

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 30th day of September, 1991, by and between Grand Bank for Savings, FSB, Leakesville, Mississippi (OTS No. 7547) ("Institution"), and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), §§ 902 and 907, 103 Stat. 183 (1989) (codified as amended at 12 U.S.C. §§ 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. §§ 563.161(a), 563.233(b), 563.176(e), 564.8(c)(3), 571.19(b), and 563.170(c)(1)(iv) (1991), thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with 12 C.F.R. §§ 563.161(a), 563.233(b), 563.176(e), 564.8(c)(3), 571.19(b), and 563.170(c)(1)(iv) (1991), as of May 28, 1991, so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

Business Plan

1. (a) Within 30 days of the effective date of this Agreement, the Board of Directors shall update the Institution's business plan ("Plan") to incorporate the current operating strategy, any new product lines anticipated, and investment limitations and the resulting impact on operations, capital, interest-rate risk, liquidity, and liability growth.
- (b) The Board of Directors shall adopt procedures for monitoring the Plan, including the designation of a senior officer who will be responsible for providing monitoring reports to the Board of Directors, reporting variances to the Board of Directors on a quarterly basis, and making modifications to the Plan as deemed appropriate.
- (c) Within 10 days after the Board of Directors updates the Plan, the Plan shall be submitted to the Regional Deputy Director of the Dallas Area Office or his successor designee ("Regional Deputy Director") for review and notice of no supervisory objection. The Board of Directors shall provide to the Regional Deputy Director quarterly reports detailing the progress made towards achieving the goals stated in the Plan.

Loan Underwriting Policy

2. (a) Within 60 days of the effective date of this Agreement, the Board of Directors shall revise its lending underwriting policy for all types of loans, including, but not limited to, mortgage and consumer loans to address the following items:
  - (i) The Institution's geographic market area;
  - (ii) The composition of the loan portfolio by loan type;
  - (iii) The requirements with respect to borrowers' qualifications for each loan type, maximum loan maturities, and loan processing;
  - (iv) Maximum loan maturities for each loan type;
  - (v) The requirements for loan processing for each loan type;
  - (vi) Loans-to-one-borrower limitations; and
  - (vii) Verification of borrowers' income, documentation of borrowers' ability to repay, and income-to-debt ratios.
- (b) The loan underwriting policy shall require, at a minimum, that prior to making, purchasing, refinancing, extending, or otherwise modifying (or committing to do so) any loan, letter of credit, or other extension of credit, the Institution must have obtained, as appropriate, each of the items listed at 12 C.F.R. § 563.170(c), including, but not limited to, appraisals required by 12 C.F.R. § 563.170(c)(1)(iv).

Internal Asset Classifications and Valuation Allowance

3. (a) Within 60 days of the effective date of this Agreement, the Board of Directors shall revise its asset classification policy to eliminate inapplicable provisions and to require the submission of quarterly reports to the Board of Directors regarding the status of classified assets in accordance with Thrift Bulletin No. 3. The review of the classified assets by the Board of Directors shall be reflected in the minutes of the Board of Directors' meetings.
  - (b) The internal loan review and asset classification policies shall comply with 12 C.F.R. §§ 561.13, 561.47, 561.48, 563.160, 563.172, and 571.26, and Thrift Bulletin No. 3.
4. Within 60 days of the effective date of this Agreement, the Board of Directors shall revise its general valuation allowance policy to set forth the methodology to determine the adequacy of the general valuation allowances in accordance with 12 C.F.R. §§ 563.160 and 571.26.

Interest-Rate Risk Policy

5. The Board of Directors shall require the submission of reports on a quarterly basis to monitor the gap position of the Institution and its exposure to increasing or decreasing interest rates. The Board of

Directors shall review such reports and make such adjustments as it considers necessary and appropriate to the Institution's interest-rate risk management policy as required by 12 C.F.R. § 563.176(e) and Thrift Bulletin No. 13.

#### Investment Policy

6. Within 60 days of the effective date of this Agreement, the Board of Directors shall adopt an investment policy that is in accordance with 12 C.F.R. § 571.19(b) and Section 220 of the Thrift Activities Handbook.

#### Policies and Procedures

7. The Policies Committee shall review the Institution's operations at least semi-annually to assess the Institution's compliance with the established written policies and procedures, and to determine what modifications, if any, to those policies and procedures are necessary.

#### Thrift Financial Reports

8. Within 60 days of the effective date of this Agreement, the Board of Directors shall develop policies and procedures designed to ensure the accuracy of Thrift Financial Reports submitted by the Institution.

#### Review of Appraiser

9. (a) The Institution shall comply with 12 C.F.R. § 563.170(c)(1)(iv) and Part 564.  
  
(b) The Board of Directors shall review the performance of approved appraisers on an annual basis.

#### General Provisions

10. The Board of Directors shall submit to the Regional Deputy Director a resolution signed by each director, certifying that, to the best of his or her knowledge and belief, and based on a prudent review, during the previous calendar month, the Institution complied with each condition of this Agreement. This resolution shall set forth any exceptions to any conditions of this Agreement that were approved by the Regional Deputy Director. Within 15 days after each Board of Directors' meeting, the Institution shall submit to the Regional Deputy Director a copy of the minutes of each Board of Directors' meeting and the minutes of Board of Directors' committee(s) meetings, the aforementioned resolution, and any management report of the Institution.
11. (a) As used in this Agreement, the Regional Deputy Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d), 103 Stat. 183 (1989).  
  
(b) As used in this Agreement, the term "affiliate" shall be as defined in 12 U.S.C. § 371c(b).

(c) Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the effective date of this Agreement pursuant to Section 401(h) of the FIRREA, § 401(h), 103 Stat. 183 (1989), and references to successor provisions as they become applicable.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, and Federal Deposit Insurance Act, as amended ("FDIA"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Regional Deputy Director.

IN WITNESS WHEREOF, the OTS, acting through the Regional Deputy Director, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

**GRAND BANK FOR SAVINGS, FSB  
LEAKESVILLE, MISSISSIPPI**

By:           / S /          

Director JAMES DAVID HUFF

          / S /            
Director FRED HIGHT

          / S /            
Director BILL ROGERS

          / S /            
Director C. E. ROGERS

          / S /            
Director EDWARD J. LANGTON

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**OFFICE OF THRIFT SUPERVISION**

By:           / S /            
Regional Deputy Director

