

**UNITED STATES OF AMERICA**  
**Before The**  
**OFFICE OF THRIFT SUPERVISION**

_____ )	OTS Order No.: SE-10-012
In the Matter of )	
<b>LUTHER STANCEL PATE, IV</b> )	Effective Date: April 7, 2010
)	
Controlling Shareholder and )	
Institution-Affiliated Party of )	
)	
Security Bank and )	
Security Federal Bancorp, Inc. )	
Tuscaloosa, Alabama )	
OTS Docket Nos. 07098 and H-2395 and )	
)	
Southfirst Bank and )	
Southfirst Bancshares, Inc. )	
Sylacauga, Alabama )	
OTS Docket Nos. 05329 and H-2342 )	
_____ )	

**ORDER OF ASSESSMENT OF A CIVIL MONEY PENALTY**

**WHEREAS**, Luther Stancel Pate, IV (Respondent) has executed a Stipulation and Consent to the Issuance of an Order of Assessment of a Civil Money Penalty (Stipulation); and

**WHEREAS**, Respondent, by executing the Stipulation, has consented and agreed to the issuance of this Order of Assessment of Civil Money Penalty (Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(i); and

**WHEREAS**, pursuant to delegated authority, the OTS Regional Director for the Southeast Region (Regional Director), is authorized to issue Orders of Assessment of a Civil Money Penalty where an institution-affiliated party has consented to the issuance of an order.

**NOW, THEREFORE, IT IS ORDERED that:**

**Payment of Civil Money Penalty.**

1. Effective immediately, Respondent is ordered to pay the sum of Fifty Thousand Dollars (\$50,000.00) by tendering a certified check or bank draft made payable to the order of the Treasury of the United States.

**Indemnification Prohibited.**

2. Respondent shall pay such civil money penalty himself and is prohibited from seeking or accepting indemnification for such payment from any third-party.

**Effective Date, Incorporation of Stipulation.**

3. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

/s/

By: \_\_\_\_\_  
James G. Price  
Southeast Regional Director

Date: See Effective Date on page 1

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**STIPULATION AND CONSENT TO THE ISSUANCE OF  
AN ORDER OF ASSESSMENT OF A CIVIL MONEY PENALTY**

**WHEREAS**, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director), and based upon information derived from the exercise of its regulatory responsibilities, has informed Luther Stancel Pate, IV (Pate), an institution-affiliated party of: (i) SouthFirst Bank (SouthFirst Bank) and its holding company SouthFirst Bancshares, Inc. (SF Bancshares), Sylacauga, Alabama, OTS Docket Nos. 05329 and H-2342; and (ii) Security Bank (Security Bank) and its holding company Security Federal Bancorp, Inc. (Security Bancorp), Tuscaloosa, Alabama, OTS Docket Nos. 07098 and H-2395 that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against

Pate pursuant to 12 U.S.C. § 1818(b); and

**WHEREAS**, the Regional Director, pursuant to delegated authority, is authorized to issue Orders of Assessment of a Civil Money Penalty where an institution-affiliated party has consented to the issuance of an order; and

**WHEREAS**, Respondent desires to cooperate with the OTS to avoid the time and expense of an administrative civil money penalty proceeding by entering into this Stipulation and Consent to the Issuance of an Order of Assessment of a Civil Money Penalty (Stipulation), without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs 1 through 6 below concerning Jurisdiction, hereby stipulates and agrees as follows:

**Jurisdiction.**

1. SouthFirst Bank and Security Bank are each a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, both are each an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).
2. Security Bank was a wholly owned savings association subsidiary of Security Bancorp. Accordingly, Security Bancorp is a “savings and loan holding company” within the meaning of 12 U.S.C. §§ 1476a and 1813(w)(3).
3. SouthFirst Bank was a wholly owned savings association subsidiary of SF Bancshares. Accordingly, SF Bancshares is a “savings and loan holding company” within the meaning of 12 U.S.C. §§ 1467a and 1813(w)(3).

4. Pursuant to Sections 4 and 5 of the Home Owners Loan Act (HOLA), 12 U.S.C. §§ 1463 and 1464, Security Bank, Security Bancorp, SouthFirst Bank and SF Bancshares, at all relevant times, have been subject to examination, supervision, and regulation by the OTS.

5. As a controlling shareholder at Security Bancorp and SF Bancshares, Pate is deemed to be an “institution-affiliated party” as that term is defined in 12 U.S.C. § 1813(u), and served in such capacity within six (6) years of the Effective Date as shown on the first page (see 12 U.S.C. § 1818(i)(3)).

6. Pursuant to 12 U.S.C. §§ 1818(b) and (i)(2); 1813(q)(4) and 1464(d)(1)(A), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against an institution-affiliated party. Therefore, Pate is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against him pursuant to 12 U.S.C. § 1818(b).

**OTS Findings of Fact.**

7. The OTS finds that:

(a) Pate acted in concert and/or was presumed to be acting in concert with other stockholders of Security Bancorp and SF Bancshares (collectively, the “Holding Companies”) within the meaning of those terms as set forth in 12 C.F.R. §§ 574.2(c) and 574.4(d).

(b) The total stock attributable to Pate by reason of such action in concert exceeded ten percent (10%) and resulted in Pate being one of the two largest shareholders of each of the Holding Companies. Accordingly, Pate acquired rebuttable control of each of the Holding Companies within the meaning of 12 C.F.R. 574.4(b).

(c) Pate did not file a notice of change in control or rebuttal of action in concert with the OTS prior to acquiring rebuttable control of each of the Holding Companies as required by 12 C.F.R. §§ 574.3(b) and 574.4(e).

**Consent.**

8. Respondent consents to the issuance by the OTS of the accompanying Order of Assessment of a Civil Money Penalty (Order). Respondent further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

**Finality.**

9. This Order is issued by the OTS under the authority of 12 U.S.C. § 1818(i). Upon the Effective Date, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

**Waivers.**

10. Respondent waives the following:

- (a) the right to be served with a written notice of the OTS's assessment of a civil money penalty against him as provided by 12 U.S.C. § 1818(i) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing including, without limitation, any such right provided by 12 U.S.C. §§ 1818(h) or 1818(i);
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. §§ 1818(h) or 1818(i), or otherwise to challenge the validity of the Order;
- (d) any and all claims against the OTS, including its employees and agents, and any

other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise; and

(e) the right to assert this proceeding, this consent to the issuance of the Order, and/or the issuance of the Order, the payment of any monies, or the provision of any other financial relief as contemplated by the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

**OTS Authority Not Affected.**

11. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Respondent if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law. The OTS agrees not to institute further proceedings against the Respondent for the specific acts, omissions, or violations in the Findings of Fact set forth in Paragraph 7 above to the extent known to the OTS as of the Effective Date of the accompanying Order, unless such acts, omissions, or violations reoccur.

**Other Governmental Actions Not Affected.**

12. Respondent acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 8 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Respondent that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than

the OTS.

**Agreement for Continuing Cooperation.**

13. Pate agrees that he will fully cooperate with the OTS including, but not limited to, at the OTS's written request on reasonable notice and without service of a subpoena, providing discovery and testifying truthfully at any deposition or at any judicial or administrative proceeding related to any investigation, litigation, or other proceeding maintained by the OTS or other appropriate Federal banking agency relating to the Holding Companies and/or their service corporations, subsidiaries, or institution-affiliated parties.

**Miscellaneous.**

14. The laws of the United States of America shall govern the construction and validity of this Stipulation and the Order.

15. If any provision of this Stipulation and/or the Order 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.

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

17. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

18. The terms of this Stipulation and the Order represent the final agreement of the parties with respect to the subject matters hereof and constitute the sole agreement of the parties with respect to such subject matters.

**WHEREFORE**, Respondent executes this Stipulation.

**LUTHER STANCEL PATE, IV**

/s/

By: \_\_\_\_\_  
Luther Stancel Pate, IV

Accepted by:

**OFFICE OF THRIFT SUPERVISION**

/s/

By: \_\_\_\_\_  
James G. Price  
Southeast Regional Director

Date: See Effective Date on page 1