FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of UNION STATE BANK PELL CITY, ALABAMA (Insured State Nonmember Bank)	MODIFICATION OF CONSENT ORDER FDIC-09-589b

On January 28, 2010, the Federal Deposit Insurance Corporation ("FDIC") and the Superintendent of Banks, Alabama State Banking Department ("Department") issued a CONSENT ORDER ("ORDER") to Union State Bank, Pell City, Alabama ("Bank"), that became effective on January 29, 2010, and remains in full force and effect, except as subsequently modified. The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation and Consent to the Issuance of a Modification of Consent Order ("STIPULATION") dated March 29, 2012, that is accepted by the FDIC and the Department.

With this STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weakness in asset quality, capital adequacy, earnings, management effectiveness, and liquidity, to the issuance of this Modification of Consent Order ("MODIFICATION") by the FDIC and the Department.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Code of Alabama Annotated Section 5-2A-12 (1980) have been satisfied, the FDIC and the Department accept the STIPULATION and hereby modify the ORDER as follows:

Paragraph 3 of the ORDER is modified by adding the following subparagraph (g), which is incorporated by the MODIFICATION as follows:

CAPITAL

3. (g) Within 60 days from the effective date of this MODIFICATION, the Bank shall submit to the Supervisory Authorities a written capital plan. Such capital plan shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in the ORDER. In developing the capital plan, the Bank shall take into consideration:

(i) The volume of the Bank's adversely classified assets;

(ii) The nature and level of the Bank's asset concentrations;

(iii) The adequacy of the Bank's ALLL;

(iv) The anticipated level of retained earnings;

(v) Anticipated and contingent liquidity needs; and

(vi) The source and timing of additional funds to fulfill future capital needs.

In addition, the capital plan must include a contingency plan in the event that the Bank has failed to:

(i) Maintain the minimum capital ratios required by this paragraph;

(ii) Submit an acceptable capital plan as required by this paragraph; or

(iii) Implement or adhere to a capital plan to which the Supervisory Authorities have taken no written objection pursuant to this paragraph.

The contingency plan shall include a plan to sell or merge the Bank in the event the Bank becomes Undercapitalized, as that term is defined in 12 C.F.R. Part 325, which the Bank shall implement upon written notice from the Supervisory Authorities.

Paragraph 7 of the ORDER is modified by designating the paragraph in the ORDER as subparagraph 7(b) and adding the following subparagraph 7(a) which is incorporated by the MODIFICATION as follows:

<u>ALLOWANCE FOR LOAN AND LEASE LOSSES</u>

(a) Within 60 days from the effective date of this MODIFICATION, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after June 30, 2011, and shall amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain an adequate ALLL. Reports filed after the effective date of this MODIFICATION shall accurately reflect the financial condition of the Bank as of the reporting date.

Paragraph 8 of the ORDER is hereby stricken, and in its stead is inserted the following:

ADVERSELY CLASSIFIED ASSETS

8. (a) Within 45 days from the effective date of this MODIFICATION, the Bank shall submit a written plan to the Supervisory Authorities to reduce the remaining asset relationships classified "Doubtful" and "Substandard" in the Report or any future regulatory examination report. The plan shall address each asset so classified with a balance of $500,000 or greater and provide the following:

(i) The name under which the asset relationship is carried on the books of the Bank;

(ii) Type of asset;

(iii) Actions to be taken in order to reduce the classified asset; and

(iv) Timeframes for accomplishing the proposed actions.

(b) The plan shall also include, at a minimum:

(i) A review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and

(ii) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(c) In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall require the submission of monthly progress reports to the Board and mandate a review by the Board.

(d) The Bank shall present the plan to the Supervisory Authorities for review. Within 30 days from the Supervisory Authorities response, the plan, including any requested modifications or amendments, shall be adopted by the Board and the approval shall be recorded in the Board minutes. The Bank shall then immediately implement the plan.

(e) For purposes of the plan, the reduction of adversely classified assets as of the Report shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's ALLL and may be accomplished by:

(i) Charge-off;

(ii) Collection;

(iii) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the Department; and/or

(iv) Increase in the Bank's Tier 1 Capital.

Paragraph 14 of the ORDER is hereby stricken, and in its stead is inserted the following:

WRITTEN STRATEGIC BUSINESS PLAN

14. (a) Within 60 days from the effective date of this MODIFICATION, the Bank shall prepare and submit to the Supervisory Authorities an acceptable written strategic business plan covering the overall operation of the Bank. At a minimum the plan shall establish objectives for the Bank's earnings performance, growth, balance sheet mix, liability structure, capital adequacy, and reduction of nonperforming and underperforming assets, together with strategies for achieving those objectives. The plan shall also identify capital, funding, managerial, and other resources needed to accomplish its objectives. Such plan shall specifically provide for the following:

(i) Goals for the composition of the loan portfolio by loan type including strategies to diversify the type and improve the quality of loans held;

(ii) Goals for the composition of the deposit base including strategies to reduce reliance on volatile and costly deposits; and

(iii) Plans for effective risk management and collection practices.

(b) The Board shall approve the strategic business plan, which approval shall be recorded in the Board meeting minutes for the meeting at which the business/strategic plan was approved.

The following paragraphs are hereby added to the ORDER and incorporated by the MODIFICATION as follows:

AUDIT

20. Within 60 days from the effective date of this MODIFICATION, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routines and controls within the Bank consistent with safe and sound banking practices. Such policy and its implementation shall, at a minimum, eliminate and/or correct all internal routine and control deficiencies as more fully set forth in the Report of Examination dated August 29, 2011 and shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

INFORMATION TECHNOLOGY

21. (a) Within 90 days from the effective date of this MODIFICATION, the Board shall develop and implement a comprehensive written customer information security program that meets the requirements of Part 364, Appendix B of the FDIC Rules and Regulations including the following:

(i) Development of a comprehensive, enterprise-wide customer information security risk assessment/risk matrix;

(ii) Development of controls to manage the identified risks;

(iii) Provision for annually testing key controls;

(iv) Provision for program adjustments;

(v) Development of a vendor oversight program to ensure all significant vendors are accorded proper review and monitoring;

(vi) Provision for regular training of Bank employees in information security to increase awareness of their responsibilities in protecting customer information;

(vii) Provision for Board involvement; and

(viii) Provision for annual Board reporting.

(b) Within 120 days from the effective date of this MODIFICATION, the Bank shall develop a written IT Audit Program that provides for comprehensive and ongoing audit coverage of all technology platforms and operations. The program shall include the minimum requirements detailed in the FFIEC IT Audit Handbook. The scope and frequency of audits shall be governed by the Bank's enterprise-wide risk assessment. The audit program shall also provide for a tracking system to monitor exceptions through timely resolution that connotes, among other items, the responsible party and expected remedy date.

(c) Within 90 days from the effective date of this MODIFICATION, all Information Technology deficiencies cited in the Report of Examination dated August 29, 2011, shall be corrected.

The provisions of this MODIFICATION shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This MODIFICATION shall be effective on the date of issuance.

The provisions of this MODIFICATION shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this MODIFICATION shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this MODIFICATION shall have been modified, terminated, suspended, or set aside in writing by the Supervisory Authorities.

Issued Pursuant to Delegated Authority.

Dated this 30th day of March, 2012.

/s/

By: ______________________________

Thomas J. Dujenski
Regional Director
Division of Risk Management Supervision
Atlanta Region
Federal Deposit Insurance Corporation

The Alabama Superintendent of Banks, having duly approved the foregoing MODIFICATION, and the Bank, through its Board, agree that the issuance of said MODIFICATION by the Federal Deposit Insurance Corporation shall be binding as between the Bank and the Alabama Superintendent of Banks to the same degree and legal effect that such MODIFICATION would be binding on the Bank if the Alabama Superintendent of Banks had issued a separate ORDER that included and incorporated all the provisions of the foregoing MODIFICATION pursuant to the provisions of the §5-2A-12, Code of Alabama, 1980.

Dated this 29th day of March, 2012.

/s/

John D. Harrison
Superintendent of Banks
Alabama State Banking Department