

AGREEMENT BY AND BETWEEN
LifeStore Bank
West Jefferson, North Carolina
and
The Comptroller of the Currency

LifeStore Bank, West Jefferson, North Carolina (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders 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 asset quality, credit risk management, and earnings and violations of laws and regulations at the Bank, including: (a) 12 U.S.C. § 84, 12 U.S.C. §1464(u), and 12 C.F.R. §160.93 pertaining to legal lending limits; (b) 12 C.F.R. §§ 164.3 and 164.4 pertaining to appraisals; and (c) 12 C.F.R. § 168.5 and Appendix B to 12 C.F.R. Part 170 pertaining to protection of customer information.

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) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller and the following restrictions shall apply:

(a) The Bank is required to notify the OCC of the proposed addition of any individual to the board of directors or the employment of any individual as a senior executive officer at least thirty (30) days before such addition or employment becomes effective, as required by the 12 C.F.R. § 163.560 and 12 U.S.C. § 1831i.

(b) The Bank is restricted from making any “golden parachute payment” (including severance payments and agreements relating thereto), within the meaning and subject to the restrictions of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359, except as may be permitted under the above-mentioned statute and regulation.

(c) The Bank shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 163.141, without first filing an application pursuant to 12 C.F.R. § 163.143(a) and receiving the prior written approval of the Assistant Deputy Comptroller.

(d) The Bank will not qualify for expedited treatment for applications and notices filed with the OCC. See 12 C.F.R. § 116.5.

(6) 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:

David L. Payne
Assistant Deputy Comptroller
Carolinas Field Office
212 South Tryon Street, Suite 700
Charlotte, North Carolina 28281

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 controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), 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 actions 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

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within sixty (60) days, the Board shall ensure that the Bank has competent management in place on a full-time basis in its Senior Executive Officers to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within sixty (60) days, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and the Board will determine whether management changes will be made, including the need for additions to or deletions from current management.

(3) For incumbent officers in the positions mentioned in Paragraph (1) of this Article, the Board shall within sixty (60) days assess each of these officers' experience, other qualifications and performance compared to the position's description, duties and responsibilities.

(4) If the Board determines that an officer will continue in his/her position but that the officer's depth of skills needs improvement, the Board will within thirty (30) days of such determination develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Bank. At a minimum, the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and

- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(5) If a position mentioned in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, the Board shall subject to 12 C.F.R. Part 163, Subpart H, within sixty (60) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(6) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" in Section 720 of the OTS Applications Handbook, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(7) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

ARTICLE IV

PROFIT PLAN

(1) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (c) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (d) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The budgets and related documents required in paragraph (1) above for fiscal year July 1, 2012 to June 30, 2013 shall be submitted to the Assistant Deputy Comptroller within sixty (60) days. Thereafter, the Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1) above for each fiscal year this Agreement remains in effect. The budget for each fiscal year shall be submitted, on or before May 31, of the calendar year in which such fiscal year begins.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

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

ARTICLE V

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to reduce the level of criticized assets at the Bank and to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to reduce the level of criticized assets at the Bank and 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 Comptroller's Examiners during any examination as "doubtful," "substandard," "loss," 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 two hundred and fifty thousand dollars (\$250,000) 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 two hundred and fifty thousand dollars (\$250,000);
- (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 a quarterly basis in a format similar to Appendix A, attached hereto.

(7) 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 Comptroller's Examiners during any examination and whose aggregate loans or other extensions exceed two hundred and fifty thousand dollars (\$250,000) 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 VI

LOAN EXCEPTION TRACKING

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program and systems which provide for effective monitoring, and reporting of loan exceptions in the Bank's loan portfolio. The program shall include, but not be limited to monitoring and reporting the following exceptions in the loan portfolio:

- (a) credit exceptions;
- (b) collateral exceptions;
- (c) policy exceptions
- (d) underwriting exceptions;
- (e) exceptions by loan type;
- (f) exceptions by loan officer;
- (g) supervisory loan-to-value exceptions; and
- (h) documentation exceptions.

(2) On a quarterly basis, beginning with the quarter ending March 31, 2012, management will provide the Board with written reports of exceptions including, at a minimum, the following information:

- (a) the identification, type and number of loan exceptions in the portfolio;
- (b) a summary of all uncorrected or compounded exceptions from previous quarters; and
- (c) a status of all actions taken to remediate any loan exceptions identified in previous quarters.

(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 VII

INDEPENDENT LOAN REVIEW

(1) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for independent review of the Bank's commercial loan portfolio for the purpose of monitoring portfolio trends, assessing overall credit risk, and evaluating the effectiveness of the Bank's credit risk management. The program shall require a semi-annual report to the Board. At a minimum the program shall provide for an independent reviewer's assessment of the Bank's:

- (a) monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;

- (b) statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) system for monitoring previously charged-off assets and their recovery potential;
- (d) system for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
- (e) system for monitoring the adequacy of credit and collateral documentation; and
- (f) system for identifying, monitoring, and reporting to the Board all loan exceptions in the commercial loan portfolio.

(2) Within sixty (60) days, the Board shall employ an experienced and qualified person(s) or firm to perform an ongoing review of the Bank's commercial loan portfolios.

(3) Within ninety (90) days, the Board shall establish an effective and on-going loan review system to review, at least semi-annually, the Bank's commercial loan and lease portfolios to assure the timely identification and categorization of problem credits. On an annual basis, the review must cover at least fifty per cent (50%) of the Bank's commercial loan portfolio. The system shall provide for a written report to be filed with the Audit Committee of the Board after each review and shall use a loan and lease grading system consistent with the requirements of 12 C.F.R. § 160.60 (Asset Classification) and the guidelines set forth in the "Asset Quality" section of the OTS Examination Handbook. Such reports shall include, at a minimum, conclusions regarding:

- (a) the appropriateness and accuracy of risk grades;
- (b) the accuracy of accrual decisions;

- (c) the effectiveness and accuracy of impairment analyses;
- (d) the accuracy of trouble debt restructuring (TDR) accounting;
- (e) the adequacy of management's monitoring of exceptions;
- (f) the overall quality of the commercial loan and lease portfolios;
- (g) the identification, type, rating, and amount of problem loans and leases;
- (h) the identification and amount of delinquent loans and leases;
- (i) credit and collateral documentation exceptions;
- (j) the identification and status of credit related violations of law, rule or regulation;
- (k) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (g) through (j) of the Article;
- (l) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (m) 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) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(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.

(6) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(7) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE VIII

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program consistent with the guidance set forth in OTS CEO Memo 252¹ and the “Concentrations of Credit” booklet of the Comptroller’s Handbook (December 2011). The program shall include, but not necessarily be limited to, the following:

- (a) a review of the balance sheet to identify any concentrations of credit that exceed twenty-five percent (25%) of Tier 1 Capital plus the Allowance for Loan and Lease Loss;
- (b) a detailed written analysis of any concentration in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit; and
- (d) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(2) For purposes of this Article, a concentration of credit is as defined in the “Concentrations of Credit” booklet of the Comptroller’s Handbook (December 2011).

¹ CEO Memo 252, issued December 14, 2006 provides guidance on “Commercial Real Estate Concentration Risks”.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph (1)(b) and that the analysis demonstrates that the concentration will not subject the Bank to undue credit or interest rate risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller immediately following the review.

(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 IX

INTERNAL APPRAISAL REVIEW

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program to oversee the Bank's real estate appraisal evaluation and appraisal review process in accordance with 12 C.F.R. Part 164. The program shall include, but not be limited to:

- (a) an updated written appraisal review policy in accordance with OCC 2010-42, *Interagency Appraisal and Evaluation Guidelines*²;
- (b) a written updated appraisal or evaluation for each parcel of real property that represents primary collateral behind any extension of credit where:
 - (i) the loan was criticized in the ROE or by the Bank's internal loan review, and the most recent independent appraisal is more than twelve (12) months old; or

² 75 FR 77450, effective December 10, 2010.

- (ii) accrued interest or loan fees have been or will be added to the outstanding principal balance, and the most recent independent appraisal is more than twelve (12) months old.
- (c) a written updated appraisal or evaluation on each property held in Real Estate Owned (REO) or being transferred to REO where no appraisal exists or the current appraisal is greater than twelve (12) months old;
- (d) an updated impairment analysis pursuant to ASC 310-10-35 (formerly FAS 114) for each impaired, collateral dependent loan based on the updated appraisal or evaluation; and
- (e) a review and analysis of all appraisals and collateral evaluations for reasonableness and accuracy received pursuant to this Article.

(2) All such appraisals required under this Article shall be completed within sixty (60) days, and certification by the Board attesting to the completion of the appraisals shall be forwarded to the Assistant Deputy Comptroller within seventy (70) days.

(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

ENHANCED INTERNAL AUDIT PROGRAM

(1) Within sixty (60) days, the Board shall revise and enhance its policies, procedures, and systems related to its internal audit program to ensure that it has a properly functioning and fully effective internal audit response tracking program in place that comports with the standards set forth in Section II B of Appendix A to Part 170—Interagency Guidelines

Establishing Standards for Safety and Soundness. The revised internal audit program shall include, but not be limited to:

- (a) formal procedures and processes for identifying, tracking, and reporting audit exceptions to the audit committee and the Board;
- (b) an enhanced audit reporting system with audit reports that, at a minimum:
 - (i) include a rating system for each area reviewed (“strong”, “satisfactory”, and “needs improvement”);
 - (ii) distinguish findings that require immediate attention from findings that are less material;
 - (iii) identify specific deadlines for management responses to findings;
 - (iv) include a system to track the status of any exceptions and/or corrections made including identifying when management responses are required, requested, and received; and
 - (v) include a system to evaluate the effectiveness of any internal audit functions outsourced to third parties.

(2) Within sixty (60) days, the Board shall revise its Audit Committee Charter to incorporate the requirements of this Article. A copy of the adopted revised Audit Committee Charter shall be provided to the Assistant Deputy Director within ten (10) days of adoption of the Charter by the Board.

(3) As part of this audit program, the Board shall evaluate the audit reports of any

party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(4) The Board shall conduct a review, on at least a quarterly basis, to determine:

- (a) management's adherence to the program adopted pursuant to this article;
- (b) the status and effectiveness of the program;
- (c) the need to revise the program;
- (d) the effectiveness of any internal audit functions and/or audit functions outsourced to third parties.

(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.

(6) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(7) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

ARTICLE XI

LIQUIDITY

(1) Effective immediately, the Board shall review the Bank's liquidity on a quarterly basis. Such reviews shall consider:

- (a) a maturity schedule of certificates of deposit, including large uninsured deposits;

- (b) the volatility of demand deposits including escrow deposits;
- (c) an analysis of the continuing availability and volatility of present funding sources; and
- (d) the contractual or effective maturity of each significant funding source including any maturity rollover risk.

(2) Within sixty (60) days, the Board shall revise, adopt, implement, and thereafter ensure adherence to a written Contingency Funding Plan (CFP) that is in compliance with OCC 2010-13, *Interagency Policy Statement on Funding and Liquidity Risk Management*³.

(3) Upon adoption, a copy of the CFP shall be promptly forwarded to the Assistant Deputy Comptroller.

(4) The Board shall take appropriate action to ensure adequate sources of liquidity in relation to the Bank's needs. Quarterly reports shall set forth liquidity requirements and sources. Copies of these reports shall be forwarded to the Assistant Deputy Comptroller.

ARTICLE XII

INFORMATION SECURITY RISK ASSESSMENT AND AUDIT

(1) The Board shall immediately take all steps necessary to improve the management of the Bank's Information Technology ("IT") activities and correct each deficiency and/or violation of law or regulation cited in the Report of Examination ("ROE") or any supervisory communication.

(2) Within sixty (60) days, the Board shall develop, implement, and thereafter adhere to a written, well-documented, risk-based, internal information technology audit program. At a minimum, the IT audit program shall be performed by an independent and qualified party, and

³ 75 FR 13656, effective May 21, 2010.

shall include fundamental elements of a sound audit program as described in the “Audit” booklet of the FFIEC Information Technology Examination Handbook.

(3) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure adherence to a comprehensive, written information security program to ensure the safety and soundness of its operations and to support the Bank’s efforts to comply with 12 C.F.R. Part 170, Appendix B, *Interagency Guidelines Establishing Information Security Standards*. The information security program shall include administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of customer information. The information security program shall be consistent with the security process described in the “Information Security” booklet of the FFIEC Information Technology Examination Handbook. At a minimum, the information security program shall include:

- (a) a corporate-wide assessment of the risks to its customer information or customer information systems and a written report evidencing such assessment. The assessment shall include:
 - (i) the identification of reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems;
 - (ii) an assessment of the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; and
 - (iii) an assessment of the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks.

- (b) a process to monitor and control the identified risks, commensurate with the sensitivity of the information as well as the complexity and scope of bank activities;
- (c) a test plan that provides for regular testing of key controls, systems and procedures of its information security program. The frequency and nature of such tests shall be determined by the risk assessment. Such tests shall be conducted or reviewed by the independent third parties or staff independent of those who develop or maintain the information security program.

(4) The Board shall provide a quarterly written progress report on each of the requirements of this Article to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has procedures, processes, personnel and control systems sufficient to ensure implementation of and adherence to the procedures and programs developed pursuant to this Article and to prevent future violations of 12 C.F.R. Part 170, Appendix B.

ARTICLE XIII

VIOLATIONS OF LAW – LENDING LIMITS

(1) The Bank shall not lend money or otherwise extend credit to any borrower in violation of the Bank's legal lending limit at 12 U.S.C. § 84, 12 U.S.C. § 1464(u), and 12 C.F.R. 160.93(c). By June 30, 2012, the Board shall cause all loans or other extensions of credit which exceed the Bank's legal lending limit at 12 U.S.C. § 84 and 12 C.F.R. § 160.93(c) to be reduced to conforming amounts.

(2) Within thirty (30) days, the Board shall establish, implement, and thereafter ensure Bank adherence to written procedures to prevent future violations of 12 U.S.C. § 84 and

12 C.F.R. 160.93(c).

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

ARTICLE XIV

EMPLOYMENT CONTRACTS AND COMPENSATION ARRANGEMENTS

(1) The Bank shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Bank, unless it first provides the Assistant Deputy Comptroller with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Assistant Deputy Comptroller shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Assistant Deputy Comptroller fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 163.39 and 163.161(b), and 12 C.F.R. Part 170 – Appendix A.

ARTICLE XV

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 deem it

appropriate in fulfilling the responsibilities placed upon him 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/

5/4/2012

David L. Payne
Assistant Deputy Comptroller

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/

Wayne R. Burgess

5/4/2012

Date

/s/

Jan R. Caddell

5/4/2012

Date

/s/

Claudia L. Kelley

5//4/2012

Date

/s/

Donald R. Moore

5/4/2012

Date

/s/

Karen P. Powell

5/4/2012

Date

/s/

Jimmy D. Reeves

5/4/2012

Date

/s/

Jerry L. Roten

5/4/2012

Date

/s/

Michael M. Sherman

5/4/2012

Date

/s/

Robert E. Washburn

5/4/2012

Date