

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
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)
WORTH FEDERAL SAVINGS AND)
LOAN ASSOCIATION,)
Sylvester, Georgia,)
)
and)
)
J. F. PENDLEY,)
T. D. HENDRICKS,)
D. W. KING,)
S. C. MUSGROVE, and)
G. M. SUMNER,)
)
Directors of Worth Federal)
Savings and Loan Association,)
Sylvester, Georgia.)

Re: Enforcement Review
Committee Resolution
No. ERC-90-5

Dated: January 9, 1990

ORDER TO CEASE AND DESIST

WHEREAS Worth Federal Savings and Loan Association, Sylvester, Georgia ("Worth Federal" or "Institution"), and J. F. Pendley, T. D. Hendricks, D. W. King, S. C. Musgrove, and G. M. Sumner ("Directors"), have 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 Enforcement Review Committee; and

WHEREAS Worth Federal and its Directors, in the Stipulation, have 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, 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);

NOW, THEREFORE, IT IS ORDERED that Worth Federal and its Directors, officers, employees, and agents shall cease from any violation of, or aiding and abetting any violation of, the following regulations and any amendments thereto or successor regulations:

1. 12 C.F.R. § 523.11;
2. 12 C.F.R. § 545.46;
3. 12 C.F.R. § 552.11(a);
4. 12 C.F.R. § 561.16c;
5. 12 C.F.R. § 563.17-1a;
6. 12 C.F.R. § 563.17-1(c);
7. 12 C.F.R. § 563.23-3;
8. 12 C.F.R. part 563e; and
9. Regulation Z, 12 C.F.R. part 226.

AND IT IS FURTHER ORDERED that:

Directors and Management

1. Worth Federal shall promptly, but no later than 45 days after the effective date of this Order, fill all vacant positions on the board of directors of the Institution and/or amend the Institution's bylaws to reduce the authorized number

of directors. The Institution shall submit to the Atlanta District Director of OTS or his designee ("District Director") the names of any persons proposed for nomination to the board and shall not elect any individual until the District Director has reviewed such candidate's qualifications and experience and has issued a written notice of no objection.

2. Worth Federal shall, within 30 days after the effective date of this Order, submit to the Deputy Director for review the name of a financial management firm and/or other financial institution to manage temporarily the daily operations of the Institution, unless the Institution has fully complied with the provisions of Paragraph 3 of this Order within 30 days after the effective date of this Order. The Institution shall retain such financial management firm or other financial institution, immediately upon receipt of the District Director's written notice of no objection to the qualifications of such firm and any proposed agreements or contracts to be entered into with said firm or financial institution. The Institution shall retain such approved financial management firm and/or other financial institution until full compliance with the provisions of Paragraphs 3 and 4 of this Order has been effected.

3. As soon as possible, but no later than 60 days after the effective date of this Order, Worth Federal shall hire a qualified permanent managing officer for the Institution. No individual may be so employed until the District Director has reviewed the candidate's qualifications and experience and issued a written notice of no objection.

4. Within 90 days after the effective date of this Order, the board of directors of Worth Federal shall develop and submit to the District Director for review a written action plan with specified time frames for recruiting and hiring qualified management and administrative staff for the Institution ("Personnel Plan"). The Personnel Plan shall:

(a) provide for an adequate number of qualified individuals to strengthen and enhance operations, especially in the areas of lending operations, financial operations, maintenance of books and records, and internal controls; and

(b) clearly define and delineate job accountabilities, functional responsibilities, and reporting lines and levels of authority; and

(c) state that the hiring of any officer by the Institution is subject to the District Director's prior review of the qualifications of such individual and the issuance of a prior written notice of no objection.

The Institution shall implement and adhere to the Personnel Plan immediately upon receipt of the District Director's notice of no objection thereto.

Acquisition or Merger

5. Worth Federal's board of directors shall, in keeping with its fiduciary responsibilities and the best interests of the Institution, conduct a detailed review and analysis of the advisability of merging with or being acquired by another financial institution, corporate entity, or other investors. Such review shall include the advisability of executing a Marketing Agreement in the form attached with the Atlanta District Office of OTS and/or retaining an investment banker or other financial consultant to assist the board in its considerations with regard to a merger or acquisition. Within 120 days after the date of this Order, the Institution shall submit a report to the District Director which details its considerations and conclusions with regard to the provisions of this Paragraph 5.

6. Worth Federal shall notify the District Director of any reasonable offers to acquire or merge Worth Federal; and the board of directors shall, in keeping with its fiduciary responsibilities and the best interests of the Institution, duly consider any reasonable offer to acquire or merge Worth Federal into another institution. Within 30 days after its consideration of and decision regarding such offers, the board shall submit a report to the District Director stating the

determination made and the reasons for the board's decision regarding such offer.

Audit and Annual Meeting

7. Within 15 days after the District Director has provided to the Institution written comments on the preliminary draft of the audited financial statements, the Institution shall provide to the District Director audited financial statements and related reports for the year ended December 31, 1988. Such reports shall comply with the requirements of 12 C.F.R. § 563.17-1(a)(2) and generally accepted auditing standards, and shall adhere to the provisions of 12 C.F.R. § 571.2 and OTS Bulletin PA-7a.

8. For all fiscal years beginning after December 31, 1988, the Institution shall engage an independent auditor and provide notification to the OTS in a manner which is consistent with the requirements and time frames set forth in OTS Bulletin PA-7a or its successor.

9. The Institution shall convene the 1989 annual meeting of its stockholders as soon as practicable, but no later than 60 days following the rendering of the independent auditors' opinion with respect to the Institution's December 31, 1988, financial statements.

10. For all fiscal years beginning after December 31, 1989, the Institution shall convene and conduct its annual meeting of stockholders in accordance with the requirements set forth in the Institution's charter and bylaws.

Books and Records

11. Worth Federal and its Directors shall ensure that all minutes of meetings of the board of directors of the Institution, including the executive and/or loan committees, are current and that such minutes:

- (a) reflect an accurate and complete record of all discussions and actions taken,
- (b) note all members in attendance,
- (c) document a review of committee minutes, as appropriate,
- (d) indicate review and approval of previous meeting minutes by the directors in a timely manner, and
- (e) are certified by the corporate secretary and properly contained in the Institution's corporate minute book within 45 days after each meeting.

All minutes for meetings which occurred prior to the date of this Order shall be brought current within 30 days after the date of this Order, in accordance with the provisions of this Paragraph.

12. (a) The Institution shall, as soon as practicable, but no later than 30 days after the effective date of this Order, take action to ensure that

(i) all savings, loan, investment and other applicable ledger records are reconciled to the general ledger,

(ii) all general ledger entries are supported by a journal voucher,

(iii) the accuracy of journal and correcting entries is verified and documentation of such entries is obtained, and

(iv) the Institution's bank account statements are reviewed and reconciled by an employee other than an employee with signature authority for the subject account.

The Institution shall ensure that its books and records are maintained in compliance with applicable regulatory provisions and pronouncements, including, but not limited to, 12 C.F.R. § 552.11, and generally accepted accounting principles, and shall provide a complete and accurate record of all business transacted by the Institution.

(b) The Institution shall ensure that

(i) all savings, loan, investment and other applicable ledger accounts are reconciled to the general ledger on at least a monthly basis,

(ii) all general ledger entries are supported by a journal voucher,

(iii) the accuracy of journal and correcting entries is verified and documentation of such verification is maintained, and

(iv) the Institution's bank account statements are reviewed and reconciled on a monthly basis by an employee other than an employee with signature authority for the subject account.

(c) Within 60 days after the effective date of this Order, the board shall certify to the District Director that the actions necessary to ensure compliance with this Paragraph have been fully implemented, fully describing the actions which have been effected.

13. Worth Federal shall timely and accurately file all Thrift Financial Reports and all other required financial and/or statistical reports to the Office of Thrift Supervision. The board of directors shall designate the person(s) responsible for preparation of such reports, as well as provide for the training of such person(s) in the preparation of such reports. Within 60 days after the effective date of this Order, the board of directors shall certify to the District Director that action has been taken to comply with this Paragraph of the Order, fully describing the actions which have been effected.

14. Worth Federal shall maintain adequate records of its compliance with the liquidity requirements set forth in 12 C.F.R. § 523.11. The board shall designate the person(s) responsible for preparation of such reports, as well as provide for the training of such person(s) in preparation of such reports. Within 60 days after the effective date of this Order,

the board shall certify to the District Director that action has been taken to comply with this Paragraph, fully describing the actions which have been effected.

15. Worth Federal shall immediately adopt, implement and, in the future, comply with Statement of Financial Accounting Standard No. 91 (SFAS 91) with respect to accounting for loan-related fees. Within 30 days after the effective date of this Order, the board shall certify to the District Director that action has been taken to comply with this provision, fully describing the actions which have been effected.

16. Worth Federal shall ensure that all payroll and other required employment taxes and reports with appropriate state and Federal authorities are immediately brought current. It shall also ensure the timely filing of such payroll taxes and reports in the future. Within 30 days after the effective date of this Order, the board of directors shall provide evidence of its action in this regard to the District Director, including a description of all required filings and the named institution personnel or third party responsible for such filings.

Lending Policies and Procedures
and Loan Underwriting

17. Within 90 days after the effective date of this Order, the board of directors shall submit to the District

Director for review comprehensive loan underwriting policies and procedures for all types of loans made or purchased by the Institution, including but not limited to residential and non-residential mortgage loans, mobile home loans, consumer loans, and commercial loans. Said policies and procedures shall:

(i) reflect compliance with the terms of this Order and with all applicable regulatory provisions, including but not limited to 12 C.F.R. §§ 563.17-1(c) and 545.32 to 545.52; and

(ii) provide that loan approval authority rests with the board of directors, except as specifically delegated by the board; and

(iii) include, by loan category and dollar amount the loan approval authority of its officers, the board and/or committees thereof.

Worth Federal shall adopt and strictly adhere to such policies and procedures upon receipt of the District Director's written notice of no objection.

18. Within 90 days after the effective date of this Order, the Institution shall submit to the District Director for review written appraisal policies and procedures. Such policies and procedures shall be consistent with 12 C.F.R. § 563.17-1a. Worth Federal shall comply with its appraisal policy and procedures, upon receipt of the District Director's written notice of no objection. The Institution shall review and revise such policies and procedures as appropriate, and at least annually.

19. Within 120 days after the effective date of this Order, the board of directors shall submit to the District Director for review written asset classification policies and procedures which provide for a system of self-classification of all assets and the establishment of prudent valuation allowances pursuant to and in compliance with 12 C.F.R. § 561.16c and which address the provisions of Federal Home Loan Bank of Atlanta Regulatory Bulletin 32-1988, dated July 22, 1988. Worth Federal shall adopt and adhere to its asset classification and reserve policies and procedures, upon receipt of the District Director's written notice of no objection.

20. Institution shall establish specific and general valuation allowances in conformity with its adopted asset classification policy within 30 days of the District Director's notice of no objection to the adoption of the asset classification policies and procedures required by Paragraph 19 of this Order. The board of directors shall provide a certification to the District Director which describes the allowances established and documents that such allowances comply with the adopted asset classification policy.

21. Worth Federal shall conduct a complete review of all single-payment consumer loans in order to determine the collectability of each loan. Upon completion of said review and

no later than 180 days after the effective date of this Order, Worth Federal shall submit to the District Director a listing of each loan showing:

- (a) the origination date of the subject loan;
- (b) any extensions of credit which were refinanced by the subject loan;
- (c) any renewal dates for the subject loan;
- (d) any interest capitalized at such renewal date;
- (e) any documentation or underwriting deficiencies disclosed in the review process; and
- (f) the corrective action taken.

Within 20 days after the end of each quarter, beginning with the quarter ending June 30, 1990, the Institution shall submit to the District Director a quarterly report regarding its progress in remedying the noted deficiencies and collecting all loans on the subject list.

Additional Provisions

22. The Institution shall not increase its liabilities in an amount that is in excess of the greater of: (a) the amount of interest credited on liabilities during the quarter, or (b) the amount of quarterly liability growth necessary to fund any loans-in-process obligations and legally binding commitments existing as of March 9, 1989, without the prior written approval of the District Director or his delegate.

23. Within 180 days after the effective date of this Order, the Institution shall submit to the District Director for review a three-year business plan prepared in accordance with the attached General Instructions for the Preparation of a Business Plan. This plan shall: (a) reflect compliance with all applicable provisions of this Order, and (b) address proposed liability growth. The Institution shall adopt and comply with its business plan upon receipt written notice of no objection by the District Director, and shall not substantially deviate from the terms of said plan without prior written approval of the District Director.

24. Within 30 days after the effective date of this Order, Worth Federal shall submit to the District Director for review a program reasonably designed to ensure compliance with the provisions of 12 C.F.R. 563.17-7 and the Bank Secrecy Act (Currency and Foreign Transactions Reporting Act of 1970). Such program shall include:

- (a) a system of internal controls to ensure ongoing compliance;
- (b) independent testing for compliance to be conducted by an outside party;
- (c) the designation of individuals responsible for coordinating day-to-day compliance; and
- (d) training for all appropriate personnel.

The Institution shall adopt and comply with the program adopted under this Paragraph, upon receipt of the District Director's written notice of no objection.

25. The Institution shall immediately conduct a complete review of the annual percentage rate calculations on all adjustable rate mortgage loans originated during and since 1987; and shall, within 45 days after the effective date of this Order, furnish the results of such review to the District Director. Upon completion of a review of the Institution's calculations by the Atlanta District Office of OTS, the Institution shall make such restitution as the District Director may direct.

26. The board of directors shall provide for the development of adequate procedures to comply with the requirements and provisions of Regulation Z and adopt a system of internal review, control, and adequate training of institution lending personnel in Regulation Z. Within 60 days after the effective date of this Order, the Institution shall provide to the District Director (a) a certification describing the action(s) taken in this regard and (b) a copy of its written policies and procedures, for review. The Institution shall strictly adhere to and comply with the policies and procedures adopted under

this Paragraph, upon receipt of the District Director's written notice of no objection.

27. The Institution shall comply with the provisions of 12 C.F.R. § 563.43, Section 22(h) of the Federal Reserve Act, and any regulations implemented by the OTS in accordance with FIRREA, with respect to loans granted to affiliated persons of the Institution.

28. Within 60 days after the effective date of this Order, Worth Federal shall develop, and submit to the District Director for review, policies and procedures on interest rate risk management. Said policies and procedures shall address the provisions of Office of Regulatory Activities Thrift Bulletin 13. The Institution shall comply with its interest rate risk policies and procedures, upon receipt of the District Director's written notice of no objection.

Compliance Reporting

29. The board of directors of Worth Federal shall take steps to ensure compliance by Worth Federal with the requirements of this Order. Such compliance shall be reported in the minutes of the board meeting following each calendar quarter and such minutes shall be provided to the District Director within 20 days after the dates of such meetings.

30. The Institution shall provide the District Director with such additional written reports as may reasonably be required to insure the Institution's compliance with the terms of this Order. Each report shall be filed by the date specified by the District Director.

31. The Institution shall provide to the District Director, on a quarterly basis, schedules which include (a) the status of all outstanding loans-in-process obligations and legally binding commitments previously reported in accordance with the March 9, 1989 letter from the Supervisory Agent at the OTS District Office in Atlanta, Georgia, and (b) documentation of that portion of its growth attributable to interest credited on liabilities and that portion of its growth attributable to funding of legally binding commitments existing as of March 9, 1989. Such report shall be due on the 20th day following the end of each calendar quarter.

Definitions

32. All technical words or terms used in this Order for which meanings are not specified in or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as specified in Title 12 of the Code of Federal Regulations ("C.F.R."), and any such technical words or terms

used in this Order and undefined in said C.F.R. shall have meanings in accord with the best custom and usage in the savings and loan industry.

OFFICE OF THRIFT SUPERVISION

/s/
Rosemary Stewart
Director of Enforcement and
Secretary, Enforcement Review
Committee