chairman of the Board, President, Chief Lending Officer, Chief Financial Officer, and Chief Operations Officer, to carry out the Board's policies; ensure compliance with this Order; ensure compliance with applicable laws, rules, and regulations; and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within thirty (30) days, the Compliance Committee shall complete a review of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Compliance Committee shall be set forth in a written report to the Board. At a minimum, the report shall contain:

- (a) detailed written job descriptions for all executive officers;
- (b) an evaluation of each executive officer's duties and capacity to effectively carry out such duties;
- (c) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (d) an evaluation of Board member roles and responsibilities;
- (e) an assessment of each Board member's attendance, participation, and ability to fulfill such roles and responsibilities;
- (f) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;

- (g) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary responsibilities and other responsibilities under law;
- (h) recommendations to expand the scope, frequency and sufficiency of information provided to the Board by management;
- (i) an evaluation of the extent of responsibility of current management and/or the Board for present weaknesses in the Bank's condition;
- (j) comparison of the current staff's skills and expertise to the skills and expertise necessary for the Bank's operations;
- (k) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank; and
- (l) an assessment of the reasonableness of compensation and compensation plans with consideration given to the overall condition of the Bank at any given time.

(3) Copies of the Board's written plan and the Compliance Committee's study shall be forwarded to the Director for Special Supervision. The Director for Special Supervision shall retain the right to determine the adequacy of the report and its compliance with the terms of this Order. In the event the written plan, or any portion thereof, is not implemented, the Board shall immediately advise the Director for Special Supervision, in writing, of specific reasons for deviating from the plan.

(4) If the Board determines that an officer's performance, skills or abilities need improvement, the Board will, within thirty (30) days following its determination, require the Bank to develop and implement a written program, with specific time frames, to improve the

officer's performance, skills and abilities. Upon completion, a copy of the written program shall be submitted to the Director for Special Supervision.

(5) If the Board determines that an officer will not continue in his/her position, the Board shall document the reasons for this decision in its assessment performed pursuant to paragraph (2) of this Article, and shall within sixty (60) days of such vacancy identify and provide notice to the Director for Special Supervision, pursuant to paragraph (6) of this Article, of a qualified and capable candidate for the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Order and the safe and sound operation of functions within the scope of that position's responsibility.

(6) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Director for Special Supervision written notice, as required by 12 C.F.R. § 5.51 and in accordance with the Comptroller's Licensing Manual. The Director for Special Supervision shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer. The requirement to submit information and the prior disapproval provisions of this Article are based upon the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Director for Special Supervision to complete his review and act on any such information or authority within ninety (90) days.

(7) The Board shall perform, at least annually, a written performance appraisal for each Bank executive officer that establishes objectives by which the officer's effectiveness will be measured, evaluates performance according to the position's description and responsibilities, and assesses accountability for action plans to remedy issues raised in Reports of Examination or audit reports. Upon completion, copies of the performance appraisals shall be submitted to the

Director for Special Supervision. The Board shall ensure that the Bank addresses any identified deficiencies in a manner consistent with paragraphs (5) and (6) of this Article.

ARTICLE III

STRATEGIC PLAN

(1) Within thirty (30) days, the Board shall adopt or reaffirm, implement, and thereafter ensure Bank adherence to a written strategic plan (“Strategic Plan”) for the Bank covering at least a three-year period. The Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(c) of this Article;
- (e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (1)(c) of this Article;

- (f) a management employment and succession program to promote the retention and continuity of capable management;
- (g) product line development and market segments that the Bank intends to promote or develop;
- (h) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (i) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (j) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (k) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and
- (l) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(2) Upon adoption or reaffirmation of a plan previously adopted under the January 22, 2010 Formal Agreement, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be forwarded to the Director for Special Supervision for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director for Special Supervision, the Bank shall implement and adhere to the Strategic Plan.

(3) At least monthly, the Board shall review financial reports and earnings analyses prepared by the Bank that evaluate the Bank's performance against the goals and objectives established in the Strategic Plan, as well as the Bank's written explanation of significant differences between actual and projected balance sheets, income statements, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. Within ten (10) days of the completion of its review, the Board shall submit a copy of the reports to the Director for Special Supervision.

(4) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan, based on the Bank's monthly reports, analyses, and written explanations of any differences between actual performance and the Bank's strategic goals and objectives, and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within ten (10) days of completing its evaluation, the Board shall submit a copy to the Director for Special Supervision.

(5) The Bank may not initiate any action that deviates significantly from the Board-approved Strategic Plan without a written determination of no supervisory objection from the Director for Special Supervision. The Board must give the Director for Special Supervision advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(6) For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's

marketing strategies, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the president, chief executive officer, chief operating officer, chief financial officer, chief credit officer, chief compliance officer, risk manager, auditor, member of the Bank's board of directors, or any other position subsequently identified in writing by the Director for Special Supervision.

ARTICLE IV

CAPITAL PLAN AND HIGHER MINIMUMS

(1) By December 31, 2010, the Bank shall achieve and thereafter maintain the following minimum capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 Capital at least equal to nine and one-half percent (9.5%) of adjusted total assets; and
- (b) Total Risk Based Capital at least equal to twelve and one-half percent (12.5%) of risk-weighted assets.

(2) The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) Within sixty (60) days, the Board shall develop or reaffirm a Capital Plan. The Capital Plan shall include:

- (a) specific plans for achieving and thereafter maintaining adequate capital that may in no event be less than the requirements of paragraph (1) of this Article;
- (b) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (c) the primary sources from which the Bank will strengthen its capital structure to meet the Bank's needs; and
- (d) contingency plans that identify alternative methods should the primary source(s) under (c) above not be available.

(4) Within five (5) days of completion or reaffirmation of a plan previously adopted under the January 22, 2010 Formal Agreement, the Bank's Capital Plan shall be submitted to the Director for Special Supervision for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director for Special Supervision, the Board shall immediately implement and ensure Bank adherence to the Capital Plan.

(5) The Board shall review and update the Bank's Capital Plan on a quarterly basis, or more frequently if necessary. Prior to adoption by the Board, any subsequent amendments or revisions to the Capital Plan shall be submitted to the Director for Special Supervision for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director for Special Supervision, the Board shall immediately implement and thereafter ensure Bank adherence to the Capital Plan, as amended or revised.

(6) The Bank shall not declare any dividend without the prior written determination of no supervisory objection from the Director for Special Supervision.

(7) If the Bank fails to submit an acceptable Capital Plan as required by paragraph (2) of this Article, fails to implement or adhere to a Capital Plan to which the Director has taken no supervisory objection pursuant to paragraph (4) of this Article, or fails to achieve and maintain the minimum capital ratios as required by paragraph (1) of this Article, then in the sole discretion of the Director, the Bank shall, upon direction of the Director, within thirty (30) days develop and shall submit to the Director for his review and prior written determination of no supervisory objection a Disposition Plan that shall detail the Board's proposal to sell or merge the Bank. At a minimum, the Disposition Plan shall address the steps that will be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the Disposition Plan. Any action taken by the Bank's Board of Directors when complying with the paragraph (6) of this Article shall be in compliance with the duties of members of the Board of Directors.

(8) After the Director has advised the Bank in writing that he does not take supervisory objection to the Disposition Plan, the Board shall immediately adopt and implement, and shall thereafter ensure adherence to, the terms of the Disposition Plan.

ARTICLE V

LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days, the Board shall develop or reaffirm, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to systems and procedures that:

- (a) ensure satisfactory and perfected collateral documentation;

- (b) require that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining, performing and documenting a global analysis of current and satisfactory credit information;
- (c) track and analyze credit, collateral and policy exceptions;
- (d) provide for accurate risk ratings consistent with the classification standards contained in the *Comptroller's Handbook* on "Rating Credit Risk;"
- (e) ensure compliance with call report instructions, the Bank's lending policies, and laws, rules, and regulations pertaining to the Bank's lending function;
- (f) ensure the accuracy of internal management information systems;
- (g) provide adequate training of Bank personnel performing credit analyses in cash flow analysis, particularly analysis using information from tax returns, and implement processes to ensure that additional training is provided as needed; and
- (h) include a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit risk ratings, and other loan administration matters.

(2) Upon completion or reaffirmation of a plan previously adopted under the January 22, 2010 Formal Agreement, a copy of the program shall be forwarded to the Director for review and prior written determination of no supervisory objection. Upon receiving a

determination of no supervisory objection from the Director for Special Supervision, the Board shall immediately implement and ensure Bank adherence to the program.

ARTICLE VI

CONCENTRATIONS OF CREDIT

(1) Within thirty (30) days, the Board shall develop or reaffirm, implement, and thereafter ensure Bank adherence to a written concentration management program consistent with OCC Bulletin 2006-46 (December 6, 2006). The program shall include, but not be limited to, the following:

- (a) policy guidelines that address the level and nature of exposures acceptable to the Board and that set concentration limits, including limits on commitments to individual borrowers and appropriate sub-limits;
- (b) procedures to identify and quantify the nature and level of risk presented by concentrations, including review of reports describing changes in conditions in the Bank's markets;
- (c) procedures to periodically review and revise, as appropriate, risk exposure limits and sub-limits to conform to any changes in the Bank's strategies and to respond to changes in market conditions;
- (d) periodic portfolio-level stress tests or sensitivity analyses to quantify the impact of changing economic conditions on asset quality, earnings, and capital;
- (e) appropriate strategies for managing concentration levels, including a contingency plan to reduce or mitigate concentrations in the event of adverse market conditions; and
- (f) periodic reports to the Board, to include the following, as appropriate:

- (i) a summary of concentration levels, by type and subtype;
- (ii) a synopsis of the Bank's market analysis;
- (iii) a discussion of recommended strategy when concentrations approach or exceed Board-approved limits;
- (iv) a synopsis of changes in risk levels by concentration type and subtype, with discussion of recommended changes in credit administration procedures (for example, underwriting practices, risk rating, monitoring, and training).

(2) The Board shall forward a copy of the program required in paragraph (1) above or reaffirm a plan previously adopted under the January 22, 2010 Formal Agreement, and any concentration reports, studies, or analyses to the Director for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director for Special Supervision, the Board shall immediately implement and ensure Bank adherence to the program.

ARTICLE VII

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within thirty (30) days, the Board shall obtain current and satisfactory credit information on all loans lacking such information that exceed \$250,000, including those listed in the most recent Report of Examination (“ROE”), in any subsequent ROE, in any loan review report, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination or by any loan review.

(2) Within thirty (30) days, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the most recent ROE, in

any subsequent ROE, in any loan review report, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination or by any loan review.

(3) Within thirty (60) days, the Board shall ensure that the Bank has current and satisfactory credit information, proper collateral documentation, and documentation related to loan approval on all loans to an Insider as defined by 12 C.F.R. § 215.2(h) or Bank employee.

(4) 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 reason or purpose for the extension of credit and 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 (4)(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 (4)(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) and a central file for review by examiners. The certifications will be reviewed by this Office in subsequent examinations of the Bank;

- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and
- (f) determining and documenting whether the loan terms comply with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception.

(5) The aggregate amount of loans certified under paragraph (4)(d)(i) of this Article shall not exceed one percent (1%) of the Bank's total loans at the end of the previous calendar quarter. The certification exception granted by paragraph (4)(d)(i) of this Article shall not apply to any loan or other extension of credit to an Insider as defined by 12 C.F.R. § 215.2(h) or Bank employee.

ARTICLE VIII

CREDIT RISK RATING SYSTEM AND NONACCRUAL LOANS

(1) Within thirty (60) days, and on an ongoing basis thereafter, the Board must ensure that the Bank's internal risk ratings of commercial credit relationships that equal or exceed \$250,000 ("covered relationship"), as assigned by responsible loan officers and loan review, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in the "Rating Credit Risk" booklet of the Comptroller's Handbook. At a minimum, the Board must ensure, on an ongoing basis, that with respect to the Bank's assessment of credit risk of any covered relationship:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);

- (b) if the primary source of repayment is cash flow from the borrower's operations, the strength of the borrower's cash flow is determined through analysis of the borrower's historical and projected financial statements, past performance, and future prospects in light of conditions that have occurred;
- (c) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;
- (d) collateral values reflect a current assessment of value based on actual market conditions and project status;
- (e) credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually; and
- (f) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

(2) Within thirty (30) days, and on an ongoing basis thereafter, the Board must ensure that any covered relationship with a high probability of payment default or other well-defined weakness is rated no better than Substandard, unless the debt is secured by marketable securities or cash. Consistent with the guidance in the "Rating Credit Risk" booklet of the Comptroller's Handbook, the presence of illiquid collateral or existence of a plan for improvement does not, and a non-government guarantee generally will not, mitigate the probability of default or a well-defined weakness.

(3) Effective immediately, the Bank shall reverse or charge off all interest that has been accrued contrary to the requirements contained in the Instructions for Preparation of Consolidated Reports of Condition and Income (“Call Report Instructions”) governing nonaccrual loans.

(4) Within forty-five (45) days, the Board shall adopt or reaffirm, implement, and ensure Bank adherence to written policies and procedures governing nonaccrual loans. Such policies and procedures shall:

- (a) address the identification of and accounting treatment for nonaccrual loans consistent with the guidance contained in the Call Report Instructions;
- (b) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured; and
- (c) require the monthly presentation to the Board of all loans meeting any of the nonaccrual criteria.

ARTICLE IX

LOAN REVIEW

(1) The Bank shall maintain an effective, independent, and on-going loan review program to review, at least quarterly, the Bank's loan and lease portfolios, to assure the timely identification and categorization of problem credits. The program shall provide for a written report to be filed with the Board promptly after each review and shall employ a loan and lease rating system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses," Booklets A-RCR and A-ALLL, respectively, of the *Comptroller's Handbook*. Such reports shall include, at a minimum:

- (a) the loan review scope and coverage parameters;
- (b) conclusions regarding the overall quality of the loan and lease portfolios;
- (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) loans meeting the criteria for non-accrual status;
- (g) the identity of the loan officer(s) of each loan reported in accordance with subparagraphs (b) through (f);
- (h) the identification and status of credit-related violations of law, rule, or regulation;
- (i) concentrations of credit; and
- (j) loans and leases in nonconformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(2) A written description of the program required by Paragraph (1) of this Article shall be forwarded to the Director immediately upon implementation.

(3) The Board shall evaluate the loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, as appropriate, is taken upon all findings noted in the report(s). The Board shall also ensure that the Bank preserves documentation of any actions to collect or strengthen assets identified as problem credits.

ARTICLE X

APPRAISALS OF REAL PROPERTY

(1) The Board shall require and the Bank shall obtain a current independent appraisal or updated appraisal, in accordance with 12 C.F.R. Part 34, on any loan in the amount of two hundred fifty thousand dollars (\$250,000) or more that is secured by real property:

- (a) where the loan was criticized in the most recent ROE or by the Bank's internal or external loan review and the most recent independent appraisal is more than twelve (12) months old; or
- (b) where the borrower has failed to comply with the contractual terms of the loan agreement and the Bank's analysis of current financial information does not support the ongoing ability of the borrower or guarantor(s) to perform in accordance with the contractual terms of the loan agreement and the most recent independent appraisal is more than twelve (12) months old.

(2) Appraisals required by this Article shall be ordered within sixty (60) days of the date of the Order, and going forward, within thirty (30) days following the event triggering the appraisal requirement, for delivery to the Bank within sixty (60) days of the date the appraisal was ordered.

(3) Within thirty (30) days, the Board shall require and the Bank shall develop and implement an independent review and analysis process to ensure that appraisals conform to appraisal standards and regulations. The appraisal review and analysis process shall ensure that appraisals are:

- (a) performed in accordance with 12 C.F.R. Part 34;

- (b) consistent with the guidance in OCC Bulletin 2005-6, "Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions: Frequently Asked Questions" (March 22, 2005); and,
- (c) consistent with the Interagency Appraisal and Evaluation Guidelines" (October 27, 1994), Appendix E to Comptroller's Handbook on Real Estate and Construction Lending.

(4) Written documentation supporting each appraisal review and analysis shall be retained in the loan file, along with the appraisal.

ARTICLE XI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within thirty (30) days, the Board shall adopt or reaffirm, implement, and thereafter ensure Bank adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL") in accordance with generally accepted accounting principles. The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006, (OCC Bulletin 2006-47) ("Interagency Statement") and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with United States generally accepted accounting principles ("GAAP");
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with GAAP, and address the nine qualitative factors set forth in the Interagency Statement;

- (c) procedures for validating the ALLL methodology; and
- (d) a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Consolidated Reports of Condition and Income ("Call Reports") for the ALLL. Any deficiency between the ALLL balance as determined by the analysis required by this Article and the Bank's actual ALLL balance, regardless of the amount of such deficiency, shall be remedied through additional provision expense in the quarter it is discovered, prior to the filing of the Call Reports.

ARTICLE XII

OTHER REAL ESTATE OWNED

(1) Within thirty (30) days from the effective date of this Order, the Board shall adopt or reaffirm, implement, and thereafter ensure Bank adherence to a policy to ensure that Other Real Estate Owned ("OREO") is accounted for and managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34. At a minimum, the policy shall:

- (a) detail the valuation analysis and accounting for each OREO property, including the appraisal and all supporting documentation;
- (b) contain an analysis of the OREO property, which compares the cost to carry against the financial benefits of near term sale;
- (c) detail the marketing strategy and targeted time frames for disposing of each OREO property;
- (d) identify the Bank officer responsible for managing and authorizing transactions relating to each OREO property;

- (e) establish procedures to require periodic market valuations of each property, and the methodology to be used;
- (f) establish targeted write-downs at periodic intervals if marketing strategies are unsuccessful; and
- (g) provide for reports to the Board on the status of each OREO property and its disposition, on at least a monthly basis.

(2) Upon adoption or reaffirmation of a plan previously adopted under the January 22, 2010 Formal Agreement, the Board shall submit a copy of the policy to the Director for Special Supervision, and shall provide to the Director for Special Supervision a copy of the monthly status reports required in paragraph (1)(g).

ARTICLE XIII

CREDIT RISK AND PROBLEM ASSET MANAGEMENT

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

- (a) credit underwriting;
- (b) management of credit operations and the maintenance of an adequate, qualified staff in all loan functional areas; and
- (c) loan collections.

Upon completion, the Board shall submit a copy of the written program to the Director.

(2) At least quarterly, the Board shall prepare a written assessment of the Bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. Upon completion, the Board shall submit a copy of this assessment to the Director.

(3) Within thirty (30) days, the Board shall adopt or reaffirm and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to a written program designed to protect the Bank's interest in those assets criticized as "doubtful," "substandard," or "special mention" in the most recent ROE, in any subsequent ROE, by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination. The program shall: (i) be independent of the loan origination and approval functions; (ii) include sufficient staff having the qualifications, skills, and experience to effectively manage and resolve problem assets, who will be held accountable by the Bank's Board to successfully execute their assigned duties; (iii) include adequate management information systems to measure the status of workout plans on each problem asset; and (iv) include the development of Criticized Asset Reports ("CARs") for all credit relationships and other assets totaling in aggregate one hundred twenty-five thousand dollars (\$125,000) or more criticized as "doubtful," "substandard," or "special mention." The CARs must be updated and submitted to the Board and the Director monthly. Each CAR shall cover an entire credit relationship and other assets, and include, at a minimum, analysis and documentation of the following:

- (a) the origination date and any renewal or extension dates, amount, purpose of the loan or other asset, and the originating and current handling officer(s);
- (b) timely identification of the risk ratings of the loans or other assets;
- (c) the expected primary and secondary sources of repayment, and an analysis of the adequacy of the repayment sources;
- (d) the appraised value of supporting collateral, with the date and source of the appraisal, and the position of the Bank's lien on such collateral, where

applicable, as well as other necessary documentation to support the current collateral valuation;

- (e) an analysis of current and complete credit information, including a global cash flow analysis where loans are to be repaid from operations;
- (f) results of any impairment analysis;
- (g) appropriate accrual status pursuant to the FFIEC Instructions for the preparation of call reports;
- (h) significant developments, including a discussion of changes since the prior CAR, if any; and
- (i) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment, including an appropriate exit strategy.

(4) The Bank shall not extend credit, directly or indirectly, including renewals, modifications or extensions, to a borrower whose loans or other extensions of credit are criticized in any ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination, unless and until the Board, or a designated committee thereof, finds that each of the following conditions is met:

- (a) the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, modifying or extending 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;
- (b) the Bank performs a written credit and collateral analysis as required by paragraph (3)(c) and (3)(d) of this Article and, if necessary, the proposed

action referred to in paragraph (3)(i) of this Article is revised, as appropriate; and

- (c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of additional credit.

A copy of the findings, including why such extension is necessary to promote the best interests of the Bank, and approval of the Board or designated committee shall be maintained in the credit file of the affected borrower and made available for review by National Bank Examiners.

(5) The Bank shall not extend credit, directly or indirectly, for the purpose of capitalization of accrued interest or the establishment of a new interest reserve on a loan to a borrower that is criticized in any ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

ARTICLE XIV

LIQUIDITY RISK MANAGEMENT PROGRAM

(1) Within thirty (30) days, the Board shall adopt or reaffirm, implement, and thereafter ensure Bank adherence to a comprehensive liquidity risk management program, consistent with OCC Bulletin 2010-13, "Liquidity" (March 22, 2010), which assesses, on an ongoing basis, the Bank's current and projected funding needs, and ensures that sufficient funds or access to funds exist to meet those needs. Such a program must include effective methods to achieve and maintain sufficient liquidity and to measure and monitor liquidity risk, to include at a minimum:

- (a) strategies to maintain sufficient liquidity at reasonable costs including, but not limited to, the following:

- (i) better diversification of funding sources, reducing reliance on high cost providers;
 - (ii) reducing rollover risk;
 - (iii) increasing liquidity through such actions as obtaining additional capital, placing limits on asset growth, aggressive collection of problem loans and recovery of charged-off assets, and asset sales; and
 - (iv) monitoring the projected impact on reputation, economic and credit conditions in the Bank's market(s).
- (b) The preparation of liquidity reports which shall be reviewed by the Board on at least a monthly basis, to include, at a minimum, the following:
- (i) a certificate of deposit maturity schedule, including separate line items for brokered deposits and uninsured deposits, depicting maturities on a weekly basis for the next month and monthly thereafter for the following five months, which schedule shall be updated at least weekly;
 - (ii) a schedule of all funding obligations, including unfunded loan commitments, outstanding lines of credit and outstanding letters of credit, showing the obligations that can be drawn immediately, and on a weekly basis for the next month and monthly thereafter for the following five months, which schedule shall be prepared and updated at least weekly;
 - (iii) a listing of funding sources, prepared and updated on a weekly basis for the next month and monthly thereafter for the following five months, 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.

(iv) a monthly sources and uses of funds report for a minimum period of six months, updated monthly, which reflects known and projected changes in asset and liability accounts, and the assumptions used in developing the projections. Such reports shall include, at a minimum:

1. the funding obligations and sources required by (b)(ii) and (b)(iii) of this paragraph;
2. projected additional funding sources, including loan payments, loan sales/participations, or deposit increases; and
3. projected additional funding requirements from a reduction in deposit accounts including uninsured and brokered deposits, inability to acquire federal funds purchased, or availability limitations or reductions associated with borrowing relationships.

(c) A contingency funding plan that, on a monthly basis, forecasts funding needs, and funding sources under different stress scenarios which represent management's best estimate of balance sheet changes that may result from a liquidity or credit event. The contingency funding plan shall include:

- (i) specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order and 12 U.S.C. §1831o,

including the restrictions against brokered deposits in 12 C.F.R. §337.6;

- (ii) the preparation of reports which identify and quantify all sources of funding and funding obligations under best case and worst case scenarios, including asset funding, liability funding and off-balance sheet funding; and
- (iii) procedures which ensure that the Bank's contingency funding practices are consistent with the Board's guidance and risk tolerances.

(2) The Board shall submit a copy of the comprehensive liquidity risk management program, along with the reports required by this Article, to the Director for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director for Special Supervision, the Board shall immediately implement and ensure Bank adherence to the program.

ARTICLE XV

BROKERED DEPOSITS

(1) The Bank may accept, renew or rollover Brokered Deposits (as defined by 12 C.F.R. § 337.6(a)(2)) for deposit at the Bank only after obtaining a prior written determination of no supervisory objection from the Director for Special Supervision.

(2) The limitation of paragraph (1) shall include the acquisition of Brokered Deposits through any transfer, purchase, or sale of assets, including Federal funds transactions.

(3) If the Bank seeks to acquire Brokered Deposits, the Board shall apply to the Director for Special Supervision for written permission. Such application shall contain, at a minimum, the following:

- (a) the dollar volume, maturities, and cost of the Brokered Deposits to be acquired;
- (b) the proposed use of the Brokered Deposits, i.e., short-term liquidity or restructuring of liabilities to reduce cost;
- (c) alternative funding sources available to the Bank; and
- (d) the reasons why the Bank believes that the acceptance of the Brokered Deposits does not constitute an unsafe and unsound practice in its particular circumstances.

(4) The Director for Special Supervision may require the submission of such additional information as necessary to make an informed decision. Upon consideration of the Bank's application, the Director for Special Supervision will determine whether the proposed acquisition of Brokered Deposits may be accomplished in a safe and sound manner and may condition the Bank's acquisition as the Director for Special Supervision shall deem appropriate.

ARTICLE XVI

INTEREST RATE RISK

(1) Within thirty (30) days, the Board shall adopt or reaffirm, implement, and thereafter ensure Bank adherence to a written interest rate risk program. In formulating this program, the Board shall refer to the "Interest Rate Risk" booklet of the *Comptroller's Handbook*. The program shall provide for a coordinated interest rate risk strategy and, at a minimum, shall address:

- (a) the establishment of adequate management reports on which to base sound interest rate risk management decisions;

- (b) establishment and guidance of the Bank's strategic direction and tolerance for interest rate risk;
- (c) implementation of effective tools to measure and monitor the Bank's performance and overall interest rate risk profile;
- (d) employment of competent personnel to manage interest rate risk;
- (e) prudent limits on the nature and amount of interest rate risk that can be taken, and strategies to reduce excessive risk; and
- (f) periodic review of the Bank's adherence to the program.

(2) Upon adoption or reaffirmation of a plan previously adopted under the January 22, 2010 Formal Agreement, a copy of the written program shall be forwarded to the Director for Special Supervision for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director for Special Supervision, the Board shall immediately implement and ensure Bank adherence to the program.

ARTICLE XVII

INFORMATION TECHNOLOGY AND BANK CONTINUITY PLANNING

(1) The Board shall immediately take all steps necessary to improve the management of the Bank's Information Technology ("IT") activities and to correct each deficiency cited in the most recent ROE or any other supervisory communication.

(2) Within thirty (30) days, the Board shall develop, implement, and thereafter adhere to, a written program to oversee and manage risks associated with outsourcing technology services to third party servicers, including technology service providers and vendors. This third party management program shall be consistent with OCC Bulletin 2001-47, "Third Party

Relationships,” dated November 1, 2001, and OCC Advisory Letter 2000-12, “Risk Management of Outsourcing Technology Services” dated November 28, 2000.

(3) Within thirty (30) days, the Board shall develop and implement a formal enterprise-wide business continuity process that complies with the requirements set forth in the “Business Continuity Planning” booklet of the FFIEC Information Technology Examination Handbook. At a minimum, the business continuity process shall include:

- (a) a business impact analysis that includes:
 - (i) the identification of the potential impact of uncontrolled, non-specific events on the institution’s business processes and its customers; and
 - (ii) an estimation of the maximum downtime and acceptable levels of data, operations, and financial losses for each business unit.
- (b) a risk assessment process that includes:
 - (i) the prioritization of potential business disruptions based upon severity and likelihood of occurrence;
 - (ii) a gap analysis comparing the institution’s existing business resumption plans, if any, to what is necessary to achieve recovery time and point objectives; and
 - (ii) an analysis of threats based upon the impact on the institution, its customers, and the financial markets.
- (b) a risk management process that includes the development of a written, enterprise-wide business continuity plan (BCP); and
- (c) a risk monitoring process that includes:
 - (i) testing of the BCP on at least an annual basis;

- (ii) independent audit and review of the BCP; and
- (iii) updating the BCP based upon changes to personnel and the internal and external environments.

(4) The Board shall provide a quarterly written progress report on each of the requirements of this Article to the Director for Special Supervision.

(5) The Board shall ensure that the Data Center has processes, personnel and control systems sufficient to ensure implementation of and adherence to the procedures and programs developed pursuant to this Article.

ARTICLE XVIII

CALL REPORTS

(1) Within thirty (30) days, the Board shall adopt or reaffirm and cause the Bank to implement policies and procedures, in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, to ensure that all official and regulatory reports filed by the Bank accurately reflect the Bank's condition as of the date that such reports are submitted. Thereafter the Board shall ensure Bank adherence to the policies and procedures adopted pursuant to this Article.

(2) Upon completion of the policies and procedures, the Board shall submit a copy of the policies and procedures to the Director for Special Supervision for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director for Special Supervision, the Board shall immediately implement and ensure Bank adherence to the policies and procedures.

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

ARTICLE XIX

VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in any ROE, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within ninety (90) days after the violation is cited or brought to the Board's attention, the Bank shall provide to the Board a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified date.

(2) Within thirty (30) days of the date of this Order, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to:

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

(3) Upon adoption, the Board shall forward a copy of these policies and procedures to the Director for review and prior written determination of no supervisory objection. Upon

receiving a determination of no supervisory objection from the Director, the Board shall immediately implement and ensure Bank adherence to the program.

ARTICLE XX

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank requires an extension of any timeframe within this Order, the Board shall submit a written request to the Director for Special Supervision asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that require an extension of a timeframe within this Order.

(2) All such requests shall be accompanied by relevant supporting documentation, and any other facts upon which the Bank relies. The Director for Special Supervision's decision concerning a request is final and not subject to further review.

ARTICLE XXI

OTHER PROVISIONS

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

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

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

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

(5) In each instance in this Order in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, including the obligation to implement plans, policies or other actions, it is intended to mean that the Board or Board committee 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 Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) Following the execution and issuance of this Order the Written Agreement entered into between the Bank and the Comptroller dated January 22, 2010 will be terminated.

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

IT IS SO ORDERED, this 16th day of September, 2010.

signed

Henry Fleming
Director for Special Supervision

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

In the Matter of:)
BankMeridian, N.A.)
Columbia, South Carolina)

AA-EC-10-XX

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

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller") intends to initiate cease and desist proceedings against Bank Meridian, N.A., Columbia, South Carolina ("Bank"), pursuant to 12 U.S.C. § 1818, through the issuance of a Notice of Charges, for unsafe or unsound banking practices relating to, among other issues, credit risk management and loan portfolio management;

WHEREAS, the Bank, in the interest of compliance and cooperation, and without admitting or denying any wrongdoing, consents to the issuance of a Consent Order, dated _____, 2010 ("Order") by executing this Stipulation and Consent to the Issuance of a Consent Order;

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

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is "the appropriate Federal banking agency" regarding the Bank, pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

ACKNOWLEDGMENTS

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

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

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);

- (b) any and all procedural rights available in connection with the issuance of the Order;
- (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) or 12 C.F.R. Part 19;
- (d) all rights to seek any type of administrative or judicial review of the Order; and
- (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER PROVISIONS

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

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

signed
Henry Fleming
Director for Special Supervision

09/16/2010
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.

signed
Thomas E. Connelly, Jr.

09/16/2010
Date

signed
Bobby L. Davis

09/16/2010
Date

signed
James Felix Hardman

09/16/2010
Date

signed
Ashley F. Houser

09/16/2010
Date

signed
Adelaide C. McMaster

09/16/2010
Date

signed
J. William Noeltner

09/16/2010
Date

signed
Thomas D. Peeples

09/16/2010
Date

signed
David R. Renaker

09/16/2010
Date

signed
Gary L. Rowe

09/16/2010
Date

signed
Brian R. Samson

09/16/2010
Date

signed

Stanley R. Smith

09/16/2010

Date

signed

Oliver G. Wood, Jr.

09/16/2010

Date