

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 21st day of May, 2009 (Effective Date), by and between SOUTHBank, A Federal Savings Bank, Palm Beach Gardens, Florida, OTS Docket No. 11351 (Association), a federal stock savings association, acting by and through the Association's Board of Directors (Board), and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting by and through its Regional Director for the Southeast Region or his designee (Regional Director).

WHEREAS, the OTS is the primary Federal regulator of the Association pursuant to the Home Owners' Loan Act (HOLA), 12 U.S.C. §§ 1461 *et seq.*, and is the Association's appropriate Federal banking agency for purposes of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. §§ 1811 *et seq.*; and

WHEREAS, based on its September 22, 2008 examination of the Association (2008 Examination), the OTS finds that the Association has failed to comply with the requirements of laws and regulations to which the Association is subject, failed to adopt and implement appropriate and comprehensive operational and risk management practices and strategies, and failed to identify and correct other deficiencies and weaknesses in its operations; and

WHEREAS, the Association, which is subject to examination, regulation, and supervision by the OTS, is taking steps to address the violations of law and regulation, strengthen operational and risk management programs, and correct weaknesses and deficiencies identified by the OTS; and

WHEREAS, in furtherance of their common goal to ensure that the Association

continues to address the violations of law and regulation, inadequate operational and risk management programs, and other weaknesses and deficiencies identified by the OTS, the Association and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on May 8, 2009, the Association's Board, at a duly constituted meeting adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Business Plan.

1. Within thirty (30) days, the Board shall determine whether to continue the Association's independent operations or seek an acquirer or merger partner. The Board's discussions and determination shall be fully documented in the Board meeting minutes. A copy of the Board meeting minutes shall be provided to the Regional Director within ten (10) days after the Board meeting.

2. Within one hundred twenty (120) days, the Board shall prepare and submit to the Regional Director for review and comment a comprehensive strategic business plan that covers the second half of calendar year 2009, calendar years 2010 and 2011, and the first half of calendar year 2012 (Business Plan). At a minimum, the Business Plan shall include:

a. a detailed and specific discussion of the Board's plans and strategies to strengthen and improve the Association's operations, earnings, liquidity, and capital position to ensure that the Association is viable as a stand alone entity without any dependence upon or support from its sister institution or parent holding company;

b. a discussion of the Association's current financial position and resources and specific Board's strategies for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the Business Plan, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital requirements, and maintain appropriate levels of liquidity;

c. a detailed discussion of the Association's current capital position and future capital needs necessary to implement the strategies and business operations contained in the Business Plan;

d. a discussion of the effect of recent asset quality trends and current and projected real estate market conditions;

e. a discussion of the requirements and restrictions imposed by this Agreement;

f. quarterly pro forma financial projections (balance sheet, capital forecasts, and income statement) and a detailed annual budget for each period covered by the Business Plan; and

g. identification of all relevant assumptions made in formulating the Business Plan, as well as documentation supporting such assumptions.

3. The Board shall make any changes to the Business Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Business Plan to the Regional Director for review. Upon receipt of non-objection to the revised Business Plan from the Regional Director, the Board shall adopt the revised Business Plan and the revised Business Plan shall be incorporated herein by reference and become a part of this Agreement and any violation of the revised Business Plan shall be a violation of this Agreement. A copy of the revised Business Plan and the Board meeting minutes reflecting the

Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

4. The Board shall ensure that the Association adheres to and implements the revised Business Plan. Any material modifications to the revised Business Plan shall be submitted to the Regional Director for review and written non-objection at least forty-five (45) days prior to implementation. A modification shall be considered material under this section of the Agreement if the Association plans to: (a) engage in any activity that is inconsistent with the revised Business Plan; or (b) exceed the level of any activity contemplated in the revised Business Plan or fail to meet target amounts established in the revised Business Plan by more than 10%, unless the activity involves assets risk-weighted 50% or less, in which case a variance of more than 25% shall be deemed to be a material modification.

5. The Board shall require Management to prepare and submit to the Board quarterly variance reports on the Association's compliance with the revised Business Plan within thirty (30) days after the close of each calendar quarter (Quarterly Business Plan Variance Reports) beginning with the calendar quarter ending September 30, 2009. The Quarterly Business Plan Variance Reports shall: (a) identify material variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the revised Business Plan; (b) contain an analysis and explanation of the identified variances; and (c) detail the specific measures to be taken to address such variances, including adjustments to the underlying assumptions.

6. The Board shall review the Quarterly Business Plan Variance Reports and conduct a thorough review and assessment of the Association's compliance with the revised Business Plan and take corrective actions if necessary to ensure adherence to the revised Business Plan. The

Board's review of the Quarterly Business Plan Variance Reports and assessment of the Association's compliance with the revised Business Plan shall be fully documented in the appropriate Board meeting minutes. A copy of the Quarterly Business Plan Variance Report, any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review and corrective actions, if any, shall be provided to the Regional Director within ten (10) days after the Board meeting.

Loan Participations.

7. Within sixty (60) days, the Association shall conduct a review of all loan participations purchased by the Association that are outstanding on the Effective Date of this Agreement to identify the terms and conditions of recourse to the seller in the event of delinquency or default by the borrower (Participation Review). As part of the Participation Review, the Association shall assess the seller's ability to meet its recourse obligations. The Board shall review the results of the Participation Review and assessment and fully document its review, including any corrective actions, in the Board meeting minutes.

New Board Members.

8. Within thirty (30) days, the Association shall actively seek new, qualified members for the Board of Directors (Board) who are independent with respect to the Association. The new Board members shall be local residents of the Association's market area. The Association shall ensure that all of the Board's committees include representation of the new Board members. The minutes of the meetings of the Board shall fully document these efforts.

9. For purposes of this Agreement, an individual who is "independent with respect to the Association" shall be any individual who:

- a. is not employed in any capacity by the Association, any of its subsidiaries, or affiliated organizations, other than as a director;
- b. does not own or control more than 10 percent of the outstanding shares of the Association or its parent company;
- c. is not related by blood or marriage to any officer or director of the Association or its affiliates, or to any shareholder owning more than 10 percent of the outstanding shares of the Association or its parent company, and who does not otherwise share a common financial interest with any such officer, director or shareholder;
- d. is not indebted, directly or indirectly, to the Association or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 10 percent of the Association's total Tier 1 capital and allowance for loan and lease losses;
- e. is a resident of, or engaged in business in, the Association's trade area; or
- f. is otherwise deemed to be an independent director for purposes of this Order.

Generally Accepted Accounting Principles.

10. Within ninety (90) days, the Board shall develop a comprehensive policy to ensure that assets are evaluated on a quarterly basis for other than temporary impairment in accordance with Generally Accepted Accounting Principles and Statement of Financial Accounting Standards 115 (OTTI Policy). The OTTI Policy shall require a written report of the results of the analyses to be submitted to the Board for review at the first Board meeting following the end of each calendar quarter, beginning with the quarter ending on September 30, 2009. A copy of the Board meeting minutes, including the written report provided to the Board, shall be provided to the Regional Director within ten (10) days after the date of the Board meeting.

Liquidity.

11. Within sixty (60) days, the Board shall revise the Association's liquidity plan to ensure that the Association maintains adequate short-term and long-term liquidity to withstand any anticipated or extraordinary demand against its funding base (Liquidity Plan). The Liquidity Plan shall be revised to include triggers and benchmarks that would require greater liquidity beyond the ratios currently established. The Board shall adopt the Liquidity Plan and ensure that Management implements and adheres to the Liquidity Plan.

12. Effective immediately, the Board shall require Management to review the Association's liquidity on a weekly basis and assesses the Association's compliance with its liquidity policies and procedures and, when implemented, the Liquidity Plan required by Paragraph 11 of this Agreement (Weekly Liquidity Review). Management's Weekly Liquidity Review shall evaluate and consider:

- a. a maturity schedule of certificates of deposit, including large uninsured deposits;
- b. the volatility of demand deposits including escrow deposits;
- c. the amount and type of loan commitments and standby letters of credit;
- d. an analysis of the continuing availability and volatility of present funding sources;
- e. an analysis of the impact of decreased cash flow from the Association's loan portfolio resulting from delinquent and non-performing loans; and
- f. an analysis of the impact of decreased cash flow from the sale of loans or loan participations.

Management shall provide the Board with copies of each Weekly Liquidity Review. The Board's review of Management's Weekly Liquidity Reviews, including any corrective actions, shall be fully detailed in the Board meeting minutes.

Interest Rate Risk Management.

13. Within sixty (60) days, the Board shall revise the policies, procedures and strategies governing the Association's interest rate risk exposure (IRR Policy) to ensure the effectiveness of the IRR Policy in reducing the Association's risk. At a minimum, the revised IRR Policy shall:

- a. Comply with applicable laws and the OTS regulations including 12 C.F.R. § 563.176(b);
- b. Comply with regulatory guidance, including OTS Thrift Bulletin 13a and Section 650 (Interest Rate Risk Management) of the OTS Examination Handbook;
- c. Establish reasonable net portfolio value limits (NPV);
- d. Identify specific strategies and timeframes for reducing the Association's interest rate risk exposure to the Board-approved interest rate risk limits in terms of net portfolio values (NPV); and
- e. Require quarterly written reports to the Board regarding the effectiveness of the IRR Policy in reducing risk (IRR Reports), including information on the OTS NPV results and the Association's compliance with internal NPVs.

Brokered Deposits.

14. Effective immediately, the Association is prohibited from increasing the dollar amount of brokered deposits at the Bank without receiving the prior written non-objection of the Regional Director. The Bank's written request for such non-objection should be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of acceptance of additional brokered deposits.

15. Within forty-five (45) days after the end of each calendar quarter, beginning with the

calendar quarter ending June 30, 2009, Management shall submit to the Board for review a written report detailing the level of brokered deposits for each month within the quarter (Brokered Deposit Report). The Board shall review the Brokered Deposit Report to ensure the Association's compliance with this Agreement. A copy of the Board meeting minutes detailing the Board's review, including any corrective actions, and a copy of the Brokered Deposit Report shall be provided to the Regional Director within ten (10) days after the Board meeting.

Violations of Law.

16. Within sixty (60) days, the Board shall ensure that all violations of law, rule, and/or regulation cited in the Association's 2008 Examination are corrected. Within ninety (90) days, the Board shall prepare, adopt, and thereafter ensure that the Association adheres to specific procedures to prevent future violations.

17. Within thirty (30) days of receipt of any subsequent Report of Examination, internal audit report, independent external audit report, or other report prepared by the Association's employees, agents, or independent contractors, which cites or discusses any weakness, deficiency, or violation of law, rule, or regulation, the Board shall prepare, adopt, and thereafter ensure the Association adheres to specific procedures to correct such weaknesses, deficiencies, and violations and prevent future weaknesses, deficiencies, and violations.

Growth.

18. Effective immediately, the Association is subject to and shall comply with the requirements and provisions of OTS Regulatory Bulletin (RB) 3b. Without the prior written approval of the Regional Director, the Association shall not increase its total assets during any quarter, beginning with the quarter ending June 30, 2009, in excess of an amount equal to net interest credited on deposit liabilities during the quarter. The growth restrictions imposed by this

Paragraph shall remain in effect until the OTS review and approval of the Association's Business Plan under Paragraph 2 of this Order.

Management Changes.

19. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H, 12 C.F.R. §§ 563.550 through 563.590.

Employment Contracts and Compensation Arrangements.

20. Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Severance and Indemnification Payments.

21. Effective immediately, the Association shall not make any golden parachute payment¹ or prohibited indemnification payment² unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

¹ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

² The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

Third Party Contracts.

22. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant³ to the overall operation or financial condition of the Association or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the OTS with a minimum of thirty (30) days prior written notice of such arrangement or contract; (b) determined that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (c) received written notice of non-objection from the Regional Director.

23. Effective immediately, the Association shall provide the OTS with written notice of all arrangements or contracts with third party service providers consistent with the requirements of 12 U.S.C. § 1464(d)(7)(D)(ii). Such notice shall be provided to the Regional Director not later than thirty (30) days after the earlier of: (a) the date on which the Association enters into the contract; or (b) the date on which the performance of the service is initiated. The Board shall review all arrangements or contracts with third party service providers covered by this Paragraph to ensure compliance with the standards and guidelines set forth in TB 82a.

Dividends.

24. Effective immediately, the Association shall pay no dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director. The Association's written request for written approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

³ A contract shall be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two (2) percent of the Association's total capital.

Affiliate and Insider Transactions.

25. Effective immediately, the Association shall not engage in any transaction with an Affiliate⁴ unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which notice also shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate complies with the requirements of 12 C.F.R. § 563.41, 12 C.F.R. Part 223 (Regulation W), and the guidance contained in Section 310 of the OTS Examination Handbook. The Board shall ensure that documentation demonstrating such compliance is maintained in the Association's files and records.

26. Effective immediately, the Association shall not make any loans to or enter into any contracts or agreements with any Insiders except in compliance with Paragraph 22 above and all applicable laws, rules, and regulations including, but not limited to, 12 C.F.R. Part 215 and 12 C.F.R. § 564.43, and Section 310 of the OTS Examination Handbook. The Board shall ensure that the Association complies with the requirements of this Paragraph and that documentation demonstrating such compliance is maintained in the Association's files and records.

Board Compliance Committee.

27. Within thirty (30) days, the Board shall appoint a committee (Regulatory Compliance Committee) comprising three or more non-employee directors to monitor and coordinate the Association's compliance with the provisions of this Agreement and the completion of all corrective action required in the 2008 Examination.

28. Within thirty (30) days after the end of each calendar quarter, beginning with the quarter ending June 30, 2009, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Agreement,

⁴ 12 C.F.R. § 223.2

the corrective actions required by the 2008 Examination, and the results of all such actions. The Board shall review the Regulatory Compliance Committee's progress report and adopt a resolution: (a) certifying that each director has reviewed the progress report; (b) detailing the Association's compliance with the provisions of this Agreement and the corrective actions contained in the 2008 Examination; (c) identifying each instance of noncompliance; and (d) setting forth in detail additional corrective actions or steps adopted or required by the Board to address each instance of noncompliance.

29. Within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (a) a copy of the Regulatory Compliance Committee's quarterly progress report required by Paragraph 28 of this Agreement; and (b) a copy of the Board resolution required by Paragraph 28 of this Agreement, including the Board meeting minutes. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Agreement.

Effective Date.

30. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

31. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

32. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

33. The Regional Director may extend any of the deadlines set forth in the provisions of this Agreement upon written request by the Association that includes reasons in support for any extension. Any the OTS extension shall be made in writing.

Submissions and Notices.

34. All submissions, including progress reports, to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

35. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- a. To the OTS:
Regional Director
Office of Thrift Supervision
1475 Peachtree St., NE
Atlanta, Georgia 30309
404.897.1861 (Fax)

- b. To the Association:
Board of Directors
c/o Danny Wiginton, Chairman
SOUTHBANK, a Federal Savings Bank
10891 N. Military Trail
Palm Beach Gardens, FL 33410-6515
256.519.3249 (Fax)

No Violations Authorized.

36. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

37. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

38. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

39. The laws of the United States of America shall govern the construction and validity of this Agreement.

40. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

41. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

42. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

43. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such

