

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
)	
FIRST SOUTHERN BANK)	CONSENT ORDER
BATESVILLE, ARKANSAS)	
)	FDIC-10-884b
)	
(Insured State Nonmember Bank))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for First Southern Bank, Batesville, Arkansas (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting board of directors, has executed a “STIPULATION TO THE ISSUANCE OF A CONSENT ORDER” (“STIPULATION”), dated December 7, 2010, that is accepted by the FDIC. With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices and violations of law and/or regulations relating to weaknesses in capital and liquidity, deterioration in capital protection and earnings, and weaknesses in management and oversight by the Bank’s board of directors, to the issuance of this CONSENT ORDER (“ORDER”) by the Regional Director of the FDIC’s Dallas Regional Office (“Regional Director”). Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

1. While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit is classified Loss, Doubtful or Substandard by the FDIC or the Arkansas State Bank Department (“State”) as a result of its examinations of the Bank, either in whole or in part, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

CAPITAL INCREASE AND MAINTENANCE

2. (a) By December 15, 2010, the Bank shall achieve and maintain, after establishing an Allowance for Loan and Lease Losses, a Tier 1 Leverage Capital ratio equal to or greater than 10 percent of the Bank’s Average Total Assets; shall achieve and thereafter maintain its Tier 1 Risk-Based Capital ratio equal to or greater than 11 percent of the Bank’s Total risk-weighted Assets; and shall achieve and maintain its Total Risk-Based Capital ratio equal to or greater than 13 percent of the Bank’s Total Risk Weighted Assets. Any increase in the Bank’s Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The direct contribution of cash by the directors and shareholders of the Bank; or

(3) Any other method approved by the Regional Director and the Commissioner of the State (“Commissioner”).

(b) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank’s board of directors shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned 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 Federal securities laws. Prior to the implementation of the plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Commissioner for prior approval.

(c) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank’s securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank’s securities. The written notice required by this paragraph

shall be furnished within 10 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(d) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(e) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, ("Part 325").

DIVIDEND RESTRICTION

3. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

SIGNIFICANT TRANSACTIONS

4. While this ORDER is in effect, the Bank must obtain prior written approval from the Regional Director and the Commissioner before:

(a) Entering into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, sale of assets, or other similar action;

(b) Extending any credit for any highly leveraged transaction as defined in Part 325;

- (c) Extending any credit to borrowers who are located outside the Bank's trade area as defined in its Community Reinvestment Act Notice;
- (d) Amending the Bank's charter or bylaws, except to the extent necessary to carry out any other requirement of any law, regulation, or order;
- (e) Making any material change in accounting methods;
- (f) Engaging in any covered transaction (as defined in section 23A(b) of the Federal Reserve Act (12 U.S.C. § 371c(b)));
- (g) Paying excessive compensation or bonuses; and
- (h) Paying interest on new or renewed liabilities at a rate that would exceed the national rate as published by the FDIC at <http://www.fdic.gov/regulations/resources/rates/index.html>.

GROWTH PLAN

5. While this ORDER is in effect, the Bank shall not increase its Total Assets by more than two (2) percent during any consecutive calendar month without providing, at least 30 days prior to its implementation, a growth plan to the Regional Director and the Commissioner for review and comment. At a minimum, the growth plan shall include the funding source to support the projected growth, as well as the anticipated use of funds. The growth plan shall not be implemented without the prior written consent of the Regional Director and the Commissioner.

INVESTMENTS

6. While this ORDER is in effect, the Bank shall not purchase any securities that have not been rated investment quality by two nationally recognized rating services and shall not

accept any securities as collateral for new loans that have not been rated investment quality by two nationally recognized rating services.

SELF EXAMINATION

7. While this ORDER is in effect, the Bank shall participate in the State Bank Department's monthly Self-Examination Program. The information contained in any reports used in connection with such program shall be correct.

COMPLIANCE COMMITTEE

8. Within 20 days after the effective date of this ORDER, the Bank's board of directors shall establish a committee of the board of directors charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The committee shall report monthly to the entire board of directors, and a copy of the report and any discussion related to the report or the ORDER shall be included in the meeting minutes of the board of directors. Nothing contained herein shall diminish the responsibility of the entire board of directors to ensure compliance with the provision of this ORDER.

SHAREHOLDER NOTIFICATION

9. After 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 shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying

communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC and the State shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

10. Within 30 days after the end of the first calendar quarter following the effective date of this ORDER, and within 30 days after the end of each successive calendar quarter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner 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 the ORDER have been accomplished, and the Regional Director and Commissioner have released the Bank in writing from making additional reports.

This ORDER shall be binding upon the Bank, its successors and assigns, and all institution-affiliated parties of the Bank. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, terminated, superseded, or set aside by the FDIC.

This ORDER shall be effective on the date of issuance.

Issued pursuant to delegated authority this 7th day of December 2010.

/s/ _____
Kristie K. Elmquist
Acting Regional Director
Dallas Region
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation