

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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| _____) | |
| In the Matter of) | Order No.: SE-10-053 |
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| COMMONWEALTH SAVINGSHARES) | Effective Date: November 19, 2010 |
| CORPORATION) | |
|) | |
| Huntsville, Alabama) | |
| OTS Docket No. H1838) | |
| _____) | |

ORDER TO CEASE AND DESIST

WHEREAS, Commonwealth Savingsshares Corporation, Huntsville, Alabama, OTS Docket No. H1838 (Holding Company), 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);

WHEREAS, the Holding Company, 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 and loan holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

1. The Holding Company, its institution-affiliated parties,¹ and its successors and assigns, shall cease and desist from any action (alone or with another or others) for or toward causing,

¹ The term "institution-affiliated party" is defined at 12 U.S.C. § 1813(u).

bringing about, participating in, counseling, or the aiding and abetting the unsafe or unsound banking practices that resulted in:

- (a) operating without an adequate number of directors who are independent of management and the controlling shareholder;
- (b) operating its wholly owned savings association subsidiaries, SOUTHBANK, A FSB, Palm Beach Gardens, Florida, OTS Docket No. 11351 and SOUTHBANK, A FSB, Huntsville, Alabama, OTS Docket No. 08854 (Associations), with an inadequate level of capital protection for the volume, type, and quality of assets held by the Associations;
- (c) operating the Associations with a board of directors that has failed to exercise adequate supervision over, and provide adequate direction to, management of the Associations to prevent unsafe and unsound banking practices and violations of laws or regulations;
- (d) operating the Associations with an excessive level of adversely classified and delinquent loans relative to the Associations' capital, earnings, and allowance for loan and lease losses (ALLL) levels;
- (e) operating the Associations with excessive concentrations of assets and loans;
- (f) operating the Associations with inadequate liquidity and/or funds management policies and practices; and
- (g) operating the Holding Company with insufficient earnings as a result of an increasing level of classified assets at the Associations.

Capital Maintenance and Augmentation Plan.

2. By December 15, 2010, the Holding Company shall submit for Regional Director review and non-objection a written plan to maintain and enhance the capital of the Holding Company

and the Associations and to ensure that the Associations comply with the capital requirements imposed by the Cease and Desist Orders issued by the OTS effective November 19, 2010 (Capital Maintenance and Augmentation Plan). The Capital Maintenance and Augmentation Plan shall:

- (a) address the requirements and restrictions imposed by this Order;
- (b) identify the specific sources of additional capital and the timeframes and methods by which additional capital will be raised and infused into the Associations, if necessary, including specific target dates and capital levels; and
- (c) require the Board to review, on a monthly basis, the Holding Company's compliance with its Capital Maintenance and Augmentation Plan and the Associations compliance with their Capital Plans.

3. Within thirty (30) days after receipt of written non-objection from the Regional Director, the Holding Company shall implement and adhere to the Capital Maintenance and Augmentation Plan.

Business Plan.

4. By December 15, 2010, the Holding Company shall submit a new comprehensive business plan covering the period beginning October 1, 2010 and ending December 31, 2011 (Business Plan) that is acceptable to the Regional Director and addresses all corrective actions in the March 15, 2010 Report of Examination (2010 ROE) concerning the Holding Company's business operations. Thereafter, the Holding Company shall submit a new one (1) year Business Plan at least sixty (60) days prior to the end of each calendar year. At a minimum, the Business Plan shall conform to applicable laws, regulations and regulatory guidance and include:

- (a) plans to improve the Holding Company's core earnings, reduce expenses, and achieve profitability on a consistent basis throughout the term of the Business Plan;
- (b) strategies for ensuring that the Holding Company has the financial and personnel resources necessary to implement and adhere to the Business Plan, adequately support the Holding Company's risk profile, maintain compliance with applicable regulatory 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; 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 Holding Company.

5. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Holding Company 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.

6. Any material modifications² to the Business Plan must receive the prior written non-objection of the Regional Director. The Holding Company shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

² A modification shall be considered material under this Section of the Order if the Holding Company 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.

7. 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 Holding Company's compliance with the Business Plan (Variance Reports). The Variance Reports shall:

- (a) identify variances in the Holding Company'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.

8. A copy of the Variance Reports and Board meeting minutes shall be provided to the Regional Director within ten (10) days after the Board meeting.

Enterprise Risk.

9. By November 30, 2010, the Holding Company shall develop, implement and adhere to an enterprise risk management plan that will ensure effective monitoring and assessment of risk within the Holding Company enterprise, including its subsidiaries and affiliates.

Intercompany Transactions.

10. Effective immediately, the Holding Company shall not enter into any agreements, contracts, or arrangements with any affiliates or renew, amend, or modify any existing agreements, contracts, or arrangements with any affiliates without receiving the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed agreement, contract, or arrangement.

11. Effective immediately, the Holding Company shall not engage in any new transactions with any Affiliates, including but not limited to the making and receiving of any loans or the purchase or sale of any assets, without the prior written approval of the Regional Director. The

Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed transaction.

12. By December 31, 2010, the Holding Company shall charge-off or require and obtain repayment on all loans to related interests of its Chairman and Chief Executive Officer (CEO).

13. By December 31, 2010, the Holding Company shall obtain and review a written report prepared by a qualified third party regarding the outstanding loans to related interests of the Holding Company's Chairman and CEO (Loan Report). The Loan Report shall specifically address the corrective actions in the 2010 ROE and determine whether the loans should be classified as Troubled Debt Restructurings. A copy of the Loan Report and the Board meeting minutes shall be provided to the Regional Director within on or before January 10, 2011.

Contingency Funding Plan.

14. By November 30, 2010, the Holding Company shall submit to the Regional Director a liquidity contingency funding plan describing the Holding Company's strategies for meeting its continuing obligations and alternative actions and strategies that will be taken (Contingency Funding Plan). The Contingency Funding Plan shall include a forecast of cash flow requirements and the sources of funds available to meet these requirements on a monthly basis for the remainder of calendar year 2010 and for all of calendar year 2011. The Holding Company shall provide the Regional Director with monthly cash flow projections describing these items within ten (10) days after the end of each month, beginning with November 2010.

Thrift Oversight.

15. Effective immediately, the Holding Company shall ensure the Associations compliance with applicable laws, rules, regulations, and agency guidance and all the terms of the Orders to Cease and Desist issued by the OTS against the Associations on November 19, 2010.

Dividends.

16. Effective immediately, the Holding Company shall neither accept nor request that the Associations make or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.141, or commit to make or pay dividends or any other capital distributions, without receiving the prior written non-objection of the Regional Director. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

17. Effective immediately, the Holding Company shall not declare or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without the prior written non-objection of the Regional Director. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

Debt Limitations.

18. Effective immediately, the Holding Company shall not: (a) incur, issue, renew, or rollover any debt or debt securities, increase any current lines of credit, guarantee the debt of any entity, or otherwise incur any additional debt without receiving the prior written non-objection of the Regional Director. All written requests to the Regional Director shall include, at a minimum, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt

issuance, renewal, or rollover; the proposed increase in any current lines of credit; the proposed guarantee of the debt of any entity; or any other incurrence of additional debt.

19. Effective immediately, the Holding Company shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written non-objection of the Regional Director. The Holding Company's written request for such non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed stock purchase or redemption.

Severance and Indemnification Payments.

20. Effective immediately, the Holding Company shall not make any golden parachute payment³ or prohibited indemnification payment⁴ unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359.

Directorate and Management Changes.

21. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers⁵ set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

22. Effective immediately, the Holding Company 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 Holding Company, unless it first provides the Regional Director with not less than forty-five (45) 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

³ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

⁴ The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

⁵ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

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, and the Interagency Guidance on Sound Incentive Compensation Policies contained in OTS Chief Executive Officer Memorandum No. 354.

Effective Date, Incorporation of Stipulation.

23. 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.

24. 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.

25. 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.

26. 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 Holding Company that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

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

28. 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., N.E.
Atlanta, Georgia 30309
404.897.1861 (Fax)

- (b) To the Holding Company:
Board of Directors
Commonwealth Savingsshares Corporation
118 Jefferson Street
Huntsville, AL 35801

No Violations Authorized.

29. Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, 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

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| Huntsville, Alabama) | |
| OTS Docket No. H1838) | |
| _____) | |

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 Commonwealth Savingsshares Corporation, Huntsville, Alabama, OTS Docket No. H1838 (Holding Company), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company 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 and loan holding company has consented to the issuance of an order; and

WHEREAS, the Holding Company 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 through 3 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Holding Company is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 U.S.C. § 1813(w)(1).

2. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate cease and desist proceedings against a savings and loan holding company in the same manner and to the same extent as a savings association for regulatory violations and unsafe or unsound acts or practices.

3. 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 and loan holding company. Therefore, the Holding Company 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.

4. Based on its March 15, 2010 examination of the Holding Company (2010 ROE), the OTS finds that the Holding Company has engaged in unsafe or unsound banking practices and/or has failed to comply with conditions imposed in writing by the OTS, including:

(a) operating without an adequate number of directors who are independent of management and the controlling shareholder;

(b) operating its wholly owned savings association subsidiaries, SOUTHBANK, A

FSB, Palm Beach Gardens, Florida, OTS Docket No. 11351 and SOUTHBANK, A FSB,

Huntsville, Alabama, OTS Docket No. 08854 (Associations), with an inadequate level of capital protection for the volume, type, and quality of assets held by the Associations;

- (c) operating the Associations with a board of directors that has failed to exercise adequate supervision over, and provide adequate direction to, management of the Associations to prevent unsafe and unsound banking practices and violations of laws or regulations;
- (d) operating the Associations with an excessive level of adversely classified and delinquent loans relative to the Associations' capital, earnings, and allowance for loan and lease losses (ALLL) levels;
- (e) operating the Associations with excessive concentrations of assets and loans;
- (f) operating the Associations with inadequate liquidity and/or funds management policies and practices; and
- (g) operating the Holding Company with insufficient earnings as a result of an increasing level of classified assets at the Associations.

Consent.

5. The Holding Company consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Holding Company 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.

6. 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.

7. The Holding Company 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.

8. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Holding Company 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.

9. The Holding Company 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 Holding Company 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.

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

11. 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.

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

13. 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.

14. 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.

15. 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.

16. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of the execution of the Stipulation at a duly called board meeting.

WHEREFORE, the Holding Company, by its directors, executes this Stipulation.

Accepted by:

COMMONWEALTH SAVINGSHARES
Huntsville, Alabama

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Danny L. Wigginton
Chairman

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

Date: See Effective Date on page 1