FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	CONSENT ORDER
UNION STATE BANK PELL CITY, ALABAMA	)	FDIC-22-0106b
(INSURED STATE NONMEMBER BANK)	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Union State Bank, Pell City, Alabama ("Bank"), under Section 3(q) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(q).

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 CONSENT ORDER ("STIPULATION"), dated October 20, 2022, that is accepted by the FDIC and the Superintendent of Banks, Alabama State Banking Department ("Department"), hereinafter referred to as the "Supervisory Authorities." The Department may issue an order pursuant to Section 5-2A-12 of the Code of Alabama.

With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices and/or violations of law or regulation relating to weaknesses in management, capital, earnings, and sensitivity to market risk, to the issuance of this CONSENT ORDER ("ORDER") by the Supervisory Authorities.

Having determined that the requirements for issuance of an order under Section 8(b) of the Act, 12 U.S.C. § 1818(b) and Section 5-2A-12 of the Code of Alabama have been satisfied, the Supervisory Authorities hereby order that:

BOARD OF DIRECTORS AND MANAGEMENT

1. As of the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies, procedures, and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size and in comparable condition. This participation shall include regular meetings to be held no less frequently than monthly at which the regular business of the bank shall be reviewed and compliance with this ORDER shall be specifically and comprehensively discussed. Board meeting minutes shall fully document these meetings.

2. Within forty-five (45) days from the effective date of this ORDER, the Bank shall retain a qualified bank consultant to develop a written analysis and assessment of the Bank's Board, management, and compensation structure ("Board, Management, and Compensation Report"). The Board, Management, and Compensation Report shall include a determination regarding the capability of the current Board and senior management team to return the Bank to satisfactory condition and performance by addressing the key issues explained in the May 23, 2022, Report of Examination from the Supervisory Authorities. The Board, Management, and Compensation Report shall also include an assessment of the benefits versus costs of the current employee compensation structure, both as a whole and with regard to the five highest paid employees of the Bank. With regard to any issues that they note, the bank consultant shall provide recommendations to address same.

(a) Within thirty (30) days from the effective date of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of the proposed bank consultant engagement letter or contract for review before it is executed.

(b) The engagement letter or contract, at a minimum, shall include:

(i) A description of the work to be performed under the engagement letter or contract, the fees for each significant element of the engagement, and the aggregate fee;

(ii) The responsibilities of the firm or individual;

(iii) An identification of the professional standards covering the work to be performed;

(iv) Identification of the specific procedures to be used when carrying out the work to be performed;

(v) The qualifications of the employee(s) who will perform the work;

(vi) The timeframe for completion of the work;

(vii) Any restrictions on the use of the reported findings;

(viii) A provision for unrestricted access by the Supervisory Authorities to work papers; and

(ix) A certification that neither the bank consultant nor any other individual involved in the work to be performed, is affiliated in any manner with the Bank.

(c) The Board, Management, and Compensation Report shall be developed and submitted to the Board and Supervisory Authorities simultaneously within ninety (90) days from the effective date of this ORDER.

(d) Within forty-five (45) days from receipt of the Board, Management, and Compensation Report, the Bank shall formulate a written plan ("Board, Management, and Compensation Plan") that incorporates the findings of the Board, Management, and Compensation Report and establishes a plan of action in response to each recommendation contained in the Board, Management, and Compensation Report, and a time frame for completing each action.

(e) The Board, Management, and Compensation Plan shall be submitted to the Supervisory Authorities for review and comment. Progress in implementing the plan shall be reviewed at each Board meeting and reported to the Supervisory Authorities in the required quarterly Progress Reports

3. During the life of this ORDER, the Bank shall notify the Supervisory Authorities, in writing, of the resignation or termination of any of the Bank's directors or executive officers. Prior to the addition of any individual to the Board or the employment of any individual as an executive officer, the Bank shall comply with the requirements of Section 32 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831i, 12 C.F.R. §§ 303.100-303.104. The Bank shall also obtain the written approval of the Department prior to the addition of any individual to the Board or the employment of any individual as an executive officer. If the Regional Director issues a notice of disapproval pursuant to 12 U.S.C. § 1831i or the Department issues a letter of disapproval with respect to the proposed individual, then such individual may not be added to the Board or employed by the Bank.

CAPITAL

4. The Bank shall increase its Tier 1 Leverage Capital Ratio (Leverage Ratio), as that ratio is defined in Part 324 of the FDIC Rules and Regulations, 12 C.F.R. Part 324, as follows:

(a) to a minimum of seven percent (7%) by June 30, 2023;

(b) to a minimum of eight percent (8%) by December 31, 2023; and

(c) to a minimum of nine percent (9%) by December 31, 2024, and the Leverage Ratio shall be maintained at or above that level unless the Bank is advised otherwise by the Supervisory Authorities.

5. The Bank shall increase its Total Capital Ratio, as that ratio is defined in Part 324 of the FDIC Rules and Regulations, 12 C.F.R. Part 324, to twelve percent (12%) by June 30, 2023, and the Total Capital Ratio shall be maintained at or above that level unless the Bank is advised otherwise by the Supervisory Authorities.

6. Within ninety (90) days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities a written Capital Augmentation Plan. This capital plan shall comprehensively detail the realistic steps that the Bank shall take to achieve and maintain the capital requirements set forth in this ORDER. The Capital Augmentation Plan shall be revised in any manner directed by the Supervisory Authorities.

(a) The Capital Augmentation Plan shall be created in conjunction with the Strategic Plan and Earnings Improvement Plan addressed below, and all three plans shall be synchronized with regard to strategies, goals, and projections.

(b) The Capital Augmentation Plan shall include a contingency 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 324, which the Bank shall implement upon written notice from the Supervisory Authorities.

(c) Any increase in Tier 1 Capital necessary to meet the requirements of this ORDER may be accomplished by the following:

(i) Sale of common stock;

(ii) Sale of noncumulative perpetual preferred stock;

(iii) Direct contribution of cash by the Board, shareholders, and/or parent holding company;

(iv) Any combination of the above means; or

(v) Any other means acceptable to the Supervisory Authorities.

(d) No increase in Tier 1 Capital that is necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's allowance for loan and lease losses / allowance for credit losses on loans, unless the deduction conforms with Generally Accepted Accounting Principles (GAAP) and has the prior written approval of Supervisory Authorities.

(e) If all or part of any necessary increase in Tier 1 Capital required by this ORDER is accomplished by the sale of new securities, the Board shall take all necessary steps to implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with applicable state and federal securities laws. Prior to the implementation of the plan and, in any event, not less than fifteen (15) days prior to the dissemination of such materials, the plan and any materials proposed to be used in the sale of the securities shall be submitted to the Alabama State Banking Department, 401 Adams Avenue, Suite 680, Montgomery, Alabama 36130-1201 and the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or materials by the Department or the FDIC shall be made prior to the dissemination of the plan and materials. If the increase in Tier 1 Capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including, but not limited to, those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(f) In complying with the provisions of the Capital section of this ORDER, the Bank shall provide written notice of any planned or existing development, or other changes that are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities, to any subscriber and/or purchaser of the Bank's securities. The written notice required by this paragraph shall be furnished within ten (10) days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

STRATEGIC PLAN

7. Within (90) days from the effective date of this ORDER, the Bank shall revisit its July 26, 2022, Strategic Plan and ensure that it contains realistic strategies, goals, and projections that are synchronized with the Capital Augmentation Plan described above and Earnings

Improvement Plan addressed below. The Strategic Plan shall address the Bank's next three (3) years of operation and, at a minimum, establish objectives for the Bank's earnings performance, growth, balance sheet mix, liability structure, and capital, together with strategies for achieving those objectives. The plan shall also identify capital, funding, managerial, and other resources needed to accomplish its objectives.

(a) The Strategic Plan shall be submitted to the Supervisory Authorities upon its completion, and the Bank shall make any revisions directed by the Supervisory Authorities.

(b) The Strategic Plan shall be updated by December 31 of each year during which this ORDER remains in effect, resulting in a rolling three-year (3-year) plan.

EARNINGS

8. Within ninety (90) days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities a comprehensive, detailed Earnings Improvement Plan. This plan shall establish remedial measures and specific strategies to prudently and significantly improve the earnings performance of the Bank, with particular attention to controlling overhead expense and enhancing the net interest spread. The Earnings Improvement Plan shall initially encompass fiscal years 2023, 2024, and 2025. While this ORDER remains in effect, by December 31 of each year following development of the plan, senior management shall update the plan for the following three-year (3-year) period, including the established strategies and goals. This shall result in a rolling three-year (3-year) plan, which shall be subject to Board review and ratification. The strategies, goals, and projections stated in the Earnings Improvement Plan shall be realistic and synchronized with the Capital Augmentation Plan and Strategic Plan addressed above. The Bank shall make any revisions to the Earnings

Improvement Plan directed by the Supervisory Authorities. Actual operating results in relation to established strategies and goals shall be reviewed at each Board meeting and provided to the Supervisory Authorities in the required quarterly Progress Reports.

9. Within ninety (90) days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities a comprehensive budget, including monthly balance sheet and income statement projections for fiscal years 2023, 2024, and 2025. The budget shall be realistic and synchronized with the Earnings Improvement Plan. The budget forecast shall be updated for the following three-year (3-year) period by December 31 of each subsequent year during which this ORDER is in effect. This shall result in a rolling three-year (3-year) budget forecast, which shall be subject to Board review and ratification. The Board shall compare actual performance to budgeted performance on a monthly basis and shall provide this data and explanations for any material variances to the Supervisory Authorities in the required quarterly Progress Reports.

ASSET/LIABILITY MANAGEMENT

10. Within ninety (90) days from the effective date of this ORDER, the Bank shall establish policy limits for all simulated basis point shock scenarios employed in the interest rate risk modeling process. In addition, Asset/Liability Committee minutes shall be expanded to fully document asset/liability management oversight discussions, including those related to interest rate risk modeling results.

RESTRICTIONS ON CERTAIN PAYMENTS

11. While this ORDER is in effect, the Bank shall not declare or pay dividends or bonuses resulting in a reduction of capital, without the prior written approval of the Supervisory Authorities. All requests for prior approval shall be received at least thirty (30) days prior to the proposed dividend or bonus payment declaration date (or at least five (5) days with respect to any request filed within the first thirty (30) days from the date of this ORDER) and shall contain, but not be limited to, an analysis of the impact such dividend or bonus payment would have on the Bank's capital and earnings.

PROGRESS REPORTS

12. Within thirty (30) days from the end of the first quarter following the effective date of this ORDER, and within thirty (30) days from the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Supervisory Authorities have released the Bank in writing from making further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the appropriate Board meeting minutes.

SHAREHOLDER DISCLOSURE

13. Within thirty (30) days from the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its parent holding company. The description shall fully describe this ORDER in all material respects.

OTHER ACTIONS

14. This ORDER shall not bar, estop, or otherwise prevent the FDIC, the Department, or any other federal or state agency or department from taking any action against the Bank, the Bank's current or former institution-affiliated parties, and/or any of their respective directors, officers, employees, and agents, including, but not limited to, the imposition of civil money penalties.

This ORDER shall be effective on the date of issuance.

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

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

Issued Pursuant to Delegated Authority

Dated this 24th day of October, 2022.

By:

/s/______________________________

Regional Director (Acting)
Division of Risk Management Supervision
Atlanta Region
Federal Deposit Insurance Corporation

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

Dated this 20th day of October, 2022.

By:

/s/______________________________
Mike Hill
Superintendent of Banks
Alabama State Banking Department