

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of
EASTOVER BANK FOR SAVINGS
Jackson, Mississippi

Re: Resolution No. DAL-92-43

Dated: April 15, 1992

STIPULATION AND CONSENT TO THE ENTRY OF A
CEASE AND DESIST ORDER

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Midwest Regional Office, OTS, and Eastover Bank for Savings, Jackson, Mississippi ("Institution"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. § 1818(b)). The Institution desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist litigation against the Institution with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) The Institution is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1813(c) (1988 & Supp. I 1989)).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, the Institution is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989)).

3. Consent. The Institution consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989)). Upon its issuance by the Regional Director for the Midwest Regional Office, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(i) (1988 & Supp. I 1989)).

5. Waivers. The Institution waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989)), and further waives any right

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to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(h) (1988 & Supp. I 1989)), or otherwise to challenge the validity of the Order.

6. Acknowledgments. The Institution acknowledges and agrees that the consent to the entry of the Order is for the purpose of resolving this OTS enforcement matter only and does not resolve, affect or preclude any other civil or criminal proceeding which may be brought against the Institution or any institution-affiliated party thereof by the OTS or another governmental entity.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Midwest Regional Office, OTS, and the Institution, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

By: /S/
Billy C. Wood
Regional Director
Midwest Regional Office

EASTOVER BANK FOR SAVINGS
by a majority of its directors

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Re: Resolution No.: DAL-92-43

Dated: April 15, 1992

ORDER TO CEASE AND DESIST

WHEREAS, Eastover Bank for Savings, Jackson, Mississippi ("Institution"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Midwest Regional Office ("Regional Director"); and

WHEREAS, the Institution, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989); and

WHEREAS, the Institution contends that it has remedied those violations, if any, upon which this Order is based (by eliminating preferential terms on a home loan and automobile loan to an officer through the borrower's refinancing under similar terms at another financial institution, by adequately increasing general valuation allowances, by appropriately revising accounting treatment, and by

properly modifying the treatment of loans with regard to in-substance foreclosures) such that it believes that such violations, if any, are no longer outstanding; and

WHEREAS, by entering into the Stipulation, the Institution neither admits nor denies any violation of any law, rule, or regulation.

NOW THEREFORE, IT IS ORDERED that the Institution and its directors shall cease and desist from, and shall order its officers, employees, agents, and service corporations to cease and desist from, any violation of, or the aiding and abetting of any violation of:

1. 12 C.F.R. § 563.43(b)(1) (by making home or automobile loans on preferential terms to an executive officer);
2. 12 U.S.C. § 375b(3) (by making home or automobile loans on preferential terms to an executive officer);
3. 12 C.F.R. § 215.4 (by making home or automobile loans on preferential terms to an executive officer);
4. 12 C.F.R. § 563.160(d) (by failing to establish adequate general valuation allowances);
5. 12 C.F.R. § 567.9(c)(2) and (3) (by improperly accounting for certain investments in the calculation of tangible capital);
6. 12 C.F.R. § 563.233(a) (by giving improper treatment to loans that should be treated as in-substance foreclosures);
and
7. 12 C.F.R. § 571.18(h)(1) (by giving improper treatment to loans that should be treated as in-substance foreclosures).

IT IS FURTHER ORDERED that:

Management.

1. (a) Within 90 days of the date of this Order, the board of directors of the Institution ("Board of Directors") shall complete a detailed study of the Institution's management and their performance in light of the financial condition of the Institution and the regulatory violations noted in the August 19, 1991 examination.

(b) The results of the study referenced in subparagraph (a) hereof shall be disclosed and explained in a detailed, written report, which shall be transmitted to the Regional Deputy Director for the Dallas District, Midwest Region, OTS, or his successor or designee ("Regional Deputy Director") as soon as possible and, in any case, no later than 120 days after the date of this Order. The written report shall provide a recommendation as to whether management of the Institution needs to be changed, restructured, or otherwise strengthened and, if so, shall provide a detailed plan ("Plan") outlining how the recommendation can be most efficiently implemented. The Board of Directors shall consider amending the Plan (or consider adding a Plan if one was not submitted in the recommendation) as requested by the Regional Deputy Director. The Institution shall comply with the Plan.

2. The Institution shall comply with the requirements of Section 32 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831i, as added by Section 914 of FIRREA, before hiring any senior executive officer or appointing a director.

3. (a) Within 90 days of the effective date of this Order, the Board of Directors shall require that management of the Institution prepare a report to the Board of Directors reviewing the Institution's compliance with its

previously established system of internal controls to ensure compliance with applicable statutes, regulations, and this Order (the "Internal Controls System"). The Board of Directors shall, within such 90-day period, review whether the Internal Controls System appropriately addresses the deficiencies in the loan review process as well as other regulatory violations noted in the August 19, 1991 examination and shall consider whether amendments should be made to the Internal Controls System. The Board of Directors shall amend the Internal Controls Systems as it so determines in the exercise of its judgment and fiduciary duties and shall consider all amendments that the Regional Deputy Director requests it to consider.

(b) Within the 90-day period referenced in subparagraph (a) hereof, the Board of Directors shall provide the Regional Deputy Director with a report of its recommendations as a result of the report of the Institution's management and the Board of Directors review, referenced in subparagraph (a) hereof.

(c) Within 30 days of the effective date of this Order, the Board of Directors shall designate or employ an officer to oversee implementation of the Internal Controls System. Such officer shall provide periodic monthly reports to the Board of Directors.

Business Plan

4. Within 90 days of the effective date of this Order, the Board of Directors shall conduct or cause to be conducted a review of all options to increase and maintain the capital level of the Institution and shall adopt a written report ("Capital Review Report") reflecting its findings. This Capital Review Report shall set forth (a) the advantages and disadvantages of each

option considered; (b) time frames for implementation of the selected proposal; (c) the amount of capital required in view of the risk profile of the Institution, including the Institution's exposure to future losses, under each option considered; and (d) the underlying assumptions used in its analysis of each option.

5. Within 120 days of the effective date of this Order, the Capital Review Report shall be submitted to the Regional Deputy Director. The Institution, through its Board of Directors, shall consider amending the Capital Review Report as requested by the Regional Deputy Director and the Institution shall comply with the recommendations of the Capital Review Report.

6. (a) Within 120 days after the effective date of this Order, the Board of Directors shall prepare, adopt and submit to the Regional Deputy Director for review, an updated business plan ("Business Plan") that sets forth a plan to maintain compliance with the Institution's regulatory capital requirements and increase its capital level. The Business Plan shall contain the following components:

- (i) Financial projections through December 31, 1993, on a quarterly basis, including major balance sheet and income statement components;
- (ii) A budget with respect to the overall operations of the Institution;
- (iii) A narrative description of the strategy to be implemented to manage the Institution in such manner

for continued profitability and interest-rate scenario assumptions upon which the Business Plan is based;

- (iv) A summary of efforts to maintain continued compliance with Section 10(m) of the Home Owners' Loan Act ("HOLA") (to be codified at 12 U.S.C. Section 1467a(m)), Section 303 of FIRREA, and applicable implementing regulations;
- (v) A summary of efforts to maintain continued compliance with Section 28 of the FDIA (to be codified at 12 U.S.C. Section 1831e) and Section 5(c)(2)(B) of the HOLA (to be codified at 12 U.S.C. Section 1464(c)(2)(B));
- (vi) An evaluation of the adequacy of current management with regard to achieving the goals of the Business Plan; and
- (vii) An evaluation of operations including staffing, goals, income, expenses, and objectives.

(b) The Board of Directors hereby agrees to provide additional information regarding the Business Plan required by Paragraph 6 that is requested by the Regional Deputy Director.

(c) Beginning with the end of the quarter following the submission of the Business Plan, the Institution shall provide to the Regional Deputy Director quarterly progress reports comparing the actual performance to the projections set forth in the Business Plan detailing all material variance.

(d) The Institution shall update the Business Plan no less frequently than on a semiannual basis and submit the updated Business Plan to the Regional Deputy Director for review.

Asset Classifications

7. (a) Within 90 days of the date of this Order, the Board of Directors shall submit to the Regional Deputy Director for approval, the Institution's methodology and rationale for determining and establishing adequate general valuation allowances.

(b) The Board of Directors shall review the provision for general valuation allowances on a quarterly basis in accordance with 12 C.F.R. § 563.160 and 571.26 and the guidelines set forth in Section 261 of the Thrift Activities Handbook.

(c) Any deficiency in the general valuation allowance shall be remedied in the quarter in which it is discovered, prior to the filing of the Institution's quarterly Thrift Financial Report, by additional provisions against earnings.

(d) Minutes of the Asset Valuation Committee of the Board of Directors shall be maintained indicating the factors considered and conclusions reached in determining the adequacy of the Allowance.

Reduction of Criticized and Classified Assets

8. (a) The Board of Directors shall continue to update the plans for reduction of criticized assets that were implemented pursuant to the November 30, 1990 Supervisory Agreement and shall prepare such plans for any new criticized assets. Such plans shall include, at a minimum, and as appropriate:

- (i) an identification of the asset;
- (ii) an identification of the expected source(s) of repayment;
- (iii) the appraised value of supporting collateral and the position of the Institution's lien on such collateral.
- (iv) a discussion of relevant local economic conditions for the asset or underlying collateral;
- (v) a discussion of relevant legal considerations;
- (vi) an analysis of the borrower's current credit status or a cash flow analysis where loans are to be repaid from operations of the collateral property;
- (vii) a discussion and an evaluation of the alternative strategies to eliminate the basis of the classification; and
- (viii) a summary of the chosen strategy and the time frame for its accomplishment.

(b) The Board of Directors shall update, implement, and submit to the Regional Deputy Director a written plan designed to reduce the level of real estate owned and assets classified in the August 19, 1991 report of examination as "loss", "doubtful", "substandard" or "special mention" or so classified by the Institution's internal loan review system. The Plan shall include a review of current policies and procedures for the collection of loans and the disposition of real estate owned. The Plan shall set forth quarterly projections, incorporate the plans adopted pursuant to Paragraph 8(a) hereof,

and provide for the reduction in classified assets to no more than 100% of the sum of the Institution's tangible capital and its general valuation allowances in a prudent and expeditious manner. The Plan will be subject to review by the Regional Deputy Director as to reasonableness and completeness.

(c) The Asset Review Committee of the Board of Directors shall continue to review, on at least a quarterly basis:

- (i) management's compliance with the plan adopted pursuant to Paragraph 8(b) of this Order;
- (ii) the status and effectiveness of the plan; and
- (iii) the need to revise the plan or take alternative action.

(d) The Asset Review Committee shall make quarterly reports to the Board of Directors of the result of its review pursuant to Paragraph 8(c).

Accounting

9. The Institution shall submit to OTS accurate Thrift Financial Reports.

10. The Institution shall account for in-substance foreclosures in accordance with 12 C.F.R. § 563.233(a) and 571.18(h)(1).

Securities Filings

11. The Institution shall continue to file within the prescribed periods quarterly financial reports on Form 10-Q, annual reports on Form 10-K, and proxy materials on Schedule 14a pursuant to Sections 13(a) and 14(a) of the Securities Exchange Act of 1934, 15 U.S.C. Sections 78m(a) and 78n(a), and Rules 13a-13, 13a-1, and 14a-3, 17 C.F.R. Sections 240.13a-13, 240.13a-1 and 240-14a-3, respectively, as long as the aforesaid rules and regulations will otherwise be required under the rules and regulations of the Securities and Exchange Commission, and the Institution is subject to those rules.

Attorneys and Consultants

12. (a) The Institution and its subsidiaries shall not enter into any contracts with consulting firms, investment bankers, attorneys, accountants, or any other third parties to provide services not usually required in the normal course of business without the prior review by the Regional Deputy Director, pursuant to Thrift Bulletin No. 50, dated November 19, 1991.

(b) All contractual or fee arrangements between the Institution or its subsidiaries and consultants or attorneys shall require the submission of monthly invoices to the Institution specifying the amount claimed and the services provided.

Employment Contracts

13. The Institution and its subsidiaries shall not enter into any employment contracts without the prior written approval of the Regional Deputy Director. Such employment contracts must comply with 12 C.F.R. §§ 563.161(b) and 563.39 and the guidelines set forth in Regulatory Bulletin RB 27, dated November 8, 1991.

Termination of Supervisory Agreement

14. Upon execution of the Stipulation and Consent to the Entry of a Cease and Desist Order by the Institution and the Regional Director and the execution of the Order to Cease and Desist by the Regional Director, the Supervisory Agreement entered into by the Institution and the OTS, dated November 30, 1990, shall be terminated.

Directors' Fiduciary Responsibility

15. Each member of the Board of Directors owes fiduciary duties to the Institution, its depositors and shareholders. Notwithstanding that certain

provisions of this Order require the Board of Directors to submit various matters to the Regional Deputy Director for the purpose of receiving approval, notice of acceptability or non-objection, such regulatory oversight does not derogate or supplant the fiduciary duties owed by the members of the Board of Directors. The Board of Directors, at all times, shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution.

16. In connection with its oversight of the Institution, the Board of Directors shall review the Director Information Guidelines, published by the OTS in December, 1989 (the "Guidelines"), and the Board of Directors shall obtain such of the information suggested by the Guidelines as it, while acting reasonably and in good faith, deems appropriate.

17. The Board of Directors shall take prompt action to cause the Institution to fully comply with this Order. At least quarterly, the Board of Directors shall evaluate the Institution's compliance with this Order and the conditions set forth in this Order. This review shall be documented in the minutes of a regular meeting of the Board of Directors. All documentation considered by the Board of Directors in performing its review shall be explicitly referenced in the minutes of the meeting at which the review was undertaken.

18. After the review is complete, the Board of Directors shall adopt a resolution, signed by each individual director, summarizing its findings with respect to the review. If full compliance is found not to exist, the resolution shall specify in detail all instances of non-compliance. The resolution and any other reports described above shall be submitted to the Regional Deputy Director no later than the forty-fifth day of the month following the end of each calendar quarter.

19. In exercising and fulfilling its fiduciary duties, the Board of Directors may consider the reports of management, counsel, and other agents and consultants of the Board of Directors and may rely upon such reports if such reliance is made in good faith and is reasonable under the circumstances. Nothing contained herein shall require the Board of Directors or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties. However, before any director shall decline to take any action required under this Order or by the Regional Deputy Director pursuant to this Order, or take any action prohibited by this Order or by the Regional Deputy Director pursuant to this Order based upon that director's belief that the action or inaction in question is inconsistent with his or her fiduciary duties, he or she shall first provide a written statement to the Regional Deputy Director setting forth the fiduciary duty or duties at issue and the basis in Mississippi law or other applicable law for taking or refusing to take the action at issue.

20. If the Institution complies with this Order for two full periods (each period being defined for purposes of this Paragraph as a period between one OTS regular safety and soundness examination of the Institution and the following OTS regular safety and soundness examination of the Institution) and the Institution thereafter submits a written request to the Regional Deputy Director for the termination of this Order, then the Regional Deputy Director shall consider terminating, or consider recommending that OTS terminate, this Order.

General Provisions

21. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by the provisions of this Order, shall,

insofar as applicable, have meanings as defined in Chapter V of Title 12 Code of Federal Regulations, and any such technical words or terms used in this Order and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, and Guidance

22. Reference in this Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments thereto.

23. It is understood that the execution of this Order shall not be construed as an approval of any application or notices that are contemplated by the Institution.

24. Nothing in this Order shall be construed as allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject.

25. This Order is effective upon its issuance by the OTS and shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or through the Regional Deputy Director.

THE OFFICE OF THRIFT SUPERVISION

By: /S/
Billy C. Wood
Regional Director
Midwest Regional Office