

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 21st day of July, 1992, by and between The Federal Savings Bank of Evangeline Parish, Ville Platte, Louisiana (OTS No. 7606) ("Institution") for itself and any wholly-owned or partly-owned subsidiary, 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), 12 U.S.C. §§ 1818(b)(1) and (1)(2) (1988 & Supp. I 1989).

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. §§ 563.43, 563.160, 563.170, and 563.190, and has engaged in unsafe or unsound practices in conducting the business of the institution, 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. §§ 563.43, 563.160, 563.170, and 563.190, as of March 31, 1992, and its unsafe or unsound practices as set forth in the Institution's examination report dated March 31, 1992, 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:

Approval of Executive Officers and Directors

1. Pursuant to § 32 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1831(i) (Supp. I 1989), and any regulations promulgated thereunder, the Board of Directors shall notify the Regional Deputy Director of the proposed addition or employment of any director or senior executive officer or transfer of any senior executive officer before such addition, employment, or transfer becomes effective. The Board of Directors may not add or employ any director or senior executive officer or transfer laterally any senior executive officer if the Regional Deputy Director issues a notice of disapproval before the end of 30 days from the date on which the notice was deemed complete by the Regional Deputy Director, beginning on the date the Regional Deputy Director receives notice of the proposed addition or employment.

Operating Restrictions

2. Without prior written approval of the Regional Deputy Director for the Midwest Region of the OTS, or his successor or designee ("Regional Deputy Director"), the Institution shall not, and shall not allow any subsidiary or affiliate of the Institution to:
- (a) declare or pay cash or stock dividends on common or preferred stock, or interest payments on debt instruments, or any other capital distribution pursuant to OTS rules and regulations on capital distribution; or
 - (b) increase cash or stock dividends on preferred stock.

Business Plan

3. (a) By September 30, 1992, the Board of Directors shall prepare and submit to the Regional Deputy Director for review and comment a detailed written three-year business plan ("Business Plan") which will include, but not be limited to: (a) types and levels of activities to be engaged in by the Institution; (b) targets by which the performance of management can be evaluated on at least a quarterly basis; and (c) pro forma financial statements by which to monitor the progress and overall performance of the business of the Institution. Procedures also shall be established to monitor the Institution's actual results against the projections in the Business Plan, and to provide for appropriate adjustments to the Business Plan.
- (b) The Institution shall provide the Regional Deputy Director with quarterly progress reports comparing actual performance to the projections and goals set forth in the Business Plan, detailing any variances from the Business Plan and providing for appropriate adjustments to the Business Plan.
- (c) The Institution shall update the Business Plan on a quarterly basis and submit to the Regional Deputy Director, for review and comment, the updated Business Plan by the thirtieth (30th) day after the end of each quarter.

Lending Policy

4. Within thirty (30) days of the effective date of this Agreement, the Institution shall submit to the Regional Deputy Director for review and approval, a revised written lending policy ("Policy"). The Policy shall include, but not be limited to: (i) an outline of the Institution's present loan portfolio composition; (ii) clearly formulated future investment objectives and plans for future portfolio goals and composition; (iii) identification of a market area; (iv) criteria for establishing the terms of different types of loans; (v) documentation requirements; (vi) underwriting requirements; and (vii) delineation of lines of authority to ensure adequate controls and checks and balances in the execution of the Policy. The Institution shall amend this Policy as requested by the Regional Deputy Director, and shall comply with this Policy as so amended.

the Institution shall not implement or deviate from its Policy without the prior written approval or direction of the Regional Deputy Director.

Asset Review and Classification

5. (a) Within thirty (30) days of the effective date of the Agreement, the Institution shall adopt and implement a revised internal asset review system. The system shall provide for the periodic review of the Institution's assets and the identification and rating of classified assets in accordance with the classification standards set forth in 12 C.F.R. §§ 563.160 and 571.26, and shall address the deficiencies noted in the March 31, 1992 Report of Examination.
- (b) The Institution shall subsequently review its assets in accordance with the procedures established pursuant to Paragraph 5(a) of this Agreement and appropriate assets shall be classified in accordance with 12 C.F.R. §§ 563.160 and 571.26. A written report of the results of such reviews shall be reported to the Board of Directors on a quarterly basis and to the Regional Deputy Director by the fifteenth (25th) day after the end of each quarter. Based on the asset reviews, the Institution shall also establish all general and specific allowances as provided for in 12 C.F.R. § 563.160. Adequate documentation shall be maintained in the Institution's files indicating the factors considered and conclusions reached in determining the particular classifications and the adequacy of the allowances established.

Reduction of Classified Assets

6. (a) The Institution shall take immediate steps and continuing action to protect its interest with regard to classified assets.
- (b) Within thirty (30) days of the effective date of this Agreement, the Board of Directors shall re-submit to the Regional Deputy Director for review, its written plan designed to eliminate the basis of criticism of assets classified in the Report of Examination as of March 31, 1992, as "doubtful", "substandard", or "special mention", and classified by the Institution's internal loan review system as required by Paragraph 5(a) of this Agreement ("Plan"). This Plan shall include, at a minimum:
- (i) an identification of the expected source(s) of repayment;
 - (ii) the appraised value of supporting collateral and the position of the Institution's lien on such collateral, where applicable;
 - (iii) fair value and net realizable value calculations, where applicable;
 - (iv) analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and

- (v) the proposed action to eliminate the basis of the classification and the time frame for its accomplishment.
- (c) The Asset Classification Committee shall be comprised of a minimum of three members of the Board of Directors and said committee shall conduct a review of the Institution's assets, on at least a quarterly basis to determine:
 - (i) the status of each classified asset;
 - (ii) management's compliance with the Plan adopted pursuant to this Paragraph;
 - (iii) the status and effectiveness of the Plan; and
 - (iv) the need to revise the Plan or take alternative action.
- (d) A copy of each review prepared pursuant to subparagraph (c) hereof shall be forwarded to the Regional Deputy Director on a quarterly basis.

Troubled Debt Restructuring

- 7. (a) Within thirty (30) days of the effective date of this Agreement, the Institution shall develop and submit to the Regional Deputy Director, for review and no supervisory objection, policies and procedures addressing troubled debt restructuring in compliance with 12 C.F.R. §§ 563.234 and 571.18.
- (b) The Institution shall amend said policies and procedures described in Paragraph 7(a) as directed by the Regional Deputy Director and shall comply with said policies and procedures as amended.
- (c) The Institution shall maintain a copy of the policies and procedures described in Paragraph 7(a) in the Institution's files and shall make said documentation available to the OTS upon request.
- (d) The Institution shall properly account for troubled debt restructuring in accordance with generally accepted accounting principles and shall accurately report restructured loans in all monthly and quarterly Thrift Financial Reports in compliance with 12 C.F.R. §§ 563.234(b) and 571.18.

Non-Amortizing Loans

- 8. (a) Within thirty (30) days of the effective date of this Agreement, the Institution shall develop and submit to the Regional Deputy Director, for review and no supervisory objection, detailed policies and procedures governing non-amortizing loans in accordance with 12 C.F.R. §§ 545.33(c), 545.35(b) and 545.42.

- (b) The Institution shall amend such policies and procedures described in Paragraph 8(a) as directed by the Regional Deputy Director and shall comply with such policies and procedures as amended.
- (c) The Institution shall maintain a copy of the policies and procedures described in Paragraph 8(a) in the Institution's files and shall make such documentation available to the OTS upon request.

Loan Underwriting Committee

- 9. (a) Within thirty (30) days of the effective date of this Agreement, the Board of Directors shall appoint a Loan Underwriting Committee ("Committee") which shall consist of three (3) directors. The Committee shall, among other things, (i) review all existing loan files for document deficiencies and obtain missing information, (ii) review all new loans above \$5,000 in amount prior to final approval to determine whether the loan documentation is in compliance with 12 C.F.R. § 563.170 with the exception of the final mortgage note and final title opinion which shall be reviewed subsequent to the closing of any such loans, and (iii) provide documentation exception reports to the Board of Directors on a monthly basis.
- (b) On a monthly basis, the members of the Committee shall certify in writing that, to the best of their knowledge and belief, the loan file documentation indicates that all loans granted during that month comply with applicable regulations and the terms of this Agreement. Such certification shall be maintained in the loan file and shall be made available to the OTS upon request.

Underwriting

- 10. (a) Prior to making or purchasing (or committing to make or purchase) any loan not secured by real estate, the Institution's records must include the documents required by 12 C.F.R. § 563.170, including documentation of a review made of the borrower's financial status to determine the borrower's ability to repay the debt.
- (b) The Institution shall retain on file, all loan documentation, including "paid-out" files for a period of at least five (5) years.

Appraisals

- 11. The Institution and its subsidiaries shall obtain within a reasonable period of time an appraisal, in compliance with 12 C.F.R. § 563.172(a) and Part 564, of each parcel of real property owned by the Institution, for which the Institution does not have an appraisal on file. As required by 12 C.F.R. § 563.172(c), the Institution shall, upon a directive of the Regional Deputy Director, adjust the book value of any asset of the

Institution or its subsidiaries pursuant to appraisals completed in accordance with this Paragraph.

Affiliated Persons Transactions and Conflicts of Interest

12. The Institution or its subsidiaries shall not, either directly or indirectly, engage in any transaction with an insider or affiliate of the Institution, except in strict compliance with the provisions of Section 11 of the Home Owners' Loan Act ("HOLA"), as amended by Section 306 of the Federal Deposit Insurance Corporation Improvement Act ("FDICIA"), 12 U.S.C. 1468, and regulations adopted hereunder; 12 C.F.R. §§ 563.40-43; subsections (g) and (h) of Section 22 of the Federal Reserve Act ("FRA"), 12 U.S.C. §§ 375a and 375b; and implementing regulations, applicable sections of 12 C.F.R. Part 215, including amendments set forth in 57 Fed. Reg. 21199-21207 (May 19, 1992); and Sections 23A and 23B of the FRA, 12 U.S.C. §§ 371c and 371c-1.
13. The Board of Directors shall review and familiarize themselves with Section 11 of the Home Owners' Loan Act, as amended by Section 306 of FDICIA, 12 U.S.C. § 1468 and regulations adopted thereunder; 12 C.F.R. §§ 563.40-43, 571.7 and 571.9; subsections (g) and (h) of Section 22 of the Federal Reserve Act ("FRA"), 12 U.S.C. §§ 375a and 375b; and its implementing regulations, applicable sections of 12 C.F.R. Part 215, including amendments set forth in 57 Fed. Reg. 21199-21207 (May 19, 1992), and Sections 23A and 23B of the FRA, 12 U.S.C. §§ 371c and 371c-1. Within forty-five (45) days of the effective date of this Agreement, the Institution and the Board of Directors shall submit to the Regional Deputy Director for review and notice of no supervisory objection, director, responsibilities, business ethics, and conflicts of interest guidelines for the Institution that are compatible with the aforementioned regulations. The Institution shall continue to review its Policies and guidelines to ensure that they are applicable to all regulations.

Regulatory Compliance Committee

14. Within thirty (30) days of the effective date of this Agreement, the Board of Directors shall establish a Regulatory Compliance Committee, which shall consist of three (3) directors, and which shall be responsible for overseeing compliance with applicable laws, rules, regulations, and this Agreement and with overseeing corrective measures to remedy the deficiencies of the Institution as described in the March 31, 1992 Report of Examination.

Employee Training Committee

15. Within thirty (30) days of the effective date of this Agreement, the Board of Directors shall establish an Employee Training Committee, which shall consist of a minimum of three (3) directors and one (1) non-director employee, and shall be responsible for ensuring that adequate, appropriate, and ongoing training is conducted with respect to the duties and responsibilities of the Institution's employees.

Fidelity Bond Insurance

16. (a) The Board of Directors shall use its best efforts to obtain and maintain fidelity bond coverage for each director, officer, employee, and agent who has control over or access to cash, securities, or other property of the Institution consistent with considerations of safety and soundness and in accordance with 12 C.F.R. § 563.190. Beginning August 1, 1992, and quarterly thereafter, the Institution shall prepare a report setting forth efforts and progress in obtaining fidelity bond coverage. Said report shall be maintained in the Institution's files and shall be made available to the OTS upon request.
- (b) The Board of Directors shall assess the continuing adequacy of the Institution's fidelity bond coverage at least annually.

Termination of Supervisory Agreement

17. Upon the effective date of this Agreement, the OTS, acting through its Regional Deputy Director, terminates the Supervisory Agreement between the Institution and the Office of Thrift Supervision, dated August 21, 1990.

General Provisions

18. 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 and its subsidiaries 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 maintain in the Institution's files, a copy of the minutes of each Board of Directors' meeting, the minutes of any board of directors meeting of any subsidiary, and the minutes of Board of Directors' committee(s) meetings, the aforementioned resolution, and any management report of the Institution. Said documentation shall be made available to the OTS upon request.
19. (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 "subsidiary" or "subsidiaries" shall be as defined in 12 C.F.R. § 567.1(dd).
- (c) As used in this Agreement, the term "savings association" shall have the meaning as set forth in Section 2(4) of the HOLA, 12 U.S.C. § 1462(4) (Supp. I 1989).
- (d) As used in this Agreement, the term "affiliate" shall be as defined in 12 U.S.C. § 371c(b).
- (e) 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 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 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.

THE FEDERAL SAVINGS BANK OF
EVANGELINE PARISH
VILLE PLATTE, LOUISIANA

By: /

Director

Director

Director

Director

Director

Director

Director

Director

Director

Director

Director

Director

OFFICE OF THRIFT SUPERVISION

By:

Interim Regional Director

**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly qualified Secretary of The Federal Savings Bank of Evangeline Parish, Ville Platte, Louisiana (OTS No. 7606) ("Institution") hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting duly called and held on July 21, 1992; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect;

RESOLUTION

WHEREAS the directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and has engaged in unsafe and unsound practices and that such violations and practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS the said directors have been informed that the OTS will forbear from the initiation of such proceedings as a result of the Institution's failure to comply with 12 C.F.R. §§ 563.43, 563.160, 563.170, and 563.190 as of March 31, 1992, to which the Institution is subject, and the Institution's unsafe or unsound practices as set forth in an examination report dated March 31, 1992, if the attached Supervisory Agreement ("Agreement") is executed by the Institution and if its terms are thereafter carried out by the Institution; and

WHEREAS the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the board of directors held on July 21, 1992; and

WHEREAS after due consideration, the directors of the Institution have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation: Now, therefore, be it

RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the board of directors of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of The Federal Savings Bank of Evangeline Parish, Ville Platte, Louisiana, this 21 day of July, 1992.

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Secretary