#2012-249

AGREEMENT BY AND BETWEEN
St. Tammany Homestead Savings & Loan Association
Covington, Louisiana
and
The Comptroller of the Currency

St. Tammany Homestead Savings & Loan Association, Covington, Louisiana ("Bank") and the Comptroller of the Currency of the United States of America ("Comptroller") wish to protect the interests of the depositors and other customers of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to credit administration, loan portfolio management, and capital planning at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors ("Board"), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 C.F.R. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
New Orleans Field Office
3838 N. Causeway Boulevard, Suite 2890
Metairie, Louisiana 70002

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within sixty (60) days of the date of this Agreement and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Agreement;

(b) actions taken to comply with each Article of this Agreement; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

CAPITAL PLAN AND HIGHER MINIMUMS

(1) Effective immediately, the Bank shall maintain the following capital levels (as defined in 12 C.F.R. Part 167):

- (a) Total risk-based capital at least equal to twelve percent (12%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165 pursuant to 12 C.F.R. § 165.4(b)(1)(iv).

(3) No later than January 31, 2013, the Board shall develop, implement, and thereafter ensure Bank adherence to a three year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

(d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;

(e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available.

(4) Upon adoption, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IV

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the Report of Examination dated as of March 31, 2012 (ROE), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Bank Examiners during any examination.

(2) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the Bank Examiners during any

examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

(a) an identification of the expected sources of repayment;

(b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;

(c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and

(d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding One Hundred Thousand Dollars ($100,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

(a) the status of each criticized asset or criticized portion thereof that equals or exceeds One Hundred Thousand Dollars ($100,000);

(b) management's adherence to the program adopted pursuant to this Article;

(c) the status and effectiveness of the written program; and

(d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on quarterly basis (in a format similar to Appendix A, attached hereto).

(7) Effective immediately, the Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the Bank Examiners during any examination and whose aggregate loans or other extensions exceed One Hundred Thousand Dollars ($100,000) only if each of the following conditions is met:

(a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

(b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE V

LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within ninety (90) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

(a) procedures to address and correct credit administration deficiencies detailed in the *MRA*s in the Report of Examination as of March 31, 2012 (including but not limited to deficiencies involving investor-owned residential real estate);

(b) a system to track and analyze exceptions;

(c) procedures to ensure the accuracy of internal management information systems;

(d) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters; and

(e) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank’s loan and lease portfolios.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(3) Within one hundred twenty days (120) days, and on a quarterly basis thereafter, management will provide the Board with written reports including, at a minimum, the following information:

(a) the identification, type, rating, and amount of problem loans and leases;

(b) the identification and amount of delinquent loans and leases;

(c) credit and collateral documentation exceptions;

(d) the identification and status of credit related violations of law, rule or regulation;

(e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;

(f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;

(g) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE VI

PROBLEM LOAN IDENTIFICATION AND LOAN REVIEW

(1) Within sixty (60) days, the Board shall develop and implement a written program to ensure that the Bank's officers and employees are timely identifying and accurately risk rating assets. At a minimum, the program implemented pursuant to this Article shall require the following:

(a) accurate and timely risk rating of loans and other assets by bank officers and employees using a loan grading system that is based upon current facts and existing repayment terms, and that is consistent with the guidelines set forth in the Comptroller's Handbook - *Rating Credit Risk and* OCC Bulletin 2009-32 (*Policy Statement on Prudent Commercial Real Estate Loan Workouts*, October 30, 2009);

(b) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);

(c) if the primary source of repayment is cash flow from the borrower's operations, the strength of the borrower's cash flow is determined through analysis of the borrower's historical and projected financial statements, past performance, and future prospects in light of conditions that have occurred;

(d) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;

(e) collateral values reflect a current assessment of value based on actual market conditions and project status;

(f) credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually;

(g) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request;

(h) timely placement of loans and other assets on a nonaccrual status by the lending officers in accordance with the guidelines set forth in the Reports of Condition and Income ("Call Report") Instructions; and,

(i) establishment of training programs for relevant personnel to ensure the accurate and timely identification of criticized loans.

(2) The Board shall within ninety (90) days employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases by review of an appropriate percentage of the loan portfolio.

(3) A copy of the program called for in this article shall be forwarded to the Assistant Deputy Comptroller upon adoption.

ARTICLE VII

POST-FUNDING ANALYSIS

(1) The Board shall, within sixty (60) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's on-going loan portfolio management. The program shall include, but not be limited to:

(a) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;

(b) procedures to ensure conformance with loan approval requirements;

(c) policies and procedures that ensure on-going and periodic financial and collateral monitoring of large or complex loans and credit relationships, including commercial credits over One Hundred Thousand Dollars ($100,000) that require either (i) repayment from cash flows or (ii) guarantor support.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE VIII

APPRAISALS OR EVALUATIONS

(1) Within sixty (60) days, the Board shall ensure the implementation of policies and controls to ensure full compliance with 12 C.F.R. Part 164—Appraisals and OCC Bulletin 2010-42, Interagency Appraisal and Evaluation Guidelines (December 10, 2010). At a minimum, the policies and controls shall include:

(a) a process for review of real estate-related transactions that ensures that the Bank complies with the appraisal and evaluation requirements in 12 C.F.R. § 164.3;

(b) a requirement to maintain appropriate documentation, if the 12 C.F.R. § 164.3(a)(7) appraisal exception for renewals of existing extensions of credit is being utilized, that establishes:

(i) there has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the institution's real estate collateral protection after the transaction, even with the advancement of new monies; or

(ii) there is no advancement of new monies, other than funds necessary to cover reasonable closing costs.

(c) if an appraisal is not required, the Bank nonetheless performs an evaluation in accordance with 12 C.F.R. § 164.3(b) and OCC 2010-42.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of this Article and the policies developed pursuant to it.

ARTICLE IX

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

(1) Within sixty (60) days, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the FFIEC Interagency Policy Statement for Allowance and Loans and Lease Losses contained in OCC Bulletin 2006-47 (December 13, 2006), and shall incorporate the following:

(a) internal risk ratings of loans;

(b) results of the Bank's internal loan review;

(c) results of the Bank's independent loan review;

(d) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with Accounting Standards Codification (ASC) 310-10 *(formerly Statement of Financial Accounting Standards No. 114)*;

(e) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with Accounting Standards Codification (ASC) 450-20 *(formerly Statement of Financial Accounting Standards No. 5)*.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by establishing additional provisions charged against earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE X

OTHER REAL ESTATE OWNED

(1) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to action plans for each parcel of Other Real Estate Owned ("OREO"), in excess of One Hundred Thousand Dollars ($100,000), to ensure that these assets are managed in accordance with 12 C.F.R. § 160.172. At a minimum, the plans shall:

(a) identify the Bank officer(s) responsible for managing and authorizing transactions relating to the OREO properties;

(b) contain an analysis of each OREO property which compares the cost to carry against the financial benefits of near term sale;

(c) detail the marketing strategies for each parcel;

(d) identify targeted time frames for disposing each parcel of OREO;

(e) establish targeted write-downs at periodic intervals if marketing strategies are unsuccessful;

(f) establish procedures to require periodic market valuations of each property, and the methodology to be used; and

(g) provide for reports to the Board on the status of OREO properties on at least a quarterly basis.

(2) Upon adoption, the Board shall submit a copy of the plans to the Assistant Deputy Comptroller.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plans developed pursuant to this Article.

ARTICLE XI

STRATEGIC PLAN

(1) No later than January 31, 2013, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital

adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

(a) a mission statement that forms the framework for the establishment of strategic goals and objectives;

(b) an assessment of the Bank's present and future operating environment;

(c) the development of strategic goals and objectives to be accomplished over the short and long term;

(d) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(c) of this Article;

(e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (1)(c) of this Article;

(f) a management employment succession program to promote the retention and continuity of capable management;

(g) product line development and market segments that the Bank intends to promote or develop;

(h) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;

(i) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;

(j) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;

(k) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and

(l) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the strategic plan.

ARTICLE XII

STAFFING PLAN

(1) Within thirty (30) days of the receipt of no supervisory objection of the Bank's Strategic Plan required by Article XI, the Board shall develop a Staffing Plan that is consistent with the goals and objectives established in the Bank's Strategic Plan and that accomplishes the overall risk profile established for the Bank. At a minimum, the Staffing Plan will consist of the following:

(a) identification of the skills and expertise needed to develop, market, and administer the products identified in the strategic plan;

(b) identification of the skills and expertise of the Bank's current staff, with specific emphasis on staffing needs for credit administration; and

(c) comparison of the current staff's skills and expertise identified in (1) (b) of this Article to the skills and expertise identified in (1)(a) of this Article as necessary to develop, market, and administer the products that will be utilized in accomplishing the Bank's goals and objectives.

(2) Within sixty (60) days of the development and adoption of the Staffing Plan, the Board will implement the Staffing Plan and direct any changes necessary to provide the Bank with a staff that possesses the skills and expertise identified in (1)(a) of this Article. Thereafter, the Board will ensure that the Bank adheres to the Staffing Plan.

(3) Upon completion of the actions required by (1) and (2) of this Article, the Board will provide a copy of its Staffing Plan to the Assistant Deputy Comptroller for review.

ARTICLE XIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/
David A. Clay
Assistant Deputy Comptroller
New Orleans Field Office

10/23/2012
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/	10/23/2012
William T. Ballantine	Date
/s/	10/23/2012
Salvatore A. Caruso, Jr.	Date
/s/	10/23/2012
W. David Crumhorn	Date
/s/	10/23/2012
Elizabeth M. Eustis	Date
/s/	10/23/2012
Julian J. Rodrique, Jr.	Date
/s/	10/23/2012
Alvin L. Ross, Jr.	Date