

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Henry L. Hicks,)

Former President, Chairman of)
the Board of Directors, and)
Chief Executive Officer of)

Citizens Savings Bank)
Rocky Mount, North Carolina)
_____)

Resolution No. ATL-92-77
Dated: September 17, 1992

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

The Office of Thrift Supervision ("the OTS"), by and through its Regional Director for the Southeast Region ("Regional Director") and Henry L. Hicks ("Hicks"), former President, Chairman of the Board of Directors and Chief Executive Officer of Citizens Savings Bank, Rocky Mount, North Carolina, OTS Docket No. 0973 ("Citizens" or "Institution"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information derived from the exercise of its supervisory and regulatory powers, is of the opinion that grounds exist to initiate an administrative proceeding against Hicks pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. § 1818(b) (West 1989 & Supp. 1992). The grounds include regulatory violations and unsafe and unsound practices in conducting the business of Citizens, as follows:

(a) Hicks approved increases to and disbursements of a line of credit from \$25,000 to \$1.2 million without following proper underwriting standards, in violation of 12 C.F.R. § 563.170.

(b) Hicks permitted draws on the line of credit in order to keep other loans current over a three year period.

(c) In correspondence and other communications to the OTS, Hicks failed to disclose the material fact that the loans were being kept current by the line of credit, in violation of 12 C.F.R. § 563.180.

(d) Hicks failed to appropriately classify the loans or the line of credit, in violation of 12 C.F.R. §§ 563.160 and 571.26.

(e) Hicks failed to maintain any documentation indicating that the Board of Directors was aware of or approved the decision to continue to increase the line of credit, in violation of 12 C.F.R. § 563.170.

(f) Despite the significant outstanding balance of the line of credit and the twenty-three modifications thereto, this activity was not documented in the Board or Executive meeting minutes, in violation of 12 C.F.R. 552.11.

(g) As a result of these unsafe and unsound practices and regulatory violations, the Institution suffered losses in excess of \$2.3 million and does not comply with its minimum regulatory capital requirements.

Hicks desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding 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 proceeding against Hicks with respect to the matters covered in the accompanying Cease and Desist Order ("Order").

2. Jurisdiction

(a) Citizens is a "savings association" within the meaning of Section 3(b), of the FDIA, 12 U.S.C.A. § 1813(b), and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C.A. § 1462(4) (West Supp. 1992). It is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C.A. § 1813(c).

(b) Hicks, as President, Chairman of the Board of Directors, and Chief Executive Officer of Citizens was an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, 12 U.S.C.A. § 1813(u).

(c) Pursuant to Section 3 (q)(4) of the FDIA, 12 U.S.C.A. § 1813(q)(4), the Director of the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association or its institution-affiliated parties. Therefore, Hicks is subject to the authority of the OTS to initiate and maintain an administrative proceeding against him pursuant to Section 8(b) of the FDIA, 12 U.S.C.A. § 1818(b).

3. Consent. Hicks consents to the issuance by the OTS of the accompanying Order. He 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, 12 U.S.C.A. § 1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C.A. § 1818(i).

5. Waivers. Hicks waives his right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C.A. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C.A. § 1818(h), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Southeast Region, and Hicks execute this Stipulation and Consent to the Entry of a Cease and Desist Order.

OFFICE OF THRIFT SUPERVISION

By: /S/
John E. Ryan
Regional Director
Southeast Region

/S/
Henry L. Hicks

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HENRY L. HICKS,)

Former President, Chairman of)
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Rocky Mount, North Carolina)

RESOLUTION NO.: ATL-92-77

DATED: September 17, 1992

ORDER TO CEASE AND DESIST

WHEREAS, Henry L. Hicks ("Hicks") has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation"), which is incorporated herein by reference, and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Southeast Regional Office ("Regional Director"); and

WHEREAS, Hicks, in the Stipulation, without admitting or denying that the grounds exist, 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"), 12 U.S.C.A. § 1818(b) (West 1989 & Supp. 1992).

NOW THEREFORE, it is ordered that Hicks shall cease and desist from any violation of, or the aiding and abetting of any violation of:

1. 12 C.F.R. § 563.160
2. 12 C.F.R. § 563.170
3. 12 C.F.R. § 563.180
4. 12 C.F.R. § 571.26
5. 12 C.F.R. § 552.11

IT IS FURTHER ORDERED THAT:

6. Without the prior written approval of the Regional Director for the Southeast Region, Hicks may not hold any office in, or participate in any manner in the conduct of the affairs of any savings association within the meaning of Section 3(b)(1) of the FDIA, 12 U.S.C.A. § 1813(b)(1) and Section 2(4) of the Home Owners' Loan Act of 1933 ("HOLA"), 12 U.S.C.A. § 1462(4) (West Supp. 1992).

7. Without providing prior written notification to the Regional Director for the Southeast Region, Hicks may not hold any office in, or participate in any manner in the conduct of the affairs of any institution(s) or other entity as set forth below:

- (a) any insured depository institution;
- (b) any institution treated as an insured bank under 12 U.S.C.A. §§ 1818(b)(3) or (b)(4);
- (c) any insured credit union under the Federal Credit Union Act, 12 U.S.C.A. § 1781 et seq.;
- (d) any institution chartered under the Farm Credit Act of 1971, 12 U.S.C.A. § 2001 et seq.;

- (e) any appropriate Federal depository institution regulatory agency;
- (f) the Federal Housing Finance Board and any Federal Home loan bank;
- (g) the Resolution Trust Corporation; and
- (h) any subsidiary of any entity included in paragraph 4(a), (b), (c), or (d).

Conduct considered to be "participating in the conduct of the affairs of any institution" and thereby prohibited by this Order includes, but is not limited to, the solicitation, transfer or exercise of any voting rights with respect to any securities issued by any insured depository institution.

8. Hicks shall accurately and completely report all information required by the OTS and/or any other appropriate federal financial institutions regulatory agency.

9. Hicks shall provide complete and correct information to the Board of Directors and any committee thereof for any federally-insured depository institution with which he becomes associated. Further, before approving the minutes of the meetings of such Board of Directors and/or committees thereof, Hicks shall ensure that the minutes accurately and completely report the proceedings of the meeting.

10. Without the prior written approval of the Regional Director, Hicks shall not engage or participate in any manner in the loan approval process at any federally-insured depository institution, including, but not

limited to, decisions regarding the modification, extension or disbursement of any loan or line of credit.

11. The Stipulation is made a part hereof and is incorporated herein by this reference.

12. This Order shall become effective on the date it is issued.

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 of the Code of Federal Regulations. 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. For purposes of this Order, references to regulations, bulletins, memoranda and publications shall include any successor provisions mandated by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

THE OFFICE OF THRIFT SUPERVISION

/S/

By:

~~John E. Ryan~~
~~Regional Director~~
~~Southeast Regional Office~~