

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF
SOUTHERN DEVELOPMENT
BANCORPORATION, INC.

ORDER PROVIDING A
TRANSACTIONAL EXEMPTION
FROM REGISTRATION
NO. 01-028-S

FINDINGS OF FACT

The Arkansas Securities Commissioner received a letter dated June 5, 2001, requesting that a transaction be determined to be an exempt transaction pursuant to Ark. Code Ann. §23-42-504(a)(12).

1. Southern Development Capital Trust is being formed as a Delaware Business Trust (the "Trust") which will issue \$3,000,000 of 1.0% preferred securities to an accredited investor and \$3,000 of 1.0% common securities to Southern Development Bancorporation, Inc. (the "Company"); the Company will in turn issue \$3,003,000 of 1.0% Subordinated Debentures to the Trust; and the Company will deliver a Guarantee Agreement for the benefit of the holder of the preferred securities (collectively, referred to as the "Transaction").

2. The Company is a Delaware corporation formed for the purpose of engaging in activities which foster economic development in economically disadvantaged rural and other less developed communities. The Company is a registered bank holding company under the Bank Holding Company Act of 1956, as amended.

3. All parties to the Transaction are represented by counsel. An exemption from registration is being requested pursuant to the Commissioner's discretionary authority under Ark. Code Ann. §23-42-504(a)(12).

4. The accredited investor will have access to financial and other information as is necessary to make an informed business decision. The 1.0% preferred securities, the 1.0% common securities and the 1.0% subordinated debenture will contain a legend to read substantially as follows:

THESE SECURITIES ARE BEING ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION OF THE SECURITIES ACT OF 1933 AND THE ARKANSAS SECURITIES ACT IN RELIANCE UPON THE REPRESENTATION OF EACH PURCHASER OF THE SECURITIES THAT THE SAME ARE BEING ACQUIRED FOR INVESTMENT PURPOSES. THESE SECURITIES MAY ACCORDINGLY NOT BE RESOLD OR OTHERWISE TRANSFERRED OR CONVEYED IN THE ABSENCE OF REGISTRATION OF THE SAME PURSUANT TO THE APPLICABLE SECURITIES LAWS UNLESS AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY IS FIRST OBTAINED THAT SUCH REGISTRATION HAS NOT BEEN NECESSARY. ANY TRANSFER CONTRARY HERETO SHALL BE VOID.

5. Based on the foregoing, the Transaction does not involve the type of investor the Arkansas Securities Act (the "Act") is designed to protect by requiring registration.

CONCLUSIONS OF LAW

1. Under §23-42-504(a)(12) of the Act, the Commissioner may by order exempt certain transactions from §§23-42-501 and 23-42-502 of the Act as not being necessary or appropriate in the public interest for the protection of investors.

2. It is not necessary or appropriate in the public interest for the protection of investors for the parties to be required to register the Transaction under the Act.

3. It is not necessary or appropriate in the public interest for the protection of investors for the parties to be required to engage the services of a registered agent for the purpose of making offers and sales of the securities involved in the Transaction.

OPINION

In recognition of the representations made in the letter dated June 5, 2001, it appears registration of the securities is unnecessary in this instance.

This Order does not exempt the parties from the antifraud provisions of the Act.

ORDER

IT IS THEREFORE ORDERED that any securities offered or sold in connection with the Transaction, if offered and sold in compliance with the representations made in the letter dated June 5, 2001, and in accordance with the Findings of Fact stated herein, shall be exempted from §§23-42-501 and 23-42-502 of the Act.

WITNESS MY HAND AND SEAL this 8th day of June, 2001.



F. MAC DODSON
SECURITIES COMMISSIONER