

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: SE-10-055
)	
)	
SOUTHBANK, A FSB)	Effective Date: November 19, 2010
)	
Palm Beach Gardens, FL)	
OTS Docket No. 11351)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, SouthBank, a Federal Savings Bank, Palm Beach Gardens, Florida, OTS Docket No. 11351 (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 cease and desist from any action (alone or with 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 without an adequate business plan;
- (c) operating the Association with an excessive level of adversely classified loans;
- (d) failing to properly identify risk and assess the level of risk in problem loans;
- (e) failing to properly identify and classify problem assets;
- (f) failing to properly report problem assets on its books, records and financial reports;
- (g) failing to accurately reflect the condition of the Association in Thrift Financial Reports;
- (h) operating the Association with management whose policies and practices are detrimental to the Association and jeopardize the safety of its deposits;
- (i) operating the Association with a board of directors that has failed to exercise adequate supervision over and provide adequate direction to management of the Association to prevent unsafe and unsound banking practices and violations of laws or regulations;
- (j) operating with an inadequate asset or liability funds management policy; and

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

(k) failing to establish a complete and adequate interest rate risk management process that effectively identifies, measures, monitors, and controls risk and provides for periodic independent review.

2. The Association, its institution-affiliated parties, and its successors and assigns, shall also cease and desist from any action (alone or with 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. 563.160 (relating to the classification of assets);
- (b) 12 C.F.R. 562.1(b)(1) (relating to the filing of accurate financial reports); and
- (c) 12 C.F.R. 564.4 (relating to appraisals).

Capital.

3. By March 31, 2011, 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 thirteen percent (13%).²

4. By December 15, 2010, the Association shall submit to the Regional Director for review and non-objection a written plan to achieve and maintain the Association's capital at the levels prescribed in Paragraph 3 (Capital Plan). 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;

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).

- (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 at least three (3) different forward-looking scenarios involving progressively stressed economic environments;
- (d) include detailed quarterly financial projections, including Tier 1 (Core) and Total Risk-Based Capital Ratios;
- (e) address the Association's level of classified assets, allowance for loan and lease losses (ALLL), earnings, asset concentrations, liquidity needs, and trends in the foregoing areas; and
- (f) address current and projected trends in real estate market conditions.

5. Upon receipt of written non-objection from the Regional Director, 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 non-objection from the Regional Director, 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

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.

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.

Business Plan.

10. By December 15, 2010, the Association shall submit to the Regional Director a new comprehensive business plan for the calendar years 2011 and 2012 (Business Plan) that addresses all corrective actions in the 2010 ROE relating to the Association's Business Plan and operations. 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 and comply with this Order;
- (c) quarterly pro forma financial projections (balance sheet, budget, 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) the Association's plans and efforts to sell the Association, including target completion dates and monthly status updates to the Board; and
- (e) identification of all relevant assumptions made in formulating the Business Plan and a requirement that documentation supporting such assumptions be retained by the Association.

11. 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.

12. 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.

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.

13. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending December 31, 2010, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Business Plan Variance Reports). The Business Plan 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.

Lending.

14. Effective immediately, the Association shall not purchase, in whole or in part, any loans from its affiliate thrift, SOUTHBank, a FSB, Huntsville, Alabama, (OTS Docket No. 08854) without the prior written non-objection of the Regional Director.

Problem Assets.

15. By November 30, 2010, the Association shall develop a detailed, written plan with specific strategies, targets and timeframes to reduce⁵ the Association's level of problem assets⁶ (Problem Asset Reduction Plan). The Problem Asset Reduction Plan, at a minimum, shall include:

- (a) quarterly targets for the level of problem assets as a percentage of Tier 1 (Core) capital plus ALLL;
- (b) a description of the methods for reducing the Association's level of problem 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 assets classified as substandard or doubtful.

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

16. By December 15, 2010, the Association shall submit its Problem Asset Reduction Plan to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the Problem Asset Reduction Plan is acceptable, the Association shall implement and adhere to the Problem Asset Reduction Plan. The Board's review and approval of the Problem Asset Reduction Plan shall be documented in the Board meeting minutes.

17. By November 30, 2010, 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 Two Hundred Thousand Dollars (\$200,000.00) or greater (Asset Workout Plan). Each Asset Workout Plan shall:

- (a) require the Association to review, analyze, and document the financial position of each borrower, including source of repayment, repayment ability, and alternative repayment sources;
- (b) require the Association to review, analyze and document the value and accessibility of any pledged or assigned collateral; and
- (c) require the Association to review, analyze and document other actions to improve the Association's collateral position.

18. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending December 31, 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 problem assets to Tier 1 (Core) capital plus ALLL and Total Risk-Based capital;
- (c) a comparison of problem assets at the current quarter end with the preceding quarter;
- (d) a breakdown of problem 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 problem assets; and
- (g) any recommended revisions or updates to the Problem Asset Reduction Plan.

19. Within forty-five (45) of days after the end of each quarter, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

Internal Asset Review and Classification.

20. By December 31, 2010, the Association shall obtain new appraisals on all classified assets, if the appraisal on file is over one year old..

21. By November 30, 2010, the Association shall revise its written internal asset review and classification program (IAR Program) to address all corrective actions set forth in the 2010 ROE relating to internal asset review and classification of assets. The IAR Program shall comply with all applicable laws, regulations and regulatory guidance. At a minimum, the IAR Program shall:

- (a) require that updated or new appraisals be obtained on all new classified loans;
- (b) require that updated or new appraisals must be obtained every twelve (12) months

for classified assets on other than permanent 1-4 family residential properties;

(c) require that updated valuations be obtained at least every six months on classified assets secured by permanent single-family dwellings;

(d) require classification of REO and below investment grade investment securities;
and

(e) be approved by the full Board.

22. By December 15, 2010 days, the Association shall submit its IAR Program to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the IAR Program is acceptable, the Association shall implement and adhere to the IAR Program. The Board's review and approval of the IAR Program shall be documented in the Board meeting minutes.

Allowance for Loan and Lease Losses.

23. By November 30, 2010, the Association shall revise its policies, procedures, and methodology relating to the timely establishment and maintenance of an adequate level of ALLL (ALLL Policy) to address all corrective actions set forth in the 2010 ROE relating to ALLL. The ALLL Policy shall comply with applicable laws, regulations, and regulatory guidance and shall require support for the qualitative or environmental factors relied upon in estimating the level of unallocated portion of ALLL.

24. Effective immediately, without the prior written non-objection of the Regional Director, the Association shall not reverse any ALLLs or special valuation allowances established by the Association.

Concentrations.

25. By December 15, 2010, the Association shall develop a written program for identifying, monitoring, and controlling risks associated with concentrations of assets or liabilities (Concentration Program) that addresses all corrective actions set forth in the 2010 ROE relating to concentrations.. The Concentration Program shall comply with all applicable laws, regulations and regulatory guidance and shall:

- (a) establish comprehensive concentration limits expressed as a percentage of Tier 1 (Core) Capital plus ALLL, and document the appropriateness of such limits based on the Association's risk profile;
- (b) establish stratification categories of the Association's concentrations of credit, such as land loans, lot loans, and speculative construction loans, 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
- (d) contain a written action plan, including specific time frames, for reducing the Association's exposure to and concentrations in lot loans and speculative construction loans and bringing the Association into compliance with any concentration of credit limits.

26. By December 15, 2010, the Association shall submit its Concentration Program to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the Concentration Program is acceptable, the Association shall implement

and adhere to the Concentration Program. The Board's review and approval of the Concentration Program shall be documented in the Board meeting minutes.

27. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending December 31, 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.

Management.

28. By November 30, 2010, the Association shall retain a qualified and independent third party to evaluate the Association's level of accounting staff, the reasonableness of the Association's management compensation and benefits payments and programs, the effectiveness and performance of the Association's senior executive officers, and the Association's compliance with applicable law, regulation and regulatory guidance.⁷ The third party shall specifically consider and address the findings and corrective actions discussed in the 2010 ROE. The third party's findings shall be set forth in a written report to the Board that shall be delivered to the Board on or before December 31, 2010. A copy of the third party's written report shall be provided to the Regional Director by January 15, 2011.

29. By October 30, 2010, each Board member and senior executive officer shall identify in writing all persons with whom each member or officer has a business relationship and all entities in which each member or officer is a member, partner or 10% or greater shareholder. Thereafter,

⁷ Such laws, regulations and regulatory guidance shall include, without limitation, 12 C.F.R. § 563.39, 12 C.F.R. § 563.161, 12 C.F.R. Part 570 – Appendix A, Regulatory Bulletin 27b, and CEO Memo 354 - Interagency Guidance on Sound Incentive Compensation Policies.

by March 31 of each calendar year, each Board member and senior executive officer shall review and submit an updated list of such persons and entities.

Liquidity.

30. By November 30, 2010, the Association shall revise its Contingency Funding Plan to address the corrective actions noted in the 2010 ROE. At a minimum, the Contingency Funding Plan shall:

- (a) comply with applicable law, regulation and regulatory guidance;
- (b) include additional early warning triggers, stress testing and scenario analysis;
- (c) address the maturity of brokered deposits, the scenarios in which large public funds are withdrawn, and restrictions upon the Association's ability to borrow funds from the Federal Home Loan Bank, Federal Reserve Bank and other sources;
- (d) include detailed cash flow projections that were developed using reasonable, well-documented assumptions; and
- (e) provide for regular testing of the Contingency Funding Plan.

31. By November 30, 2010, the Association shall revise its liquidity and funds management policies (Liquidity Policy) to establish specific policies and procedures for bidding on public deposits and reasonable limits on the amount of public funds accepted by the Association.

Interest Rate Risk Management.

32. By November 30, 2010, the Association shall revise its policies and procedures governing the Association's interest rate risk (IRR) management (IRR Policy) to address all corrective actions in the 2010 ROE related to IRR. The Association's IRR Policy shall comply with all applicable laws, regulations and regulatory guidance and, at a minimum, shall:

- (a) require establishment and guidance of the Association's strategic direction and tolerance for IRR, which shall include prudent limits on the nature and amount of IRR that can be taken;
- (b) specify strategies and timeframes for reducing the Association's IRR exposure to the Board-approved limits;
- (c) identify and substantiate the selection of effective tools to measure and monitor the Association's performance and overall IRR profile, which shall include the establishment of adequate model validation and back-testing policies, procedures and processes;
- (d) require preparation of adequate management reports on which to base sound IRR management decisions, including periodic review of the Association's adherence to the IRR Policy;
- (e) require the Board's Asset Liability Committee to maintain detailed meeting minutes; and
- (f) establish an IRR monitoring and review process that includes quarterly reports (IRR Report) to the Board for discussion and corrective action.

33. By December 15, 2010, the Association shall submit its IRR Policy to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the IRR Policy is acceptable, the Association shall implement and adhere to the IRR Policy. The Board's review and approval of the IRR Policy shall be documented in the Board meeting minutes.

Growth.

34. Effective immediately, the Association shall submit monthly asset growth reports to the Board for review and assessment of the Association's compliance with the growth restrictions in this Order.

35. Effective immediately, the Association shall not increase its total average 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.

Brokered Deposits.

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

Transactions with Affiliates.

37. Effective immediately, the Association shall not engage in any 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.

Directorate and Management Changes.

38. 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.

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

Dividends and Other Capital Distributions.

39. 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.

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

Golden Parachute and Indemnification Payments.

41. Effective immediately, the Association shall not make any golden parachute payment⁹ or prohibited indemnification payment¹⁰ 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.

42. 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 Association¹¹ 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 forth in Thrift Bulletin 82a (TB 82a); and (b) received written notice of non-objection from the Regional Director.

Violations of Law and/or Regulation.

43. By November 15, 2010, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are implemented to prevent future violations.

⁹ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

¹⁰ The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

¹¹ 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.

Board Oversight of Compliance with Order.

44. By October 30, 2010, 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 three (3) or more directors, the majority of whom shall be independent¹² directors.

45. Within sixty (60) days after the end of each quarter, beginning with the quarter ending December 31, 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.

46. Within sixty (60) days after the end of each quarter, beginning with the quarter ending December 31, 2010, the Board shall review the Compliance Tracking Report and all reports

¹² 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 within the twelve (12) months preceding the Effective Date of this Order.

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 ten (10) days after the Board's review of the Compliance Tracking Report.

47. 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.

48. 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.

49. 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.

50. 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.

51. 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.

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

53. 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 Association:
Board of Directors
Southbank, a Federal Savings Bank
10891 N Military Trl
Palm Beach Gardens, FL 33410-6515

No Violations Authorized.

54. 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-10-055
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SOUTHBANK, A FSB)	Effective Date: November 19, 2010
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Palm Beach Gardens, FL)	
OTS Docket No. 11351)	
_____)	

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 SouthBank, a Federal Savings Bank, Palm Beach Gardens, Florida, OTS Docket No. 11351 (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 March 15, 2010 examination of the Association (2010 ROE), the OTS finds that the Association has engaged in unsafe or unsound banking practices; has other deficiencies in its management and in its operations; and/or has failed to comply with conditions imposed in writing by the OTS, including:

- (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 without an adequate business plan;
- (c) operating the Association with an excessive level of adversely classified loans;
- (d) failing to properly identify risk and assess the level of risk in problem loans;
- (e) failing to properly identify and classify problem assets;
- (f) failing to properly report problem assets on its books, records and financial

reports;

(g) failing to accurately reflect the condition of the Association in Thrift Financial Reports;

(h) operating the Association with management whose policies and practices are detrimental to the Association and jeopardize the safety of its deposits;

(i) operating the Association with a board of directors that has failed to exercise adequate supervision over and provide adequate direction to management of the Association to prevent unsafe and unsound banking practices and violations of laws or regulations;

(j) operating with an inadequate asset or liability funds management policy; and

(k) failing to establish a complete and adequate interest rate risk management process that effectively identifies, measures, monitors, and controls risk and provides for periodic independent review.

4. Based on its 2010 ROE of the Association, the OTS finds that the Association has engaged in violations of law and regulation, including:

(a) 12 C.F.R. 563.160 (relating to the classification of assets);

(b) 12 C.F.R. 562.1(b)(1) (relating to the filing of accurate financial reports); and

(c) 12 C.F.R. 564.4 (relating to appraisals).

Consent.

5. 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.

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 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.

8. 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.

9. 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 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 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.

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 Association 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 execution of the Stipulation at a duly called board meeting.

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

Accepted by:

**SouthBank, a FSB
Palm Beach Gardens, FL**

OFFICE OF THRIFT SUPERVISION

By: /s/
Danny L. Wiginton
Chairman

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

Date: See Effective Date on page 1

 /s/
Gerald R. McLemore, Director

 /s/
Harry B. Brock, III, Director

 /s/
Rick G. Hall, Director

 /s/
William C. Hussey, Director

 /s/
A. H. Taylor, III, Director