

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: SE-10-032
)	
)	
PLANTATION FEDERAL BANK)	Effective Date: June 30, 2010
)	
Pawleys Island, South Carolina)	
OTS Docket No. 08349)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Plantation Federal Bank, Pawleys Island, South Carolina, OTS Docket No. 08349 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Southeast Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association, its institution-affiliated parties,¹ and its successors and assigns, shall

¹ The term "institution-affiliated party" is defined at 12 C.F.R. § 1813(u).
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cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting the unsafe or unsound banking practices that resulted in:

- (a) operating the Association with an inadequate level of capital protection for the volume, type and quality of assets held by the Association;
- (b) operating the Association with inadequate earnings to fund growth, support dividend payments and augment capital;
- (c) operating the Association with an excessive level of adversely classified loans or assets;
- (d) operating with an inadequate allowance for loan and lease losses for the volume, type, and quality of loans and leases held and failing to make provision for an adequate reserve for possible loan losses;
- (e) operating the Association with an excessive concentration of non-residential real estate loans, land loans, home equity lines of credit, and non-mortgage commercial loans as described in the January 4, 2010 Report of Examination of the Association (“2010 Examination”);
- (f) operating the Association in contravention of written loan policies and procedures;
- (g) operating in contravention of supervisory policy statements and other guidance, including, but not limited to:
 - (i) the Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL) and Questions and Answers on Accounting for Loan and Lease

Losses dated December 13, 2006, and contained in Chief Executive Officer (CEO) Memorandum # 250 (December 13, 2006); and

(ii) the Interagency Guidelines Establishing Standards for Safety and Soundness set forth in Appendix A to 12 C.F.R. Part 570.

2. The Association, its institution-affiliated parties, and its successors and assigns, shall also cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting violations of the following laws and regulations:

(a) 12 C.F.R. Part 570 - Appendix A (Interagency Guidelines Establishing Standards for Safety and Soundness);

(b) 12 C.F.R. § 560.160 (Asset Classification);

(c) 12 C.F.R. § 564.8 (Appraisal Policies and Practices of Savings Associations and Subsidiaries);

(d) 12 C.F.R. § 215.4 (General Prohibitions on Loans to Executive Officers, Directors and Principal Shareholders);

Capital.

3. By December 31, 2010, the Association shall have and maintain a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8%) and a Total Risk-Based Capital Ratio equal to or greater than twelve percent (12%).²

4. By September 30, 2010, the Association shall submit a written plan to achieve and maintain the Association's capital at the levels and within the timeframe prescribed in Paragraph

² The requirement in Paragraph 3 to have and maintain a specific capital level means that the Association may not be deemed to be "well-capitalized" for purposes of 12 U.S.C. §1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. §565.4(b)(1)(iv).

3 (Capital Plan) that is acceptable to the Regional Director. At a minimum, the Capital Plan shall:

- (a) identify the specific sources of additional capital and the timeframes and methods by which additional capital will be raised, including specific target dates and corresponding capital levels;
- (b) detail the Association's capital preservation and enhancement strategies with specific narrative goals;
- (c) address the requirements and restrictions imposed by this Order relating to capital under different forward-looking scenarios involving progressively stressed economic environments;
- (d) address all corrective actions set forth in the 2010 Examination relating to capital;
- (e) include detailed quarterly financial projections, including Tier 1 (Core) and Total Risk-Based Capital Ratios;
- (f) address the Association's level of classified assets, ALLL, earnings, asset concentrations, liquidity needs, and trends in the foregoing areas; and
- (g) address current and projected trends in real estate market conditions.

5. Upon receipt of written notification from the Regional Director that the Capital Plan is acceptable, the Association shall implement and adhere to the Capital Plan. A copy of the Capital 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.

6. On a monthly basis, beginning with the first month following receipt of written notification from the Regional Director that the Capital Plan is acceptable, the Board shall review the Association's compliance with the Capital Plan. At a minimum, the Board's review

shall include:

- (a) a comparison of actual operating results to projected results;
- (b) detailed explanations of any material deviations;³ and
- (c) a discussion of specific corrective actions or measures that have been or will be implemented to address each material deviation.

7. Within fifteen (15) days after: (a) the Association fails to meet the capital requirements prescribed in Paragraph 3; (b) the Association fails to comply with the Capital Plan prescribed in Paragraph 4; or (c) any written request from the Regional Director, the Association shall submit a written Contingency Plan that is acceptable to the Regional Director.

8. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or acquisition by, another federally insured depository institution or holding company thereof; or (b) voluntary dissolution by filing an appropriate application with the OTS in conformity with applicable laws, regulations and regulatory guidance.

9. Upon receipt of written notification from the Regional Director, the Association shall implement and adhere to the Contingency Plan immediately. The Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1st) and fifteenth (15th) of each month following implementation of the Contingency Plan.

³ A deviation shall be considered material under this Paragraph of the Order when the Association: determines that it needs to adjust its identified sources of additional capital, timeframes, methods, or target dates by which it will raise capital.

Growth.

10. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director. The growth restriction imposed by this Paragraph shall remain in effect until the Association receives the Regional Director's written notice of non-objection of its Business Plan pursuant to Paragraph 11 of this Order.

Business Plan.

11. By September 30, 2010, the Association shall submit a new comprehensive business plan for the fiscal year commencing on October 1, 2010 and ending September 30, 2011 (Business Plan) that is acceptable to the Regional Director and addresses all corrective actions in the 2010 Examination relating to the Association's business operations. Thereafter, the Association shall submit a new one (1) year Business Plan at least ninety (90) days prior to the end of each fiscal year, which is September 30. At a minimum, the Business Plan shall conform to applicable laws, regulations and regulatory guidance and include:

- (a) plans to improve the Association's core earnings, reduce expenses, maintain appropriate levels of liquidity, and achieve profitability on a consistent basis throughout the term of the Business Plan;
- (b) 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 comply with this Order;

(c) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, and income statement) for each quarter covered by the Business Plan that are presented in a format consistent with the Thrift Financial Report (TFR); and

(d) identification of all relevant assumptions made in formulating the Business Plan and a requirement that documentation supporting such assumptions be retained by the Association.

12. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Association shall implement and adhere to the Business Plan. A copy of the 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.

13. Any material modifications⁴ to the Business Plan must receive the prior written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

14. Within sixty (60) days after the end of each quarter, after implementation of the Business Plan, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Variance Reports). The Variance Reports shall:

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken to address identified variances.

⁴ A modification shall be considered material under this Section of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

15. A copy of the Variance Reports and Board meeting minutes shall be provided to the Regional Director within sixty (60) days after the Board meeting.

Lending.

16. Effective immediately, without the prior written non-objection of the Regional Director, the Association may only originate or purchase, or commit to originate or purchase: (i) owner occupied, non-investor Qualifying Mortgage Loans as defined at 12 C.F.R. § 567.1 and (ii) Consumer Loans, as defined at 12 C.F.R. § 560.3, excluding HELOC loans, where the funded amount of all such loans to any one borrower does not exceed Forty Thousand Dollars (\$40,000). The Association may make non-investor second home loans that receive the prior written non-objection of the Regional Director.

17. Effective immediately, the Association may only renew, extend, modify, or restructure existing loans restricted by Paragraph 16 to facilitate a workout pursuant to a written loan modification program (Loan Modification Program) that: (a) requires documentation of the Association's efforts to obtain a principal reduction from the borrower; (b) prohibits the extension of additional funds without the prior written non-objection of the Regional Director; (c) requires compliance with the Association's loan underwriting and documentation policies and procedures, and (d) adherence to safe and sound banking practices.

18. Effective immediately, the Association shall prepare and submit a monthly report to the Board with detailed information on all renewals, extensions, modifications, or restructurings undertaken pursuant to the Loan Modification Program (Loan Modification Report). The Loan Modification Report shall include updated collateral value estimates and a discussion of the borrower's current creditworthiness and financial resources. The Board's review of the Loan Modification Report, including any corrective actions adopted by the Board, shall be fully

documented in the meeting minutes.

19. Effective immediately, the Association shall prepare and submit to the Board for review a written schedule of all outstanding loans with interest reserves, regardless of the funding source for such reserves (Interest Reserve Schedule). At a minimum, the Interest Reserve Schedule shall include the following for each loan with interest reserves:

- a. the total amount of interest reserves established, which shall include all prior interest reserve amounts;
- b. the total amount of interest reserves available and remaining;
- c. the loan maturity date and all renewal or extension dates;
- d. the projected date that the interest reserves will be depleted; and
- e. the funding source for the interest reserves.

The Association shall prepare and submit an updated Interest Reserve Schedule to the Board within thirty (30) days after the close of each calendar quarter, beginning with the calendar quarter ending June 30, 2010. The Board shall review the updated Interest Reserve Schedule and the Board's review, including any corrective actions adopted, shall be fully documented in the Board meeting minutes. A copy of each Interest Reserve Schedule and the Board meeting minutes detailing the Board's review of each Interest Reserve Schedule shall be provided to the Regional Director within thirty (30) days after the close of each calendar quarter, beginning with the calendar quarter ending June 30, 2010.

Concentrations of Credit.

20. Within sixty (60) days, the Association shall revise its written program for identifying, monitoring, and controlling risks associated with concentrations of credit (Credit Concentration Program) to ensure that it is acceptable to the Regional Director and addresses all corrective

actions set forth in the 2010 ROE relating to concentrations of credit. The Credit Concentration Program shall comply with all applicable laws, regulations and regulatory guidance and shall:

- (a) establish comprehensive concentration limits for all major loan categories expressed as a percentage of Tier 1 (Core) Capital plus allowance for loan and lease losses (ALLL), and document the appropriateness of such limits based on the Association's risk profile;
- (b) establish additional stratification categories for each of the Association's major loan categories, establish reasonable concentration of credit limits for each stratification category, and establish enhanced risk analysis, monitoring, and management for each stratification category;
- (c) contain specific review procedures and reporting requirements, including written reports to the Board, designed to identify, monitor, and control the risks associated with concentrations of credit and periodic market analysis for the various property types and geographic markets represented in its portfolio; and
- (d) contain a written action plan with specific time frames for reducing existing concentrations of credit to comply with Board established limits.

21. Upon receipt of written notification from the Regional Director that the Credit Concentration Program is acceptable, the Association shall implement and adhere to the Credit Concentration Program. The Board's review of the Credit Concentration Program shall be documented in the Board meeting minutes. A copy of the Credit Concentration Program shall be provided to the Regional Director within ten (10) days after adoption by the Board.

22. Within sixty (60) days after the end of each quarter, beginning with the quarter ending June 30, 2010, the Board shall review the appropriateness of the Association's concentration

limits given current conditions and the Association's compliance with its Credit Concentration Program, including the written action plan to revise the current level of concentrations. The Board's review of the Association's Credit Concentration Program shall be documented in the Board meeting minutes.

Expense Reduction Plan.

23. Within sixty (60) days, the Association shall implement and adhere to the expense reduction plan adopted by the Board. Monthly status reports on the Association's compliance with the Expense Reduction Plan shall be provided to the Board for review beginning with the August 2010 Board meeting. The Board's review shall be fully documented in the Board meeting minutes.

Board Oversight.

24. Within sixty (60) days, the Board shall prepare and submit to the Regional Director for review and comment, an updated written plan to strengthen and improve the effectiveness of the Board's oversight of the management and operations of the Association and address the management related deficiencies in the 2010 ROE (Oversight Plan). At a minimum, the Oversight Plan shall:

a. separately identify each criticism or deficiency discussed in the 2010 ROE and detail and discuss the specific corrective actions that the Board will take, including target dates for completion of the corrective actions, to address each criticism or deficiency;

b. identify specific reports and other information that Management shall prepare and submit to the Board to ensure the effective oversight by the Board of the Association's activities and operations, including compliance with applicable laws, regulations and regulatory guidelines and the Association's policies and procedures;

c. discuss and detail new or modified systems, procedures and controls to ensure effective oversight by the Board of the Association's operations and adherence to approved policies, procedures, and applicable laws and regulations including, but not limited to, organizational restructuring, changes in position duties and responsibilities, modified internal audit and review procedures and practices, and reporting to the Board monitoring

25. The Board shall make any changes to the Oversight Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Oversight Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Oversight Plan from the Regional Director, the Board shall adopt the revised Oversight Plan and ensure that the Association adheres to and implements the revised Oversight Plan. A copy of the revised Oversight 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.

Internal Asset Review and Classification.

26. Within sixty (60) days, the Association shall revise its written internal asset review and classification program (IAR Program) to ensure that it address all corrective actions set forth in the 2010 ROE relating to internal asset review and classification and complies with all applicable laws, regulations and regulatory guidance. At a minimum, the IAR Program shall:

- (a) ensure the accurate and timely identification, classification, and reporting of the Association's assets, including the designation of loans as special mention or placement of loans on a watch list where a borrower's credit standing has deteriorated;
- (b) detail the Association's loan grading system and specify parameters for the identification of problem loans for each type of loan offered by the Association;

- (c) establish specific review and classification standards for any loans where interest, loan fees, late fees, loan costs, or collection costs of problem loans have been capitalized into the loan balance;
- (d) require internal asset reviews and updates for loan relationships in excess of Five Hundred Thousand Dollars (\$500,000) to be conducted not less than every twelve (12) months;
- (e) require quarterly reports be submitted to the Board detailing the Association's adversely classified, special mention and delinquency ratios; and
- (f) provide for the appointment of a qualified, experienced, and independent third party to conduct, at a minimum, annual reviews of the Association's loan relationships in excess of One Million Dollars (\$1,000,000) and assessments of the Association's internal asset review process thereof.

Problem Assets.

27. Within sixty (60) days, the Association shall submit a detailed, written plan with specific strategies, targets and timeframes to reduce⁵ the Association's level of problem assets⁶ (Problem Asset Reduction Plan) that is acceptable to the Regional Director. The Problem Asset Reduction Plan, at a minimum, shall include:

- (a) quarterly targets for the level of classified assets as a percentage of Tier 1 (Core) capital plus ALLL;
- (b) a description of the methods for reducing the Association's level of classified assets to the established targets; and

⁵ For purposes of this Paragraph, "reduce" means to collect, sell, charge off, or improve the quality of an asset sufficient to warrant its removal from adverse criticism or classification.

⁶ The term "problem assets" shall include all [classified assets,] [and assets designated special mention,] [and all nonperforming assets,] [and all delinquent loans.]

(c) all relevant assumptions and projections and documentation supporting such assumptions and projections.

28. Within sixty (60) days, the Association shall develop individual written specific workout plans for each problem asset or group of loans to any one borrower or loan relationship of Five Hundred Thousand Dollars (\$500,000) or greater (Asset Workout Plans).

29. Within sixty (60) days after the end of each quarter, beginning with the quarter ending June 30, 2010, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

- (a) the current status of all Asset Workout Plans;
- (b) a comparison of classified assets to Tier 1 (Core) capital plus ALLL and Total Risk-Based capital;
- (c) a comparison of classified assets at the current quarter end with the preceding quarter;
- (d) a breakdown of classified assets by type and risk factor (for example, residential, acquisition and development, construction, land loans, location, and origination source);
- (e) an assessment of the Association's compliance with the Problem Asset Reduction Plan;
- (f) a discussion of the actions taken during the preceding quarter to reduce the Association's level of classified assets; and
- (g) any recommended revisions or updates to the Problem Asset Reduction Plan.

Appraisals.

30. Effective immediately, the Association shall ensure that all appraisals comply with 12 C.F.R. Part 564. The Association shall prepare and submit documentation or reports to the Board discussing and detailing the Association's compliance with 12 C.F.R. Part 564 and this Order. The Board's review of such reports and the Association's compliance with this provision shall be documented in the Board meeting minutes.

Regulation O.

31. Effective immediately, the Board shall review and revise the Association's policies, procedures, and systems governing transactions between the Association and Insiders⁷ to ensure that all Insider transactions comply with the requirements set forth in 12 C.F.R. Part 215 (Insider Policy). At a minimum, the Insider Policy shall:

- a. prohibit the payment of any overdraft that would violate the requirements of 12 C.F.R. Part 215;
- b. establish procedures to ensure that transactions with Insiders are reviewed and approved consistent with the Association's Insider Policy and the requirements of 12 C.F.R. Part 215 and fully documented, including, but not limited to: obtaining independent appraisals of property securing Insider loans and information demonstrating that an Insider loan is made on terms and conditions that are no more favorable than those for loans made by the Association to non-Insiders;
- c. require documentation in the Board minutes reflecting the Board's deliberations regarding Insider loans; and Board actions approving or denying Insider loans;

⁷ The term "Insider" is defined at 12 C.F.R. § 215.2(h).
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d. require disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of related interests as defined by 12 C.F.R. Part 215; and

e. require disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Association.

Brokered Deposits.

32. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b).

Directorate and Management Changes.

33. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers⁸ set forth in 12 C.F.R. Part 563, Subpart H.

Dividends and Other Capital Distributions.

34. Effective immediately, the Association shall not declare or pay 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 in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

Employment Contracts and Compensation Arrangements.

35. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer⁹

⁸ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

⁹ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director 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 Regional Director 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.

Golden Parachute and Indemnification Payments.

36. Effective immediately, the Association shall not make any golden parachute payment¹⁰ or prohibited indemnification payment¹¹ 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.

Third Party Contracts.

37. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association¹² or outside the Association’s normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set

¹⁰ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

¹¹ The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

¹² A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association’s total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association’s daily operations without regard to the contract amount.

forth in Thrift Bulletin 82a (TB 82a); and (b) received written notice of non-objection from the Regional Director.

Transactions with Affiliates.

38. Effective immediately, the Association shall not engage in any new transaction with an affiliate 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 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 for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

Board Oversight of Compliance with Order.

39. Within thirty (30) days, the Board shall designate a committee to monitor and coordinate the Association's compliance with the provisions of this Order and the completion of all corrective actions required in the 2010 ROE (Oversight Committee). The Oversight Committee shall be comprised of four (4) or more directors, the majority of whom shall be independent¹³ directors.

¹³ For purposes of this Order, 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 or Holding Company, its subsidiaries, or its affiliates, other than as a director;
- (b) does not own or control more than ten percent (10%) of the outstanding shares of the Association, Holding Company or any of its affiliates;
- (c) is not related by blood or marriage to any officer or director of the Association, Holding Company or any of its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Association, Holding Company or any of its affiliates, 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, Holding Company or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding ten percent (10%) of the Association's total Tier 1 (Core) capital; and
- (e) has not served as a consultant, advisor, underwriter, or legal counsel to the Association, Holding Company or any of its affiliates.

40. Within sixty (60) days after the end of each quarter, beginning with the quarter ending June 30, 2010, the Oversight Committee shall submit a written compliance progress report to the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

41. Within sixty (60) days after the end of each quarter, beginning with the quarter ending June 30, 2010, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within sixty (60) days after the end of each quarter, beginning with the quarter ending June 30, 2010.

42. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order. The Board shall review and adopt all policies and procedures required by this Order prior to submission to the OTS.

Effective Date, Incorporation of Stipulation.

43. 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.

Duration.

44. This Order 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.

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

46. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

47. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

48. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order 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:
Plantation Federal Bank
11039 Ocean Highway
Pawleys Island, South Carolina 29585
843.235.8458 (Fax)

No Violations Authorized.

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

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
James G. Price
Regional Director, Southeast Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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In the Matter of)	Order No.: SE-10-032
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PLANTATION FEDERAL BANK)	Effective Date: June 30, 2010
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Pawleys Island, South Carolina)	
OTS Docket No. 08349)	
_____)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

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 and supervisory responsibilities, has informed Plantation Federal Bank, Pawleys Island, South Carolina, OTS Docket No. 08349 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).
2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its January 4, 2010 examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound banking practices and has violated various laws and regulations as follows:
 - (a) operating the Association with an inadequate level of capital protection for the volume, type and quality of assets held by the Association;
 - (b) operating the Association with inadequate earnings to fund growth, support dividend payments and augment capital;
 - (c) operating the Association with an excessive level of adversely classified loans or assets;
 - (d) operating with an inadequate allowance for loan and lease losses for the volume, type, and quality of loans and leases held and failing to make provision for an adequate reserve for possible loan losses;

- (e) operating the Association with an excessive concentration of non-residential real estate loans, land loans, home equity lines of credit, and non-mortgage commercial loans as described in the January 4, 2010 Report of Examination of the Association (“2010 Examination”);
- (f) operating the Association in contravention of written loan policies and procedures;
- (g) operating in contravention of supervisory policy statements and other guidance, including, but not limited to:
 - (i) the Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL) and Questions and Answers on Accounting for Loan and Lease Losses dated December 13, 2006, and contained in Chief Executive Officer (CEO) Memorandum # 250 (December 13, 2006); and
 - (ii) the Interagency Guidelines Establishing Standards for Safety and Soundness set forth in Appendix A to 12 C.F.R. Part 570.
- (h) 12 C.F.R. Part 570 - Appendix A (Interagency Guidelines Establishing Standards for Safety and Soundness);
- (i) 12 C.F.R. § 560.160 (Asset Classification);
- (j) 12 C.F.R. § 564.8 (Appraisal Policies and Practices of Savings Associations and Subsidiaries); and
- (k) 12 C.F.R. § 215.4 (General Prohibitions on Loans to Executive Officers Directors and Principal Shareholders).

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Order to

Cease and Desist (Order). The Association 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.

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

Waivers.

6. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (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 otherwise to challenge the validity of the Order; and
- (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.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Order 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.

8. The Association 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 7 above, 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.

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

10. 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.

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

12. 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.

13. The terms of this Stipulation and of the Order 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 subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended

in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation.

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WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

PLANTATION FEDERAL BANK
Pawleys Island, South Carolina

OFFICE OF THRIFT SUPERVISION

By: /s/
J. Edward Norris, III,
Chairman

By: /s/
James G. Price
Southeast Regional Director

Date: See Effective Date on page 1

 /s/
Gary C. Cooper, Director

 /s/
Janet W. Devereux, Director

 /s/
James M. League, Jr., Director

 /s/
Ross M. Lindsay, III, Director

 /s/
William D. Richmond, Director

 /s/
Brad B. Smith, Director