FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.
and
MISSISSIPPI DEPARTMENT OF BANKING AND CONSUMER FINANCE
JACKSON, MISSISSIPPI

In the Matter of CLEVELAND COMMUNITY BANK, S.S.B. CLEVELAND, MISSISSIPPI (Insured State Nonmember Bank)	ORDER TO CEASE AND DESIST FDIC 07-203b

CLEVELAND COMMUNITY BANK, S.S.B., CLEVELAND, MISSISSIPPI ("Bank"), through its board of directors, having been advised of its right to the issuance and service of a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and Title 81, Chapter 1 of the Mississippi Code, Miss. Code Ann. § 81-1-125, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC") and a representative of the MISSISSIPPI DEPARTMENT OF BANKING AND CONSUMER FINANCE ("State") dated January 22, 2008, whereby, solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the State.

The FDIC and the State considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws and/or regulations. The FDIC and the State, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS ORDERED, that the Bank, institution-affiliated parties of the Bank, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns cease and desist from the following unsafe or unsound banking practices and violations of laws and/or regulations:

(a) Operating the Bank with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

(b) Operating the Bank without adequate supervision and direction by the Bank's board of directors over the management of the Bank to prevent unsafe and unsound banking practices and violations of laws or regulations.

(c) Operating the Bank with an inadequate level of capital protection for the kind and quality of assets held by the Bank.

(d) Operating the Bank with inadequate earnings to fund growth and augment capital.

(e) Operating the Bank with an excessive level of adversely classified assets.

(f) Operating the Bank with an unsupported allowance for loan and lease losses for the volume, kind, and quality of loans and leases held.

(g) Engaging in hazardous lending with ineffective and/or lax collection practices.

(h) Operating the Bank in contravention of sound written loan policies and procedures.

(i) Operating the Bank in violation of applicable Federal and State laws and regulations.

(j) Operating the Bank with inadequate internal review policies or procedures or internal routines and controls.

(k) Operating the Bank with an inadequate audit program.

(l) Operating the Bank without adequate regard for funds management in consideration of the Bank's asset and liability mix.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns take affirmative action as follows:

1. (a) Within 45 days from the effective date of this

ORDER, and within the first 30 days of each calendar year thereafter, the Bank’s board of directors shall develop and fully implement a written profit plan consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank’s other written plans, policies, or other actions as required by this Order. The profit plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. No more than 30 days after the receipt of any comment from the Regional Director or the Commissioner, the Bank’s board of directors shall approve the profit plan, which approval shall be recorded in the minutes of the meeting of the Bank’s board of directors. Thereafter, the Bank, its directors, officers, and employees shall fully implement the profit plan and any subsequently approved modification. The written profit plan shall include, at a minimum:

(i) Identification of the major areas in and means by which the Bank’s board of directors will seek to improve the Bank's operating performance;

(ii) Specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings, as well as maintain adequate provisions to the allowance for loan and lease losses;

(iii) Realistic and comprehensive budgets for all categories of income and expense items;

(iv) A description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(v) Coordination of the Bank's loan, investment, funds management, and operating policies; strategic plan; and allowance for loan and lease loss methodology with the profit and budget planning;

(vi) A budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly; recording the results of the evaluation and any actions taken by the Bank in the minutes of the Bank's board of directors meeting at which such evaluation is undertaken; and

(vii) Individual(s) responsible for implementing each of the goals and strategies of the Profit Plan.

2. (a) The Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an adequate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to 8 percent of total assets;

(ii) Tier 1 risk-based capital at least equal to 14 percent of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to 15 percent of total risk-weighted assets.

(b) In addition, the Bank shall immediately establish by transfer from retained earnings a subaccount entitled “Reserve for Contingencies” in an amount equal to the shortfall between the estimated withdrawal liability of the Bank’s pension plan and the final market value of the pension plan’s assets (“Pension Plan Contingent Liability Account”). The minimum capital levels required by Paragraph 2(a) shall be net of the Pension Plan Contingent Liability Account. Unless the Regional Director of the FDIC’s Dallas Region (“Regional Director”) and the State Commissioner (“Commissioner”) require more frequent calculations, the Bank shall recalculate the Pension Plan Contingent Liability Account annually, concurrent with the Bank’s receipt of actuarial calculations of the estimated withdrawal liability of the Bank’s pension plan and the final market value of the pension plan’s assets.

(c) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(d) In the event any capital ratio falls below the established minimum, the Bank shall notify the Regional Director and the Commissioner, and shall increase the capital ratio to an amount of not less than 8 percent within 30 days.

3. (a) Within 45 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the July 30, 2007 Report of Examination (“Report of Examination”) that have not been previously collected or charged off.

(b) Additionally, as long as this ORDER remains in effect, within 30 days after the receipt of any future report of examination or visitation report of the Bank from the FDIC and/or the State, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the report of examination or visitation report that have not been previously collected or charged off.

(c) Elimination or reduction of assets through proceeds of other loans made by the Bank is not considered collection for purposes of this provision.

4. (a) Within 45 days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the Bank’s risk exposure in each asset in excess of $50,000 that was classified “Substandard” or “Doubtful” in the Report of Examination. For purposes of this provision, “reduce” means to collect, charge off, or improve the quality of an asset so as to

warrant its removal from adverse classification by the FDIC and the State. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank’s collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(i) A schedule for reducing the outstanding dollar amount of each adversely classified asset, including time frames for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) Specific action plans intended to reduce the Bank’s risk exposure in each classified asset;

(iii) A schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank’s projected Tier 1 capital plus the allowance for loan and lease losses;

(iv) A provision for the Bank’s submission of monthly written progress reports to its board of directors; and

(v) A provision mandating board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Bank's board of directors.

(c) The plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" in the Report of Examination in accordance with the following schedule. For purposes of this paragraph, "number of days" means number of days from the effective date of this ORDER.

(i) Within 60 days, to not more than $2,100,000.

(ii) Within 105 days, to not more than $1,800,000.

(iii) Within 150 days, to not more than $1,500,000.

(iv) Within 210 days, to not more than $1,250,000.

(d) Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets. The plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

(e) The Bank shall immediately submit the plan to the

Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the Bank’s board of directors. Thereafter, the Bank shall implement and fully comply with the plan.

5. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or classified "Loss" and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) The provisions of this paragraph shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank.

(c) Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Bank's board of directors, or a designated committee thereof, who shall certify, in writing:

(i) Why failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;

(ii) That the extension of such credit would improve the Bank's position, including an explanatory statement of how the Bank’s position would improve;

(iii) An appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and

(iv) The signed certification shall be made a part of the minutes of the meeting of the Bank’s board of directors, or designated committee, with a copy retained in the borrower's credit file.

6. (a) While this ORDER is in effect, the Bank shall not make any further extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified "Substandard" or "Doubtful" by the FDIC and/or the State without prior approval by the Bank's board of directors. The Bank’s board of directors shall not approve the proposed extension without first making affirmative determinations that:

(i) The extension of credit is in full compliance with the Bank's loan policy;

(ii) The extension of credit is necessary to protect the Bank's interests, or is adequately secured;

(iii) The Bank found the primary and secondary obligors to be creditworthy based on a credit analysis; and

(iv) All necessary loan documentation is on file, including, at a minimum, current financial and cash flow information, and satisfactory appraisal, title, and lien documents.

(b) The affirmative determination shall be recorded in the minutes of the meeting of the Bank's board of directors, with a copy retained in the borrower's credit file.

7. (a) Within 45 days from the effective date of this ORDER, the Bank shall formulate a written plan for the reduction and collection of delinquent loans. For purposes of this provision, "reduce" means to charge-off or collect. The plan shall include, but not be limited to, provisions which:

(i) Prohibit the extension of credit for the payment of interest or fees;

(ii) Delineate responsibilities for implementing and monitoring the Bank's collection policies;

(iii) Establish specific collection actions and procedures to be instituted at various stages of a borrower's delinquency;

(iv) Establish specific dollar levels to which the total dollar volume of delinquencies will be reduced and the projected time frames for achieving the projected reduction; and

(v) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in the minutes of the meetings of the Bank's board of directors.

(b) The Bank shall immediately submit the plan to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the Bank's board of directors meeting. Thereafter, the Bank shall implement and fully comply with the plan.

8. (a) Within 45 days from the effective date of this ORDER, the Bank shall correct the exceptions listed on the "Assets with Credit Data or Collateral Documentation Exceptions" pages of the Report of Examination. All attempts to correct exceptions shall be documented in the borrowers' credit files. In all future operations, the Bank shall ensure that all necessary supporting documentation is obtained and evaluated before any credit or loan is extended by the Bank.

(b) Progress reports detailing each outstanding exception and the Bank's plan for corrective action shall be submitted to the Bank's board of directors for review during each regularly scheduled meeting. The review shall be noted in the minutes of the meeting of the Bank's board of directors.

9. Beginning with the effective date of this ORDER, the

Bank shall not extend credit, directly or indirectly, for the purpose of eliminating an overdraft.

10. (a) Within 45 days from the effective date of this ORDER, the Bank shall appoint a loan committee, which shall meet as frequently as necessary to carry out the responsibilities assigned to the committee, but in no event less frequently than once a month. The loan committee shall include all directors and be comprised of a majority of directors who are "independent." An independent director shall be any individual who:

(i) Is not employed in any capacity by the Bank, any subsidiary, or any of its affiliated organizations, other than as a director;

(ii) Does not have the right to vote more than 50 votes as a member of the Bank;

(iii) Is not related by blood or marriage to an officer or director of the Bank or its affiliates, or to any member having the right to vote more than 50 votes as a member of the Bank, and who does not otherwise share a common financial interest with such officer, director or shareholder;

(iv) Is not indebted, directly or indirectly, to the Bank or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 5 percent of the

Bank’s total Tier 1 capital and allowance for loan and lease losses; and

(v) Is a resident of, or engaged in business in, the Bank’s trade area; or is otherwise deemed to be an independent director for purposes of this ORDER by the Regional Director and the Commissioner.

(b) The loan committee shall, at a minimum, perform the following functions:

(i) Evaluate and act upon requests for loans or other extensions of credit, and assess the administration of outstanding loans or other extensions of credit in accordance with the Bank’s loan policy, as amended to comply with this ORDER;

(ii) Provide a thorough, written explanation of any deviations from the loan policy, which shall:

a) Address how such exceptions are in the Bank’s best interest;

b) Be included in the minutes of the corresponding committee meeting; and

c) Be maintained in the borrower’s credit file.

(iii) Review and monitor the status of repayment and collection of overdue and maturing loans, all loans classified “Substandard” or “Doubtful” in the Report of

Examination, and all loans included on the Bank’s internal watch list;

(iv) Review and give prior written approval for all advances, renewals, extensions of credit, or overdrafts to any borrower or the borrower’s related interests when the aggregate volume of credit extended to the borrower and its “related interests,” as such term is defined in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System (12 C.F.R. § 215.2(n)), exceeds $5,000;

(v) Review all applications for new loans and renewals of existing loans to Bank directors, executive officers, and their related interests, prepare a written opinion as to whether the credit is in conformance with the Bank’s loan and conflicts of interest or ethics policies, as well as all applicable laws and regulations, and refer each application and written opinion to the Bank’s board of directors for consideration;

(vi) Maintain written minutes of the committee meetings, including a record of the review and status of the loans considered.

(c) All loan committee minutes shall be reviewed by the Bank’s board of directors during the next scheduled meeting.

11. (a) Within 45 days of the effective date of this ORDER, the Bank’s board of directors shall develop a program of

independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the system shall provide for:

(i) Prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) Action plans to reduce the Bank’s risk exposure from each identified relationship;

(iii) Prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(iv) Identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank’s risk exposure;

(v) Assessment of the overall quality of the loan portfolio;

(vi) Identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(vii) Identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(viii) Identification of loans that are not in conformance with the Bank's lending policy and an action plan to address the identified deficiencies;

(ix) Identification of loans to directors, officers, principal shareholders, and their related interests;

(x) An assessment of the ability of individual members of the lending staff to operate within the framework of the Bank’s loan policy and applicable laws, rules, and regulations; and an action plan to address the identified deficiencies; and

(xi) A mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (x) above to the Bank’s board of directors. The report should also describe the action(s) taken by management with respect to problem credits.

(b) The Bank shall submit the program to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the Bank's board of directors meeting. Thereafter, the Bank shall implement and fully comply with the program.

(c) Upon implementation, a copy of each report shall be submitted to the Bank's board of directors, as well as documentation of the actions taken by the Bank or recommendations to the Bank's board of directors that address identified deficiencies in specific loan relationships or the Bank's policies, procedures, strategies, or other elements of the Bank's lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the Bank's board of directors.

12. (a) Within 45 days from the effective date of this ORDER, and annually thereafter, the Bank's board of directors shall review the Bank's loan policies and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policies and procedures necessary to strengthen the Bank's asset quality and lending functions and to prevent further deterioration. As required by this paragraph, the Bank's loan policies shall be enhanced to include, at a minimum,

provisions that:

(i) Identify the general fields of lending in which the Bank will engage, the types and kinds of loans and collateral considered desirable, and the types and kinds of loans and collateral considered undesirable;

(ii) Require a determination that loan officers have the necessary expertise to make, monitor, and service the types and kinds of loans that will be assigned to them, and that appropriate supervision by a qualified loan officer will be provided if the assigned loan officer does not possess the necessary expertise;

(iii) Establish lending limits for each officer, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Bank’s loan committee;

(iv) Establish lending limits for the Bank’s loan committee, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Bank’s board of directors;

(v) Require prior written approval by the Bank’s board of directors for any extension of credit, renewal, or disbursement in an amount which, when aggregated with all other extensions of credit to that person and its “related interests,” as such term is defined in section 215.2(n) of

Regulation O of the Board of Governors of the Federal Reserve System (12 C.F.R. § 215.2(n)), exceeds $5,000;

(vi) Establish review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures, and that the directorate is receiving timely and fully documented reports on loan activity, including reports that identify deviations from established policy and the loan officers responsible for the deviations;

(vii) Designate the Bank's normal trade area;

(viii) Establish limitations on the maximum volume of loans in relation to total assets;

(ix) Require that for all extensions of credit originated or renewed by the Bank, including loans purchased from a third party (loan participations):

a) Have a clearly defined and stated purpose;

b) Have a predetermined and realistic repayment source and schedule, including secondary source of repayment;

c) Are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and

d) Are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which information shall be maintained throughout the term of the loan; and are otherwise in conformance with the Bank’s lending policies and procedures.

(x) Establish standards for extending unsecured credit;

(xi) Incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that collateral valuations be performed on a periodic basis over the term of the loan;

(xii) Require that extensions of credit to any of the Bank’s executive officers, directors, or principal shareholders, or to any related interest of such person, be reviewed for compliance with all provisions of Regulation O and Part 337 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 337;

(xiii) Require accurate reporting of past due loans to the Bank’s board of directors at least monthly;

(xiv) Establish standards for collection efforts for past due loans;

(xv) Establish guidelines for timely recognition of loss through charge-off;

(xvi) Require a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;

(xvii) Prohibit the capitalization of interest or loan-related expenses unless the Bank's board of directors provides, in writing, a detailed explanation of why said deviation is in the best interest of the Bank;

(xviii) Establish limitations on the maximum amount of an overdraft to be paid without the prior written approval of the Bank's loan committee, and impose appropriate limitations on the use of the Cash Items account;

(xix) Address concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;

(xx) Require strict guidelines for out-of-territory loans which, at a minimum, include an aggregate limitation on such loans, require complete credit documentation, and require approval by a majority of the Bank's board of directors prior to disbursement of funds, including a written explanation of why such loans are in the best interest of the Bank;

(xxi) Require that collateral appraisals be completed prior to making secured extensions of credit, and define the circumstances and time frames under which subsequent collateral valuations will be performed;

(xxii) Establish review and monitoring procedures for compliance with the FDIC’s appraisal regulation, 12 C.F.R. Part 323;

(xxiii) Require strict guidelines governing the purchase or acquisition of indirect indebtedness or dealer paper including, but not limited to, automobile dealer paper. At a minimum, the guidelines shall:

a) Establish minimum standards for the quality of dealer paper or indirect indebtedness that will be purchased by the Bank;

b) Establish a maximum dollar limitation on the amount of indirect indebtedness or dealer paper that can be acquired by the Bank from any one dealer, from any one geographic location, and from any one industry;

c) Require, on a quarterly basis, the acquisition and analysis of current financial information on each dealer;

d) Require maintenance of adequate dealer reserves and establishment of procedures for charging delinquent loans back to the dealer’s reserve; and

e) With respect to indirect indebtedness or dealer paper, require conformance to the Bank's underwriting criteria for a loan made directly by the Bank; require maintenance of current and complete credit information on the borrower; require that promissory notes provide for, and the Bank receive, payment directly from the borrower; and require that the promissory notes provide for, and the Bank engage in, direct collection and monitoring of delinquent loans.

(xxiv) Prohibit issuance of standby letters of credit unless the letters of credit are well secured by readily marketable collateral and/or are adequately supported by current and complete financial information;

(xxv) Require the establishment and maintenance of a loan grading system and internal loan watch list;

(xxvi) Require a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;

(xxvii) Require loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" and "Doubtful" in reports of examination; and

(xxviii) Prohibit extending the maturity date, advancing additional credit, or renewing a loan to a borrower whose obligations to the Bank were classified "Substandard" or

“Doubtful,” whether in whole or in part, in reports of examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are adequately supported by current and complete financial information, and the extension or renewal has first been approved in writing by a majority of the Bank’s board of directors.

(b) The Bank shall submit the revised policy to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the policy, with its approval recorded in the minutes of the Bank’s board of directors meeting. Thereafter, the Bank shall implement and fully comply with the policy.

13. (a) Within 45 days from the effective of this ORDER, the Bank’s board of directors shall establish a board committee, consisting of all members of the Bank’s board of directors, responsible for ensuring compliance with this ORDER and overseeing corrective measures with respect to this ORDER. The committee shall monitor compliance with this ORDER and, within 90 days from the effective date of this ORDER, and every 90 days thereafter, shall submit a written report detailing the Bank’s compliance with this ORDER for review and consideration during

the Bank’s regularly scheduled board of directors meeting. The compliance report and any discussion related to the report or ORDER shall be incorporated into the minutes of the meeting of the Bank’s board of directors.

14. (a) Within 45 days from the effective date of this ORDER, the Bank shall have qualified management, including a chief executive officer and an appropriate number and type of senior officers, with the requisite knowledge, skills, ability, and experience, giving consideration to the size and complexity of the Bank, to operate the Bank in a safe and sound manner, and in compliance with applicable laws and regulations, and restore the Bank to a satisfactory financial condition, including, but not limited to, capital adequacy, asset quality, management effectiveness, earnings, liquidity, sensitivity to market risk, information technology, and Bank Secrecy Act/Anti-Money Laundering compliance. Each member of management shall be provided appropriate written authority from the Bank's board of directors to implement the provisions of this ORDER. The Bank’s findings with respect to qualified management and any discussion related to the findings shall be incorporated into the minutes of the meeting of the Bank’s board of directors.

(b) Immediately and periodically during the life of this ORDER, but no less frequently than annually, management shall be assessed on its ability to:

(i) Comply with the requirements of this ORDER; all applicable State and Federal laws and regulations; FDIC and FFIEC policy statements; and the Bank's approved policies and procedures; and

(ii) Restore and thereafter maintain the Bank in a safe and sound condition, including, but not limited to, capital adequacy, asset quality, earnings, management effectiveness, liquidity, sensitivity to market risks, information technology, and Bank Secrecy Act/Anti-Money Laundering compliance.

15. Upon the effective date of this ORDER, the Bank shall reduce directors' fees to a maximum of $350 per meeting and shall pay such fees only for actual attendance at the Bank's board of directors meetings. Subsequent to the effective date of this ORDER, the Bank shall not: (a) increase the amount or frequency of directors' fees; or (b) authorize payment of any other fees to directors for any reason whatsoever, unless such increase or authorization has been approved in writing by the Regional Director and the Commissioner.

16. (a) During the life of this ORDER, the Bank shall notify the Regional Director and the Commissioner in writing of any resignations and/or terminations of any members of its board of directors and/or any of its senior officers within 15 days of the event. The Bank shall also establish procedures to ensure

compliance with section 32 of the FDI Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 303.100 through 303.103. In addition, the Bank shall notify the Regional Director and the Commissioner in writing when it proposes to add any individual to the Bank's board of directors or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individuals to be added or employed.

(b) Pursuant to Part 359 of the FDIC Rules and Regulations, 12 C.F.R. § 359, the Bank shall not make or agree to make any golden parachute payment or prohibited indemnification payment, unless such agreement or payment is first approved in writing by the Regional Director and the Commissioner.

17. During the life of this ORDER, the Bank's board of directors shall take action to ensure that complete and accurate minutes of board and committee meetings are maintained, and the minutes adequately address the areas covered in this ORDER; and that management reports are sufficient to provide the Bank's board of directors with timely and adequate information necessary for making business decisions on the basis of fully informed and meaningful deliberation.

18. Within 45 days from the effective date of this ORDER, the Bank’s board of directors shall increase its participation in the affairs of the Bank, which shall specifically include meeting no less frequently than monthly. The Bank shall establish specific procedures designed to fully inform its board of directors regarding the management, operation, and financial condition of the Bank at regular intervals and in a consistent format. The Bank’s board of directors shall prepare in advance and shall follow a detailed written agenda during each meeting, during which, at a minimum, the following matters shall be reviewed and approved: reports of income and expenses; loan reports, including new, overdue, renewed, extended, restructured, insider, non-accrual, charged-off, and recovered loans; investment activity; asset/liability and funds management reports; operating policies; personnel actions; audit and supervisory reports; and the minutes summarizing individual committee meetings and actions. Participation shall also require the assumption of full responsibility for the approval of sound policies, strategic plans, and budgets for all of the Bank's activities. Board minutes shall be detailed, maintained and recorded on a timely basis and shall document reviews and any related actions, including the names of any dissenting directors. Nothing in this paragraph shall preclude the Bank’s board of directors from considering matters other than those

contained in the agenda.

19. (a) Within 45 days from the effective date of this ORDER, the Bank shall formulate and adopt a comprehensive business/strategic plan covering at least an operating period of three years. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address short-term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms; intermediate goals and projected plans; and long-range goals and projected plans. In addition, the plan shall address, at a minimum:

(i) Strategies for pricing policies and asset/liability management;

(ii) The anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets;

(iii) The dollar volume of total loans, total investment securities, and total deposits;

(iv) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(v) Goals for reducing problem loans;

(vi) Plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions;

(vii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(viii) Formulation of a mission statement and the development of a strategy to carry out that mission.

(c) The Bank shall submit the strategic plan to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank’s board of directors. Thereafter, the Bank shall implement and follow the strategic plan.

(d) The strategic plan required by this ORDER shall be revised and submitted to the Regional Director and the Commissioner for review and comment 30 days after the end of each calendar year for which this ORDER is in effect. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank’s board of directors. Thereafter, the Bank shall implement the revised plan.

(e) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank’s board of directors shall evaluate the Bank’s performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the meeting of the Bank’s board of directors during which such evaluation is undertaken. In the event the Bank’s board of directors determines that the strategic plan should be revised in any manner, the strategic plan shall be revised and submitted to the Regional Director and the Commissioner for review and comment within 30 days after such revisions have been approved by the Bank’s board of directors. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank’s board of directors. Thereafter, the Bank shall implement the revised plan.

20. Within 45 days from the effective date of this ORDER, the Bank shall develop an internal audit program that

establishes procedures to protect the integrity of the Bank's operational and accounting systems. The program shall be in a form and manner acceptable to the Regional Director and the Commissioner and, at a minimum, shall conform to the Interagency Policy Statement on the Internal Audit Function and its Outsourcing and provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records. In addition, the program shall provide for monthly reports of audit findings from the internal auditor directly to the Bank’s board of directors. The minutes of the meetings of the Bank’s board of directors shall reflect consideration of these reports and describe any discussion or action taken as a result thereof. The Bank shall submit the program to the Regional Director and the Commissioner for review and comment. Within 30 days from the receipt of any such comments from the Regional Director and the Commissioner and after due consideration of any recommended changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the meeting of the Bank’s board of directors. The Bank shall thereafter implement and enforce the program.

21. (a) Within 45 days from the effective date of this ORDER, the Bank shall execute an engagement letter for an external opinion audit of its financial statements, internal controls, and operating procedures to be performed by a

qualified, independent public accounting firm acceptable to the Regional Director and the Commissioner. The Bank shall require, as part of its agreement with the accepted firm, that the firm complete the audit within 120 days from the effective date of this ORDER. The accounting firm's initial written report, whether in draft or final form, shall be submitted concurrently to the Regional Director, the Commissioner, and the Bank. Further, the engagement letter, which shall be submitted to the Regional Director and the Commissioner before it is executed, shall include, at a minimum:

(i) A description of the work to be performed under the engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) The responsibilities of the accounting firm;

(iii) An identification of the professional standards covering the work to be performed;

(iv) Identification of the specific procedures to be used when carrying out the work to be performed;

(v) The qualifications of the employees who are to perform the work;

(vi) The time frame for completion of the work;

(vii) Any restrictions on the use of the reported findings; and

(viii) A provision for unrestricted examiner access to work papers.

(c) In addition to other procedures to be conducted, the external opinion audit shall include or determine:

(i) Reconciliation of the financial statements of the Bank;

(ii) Whether the Bank has reconciled all accounts and the date of the most recent reconciliation of each account;

(iii) Whether reconciliations are done in a timely manner based on the risk and volume of activity in each account;

(iv) Whether reconciliations adequately report the dollar amount and the description of any outstanding unreconciled transactions;

(v) The adequacy of the segregation of duties of the personnel preparing the reconciliations;

(vi) The collectibility of any unreconciled debits outstanding in excess of 90 days; and

(vii) Whether the Bank has reasonable written reconciliation procedures for each account.

(d) During the life of this ORDER, the Bank shall forward copies of any external audit reports required by this paragraph, along with the engagement letter, management letter regarding internal control deficiencies, and any Bank response to the Regional Director and the Commissioner within 15 days after the Bank's receipt of such documents.

(e) Within 30 days from the Bank's receipt of the audit report, the Bank shall carry out all recommendations made therein, including any and all financial adjustments to the Bank's books and records. If the Bank believes that complying with a recommendation contained in the audit report would result in a violation of law, would be contrary to best banking practices, or would be harmful to the safety and soundness of the Bank, it may request, in writing, from the Regional Director and the Commissioner either a modification of the recommendation or relief from compliance with the recommendation. Any such request shall be made within 15 days of receipt of the audit report and shall identify such recommendation(s), provide a detailed statement as to why the Bank believes it should not be required to carry out the recommendation(s), and what alternatives the Bank believes may be used in lieu of the recommendation(s) in order to accomplish the same result. The Bank shall carry out the recommendation until such time as it receives in writing from the Regional Director and the Commissioner relief from the recommendation or a modification thereof.

22. (a) Within 45 days from the effective date of this

ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after December 31, 2005, and amend said reports to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a reasonable Allowance for Loan and Lease Losses. Reports filed after the effective date of this ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

(b) Within 45 days from the effective date of this ORDER, the Bank must use Financial Accounting Standards Board Statements Numbers 5 and 114 for determining the Bank's allowance for loan and lease losses reserve adequacy. Provisions for loan losses must be based on the inherent risk in the Bank's loan portfolio. The Bank's board of directors must document with written reasons any decision not to require provisions for loan losses in its board of directors' minutes.

23. Within 60 days from the effective date of this ORDER, the Bank's board of directors shall take all reasonable efforts to correct the internal routine and control deficiencies detailed in the Report of Examination. Deficiencies not corrected because of economical feasibility or other reasons shall be explained in writing and submitted to the Regional Director and the Commissioner for comment. Additionally, policies and procedures shall be established to prevent the

recurrence of any deficiencies noted. The Bank shall submit the policies to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any such comments from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the policies, which approval shall be recorded in the minutes of the meeting of the Bank's board of directors. The Bank shall thereafter implement and enforce the policies.

24. (a) Within 60 days from the effective date of this ORDER, the Bank shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct all violations of laws, rules, and regulations cited in the Report of Examination. In addition, within 60 days from the effective date of this ORDER, the Bank shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules, and regulations.

(b) Within 60 days from the effective date of this ORDER, the Bank shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct all contraventions of policy cited in the Report of Examination. In addition, within 60 days from the effective date of this ORDER, the Bank shall adopt and implement appropriate procedures to ensure future compliance with all applicable policies.

25. From the effective date of this ORDER, the Bank shall

review its liquidity position at least monthly to ensure that the Bank has sufficient liquid assets or sources of liquidity to meet current and anticipated liquidity needs. The results of each monthly analysis shall be made a part of the Bank's board of directors' minutes.

26. Within 30 days from the end of the first quarter following the effective date of this ORDER, and within 30 days from the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken, and the results thereof, to secure compliance with this ORDER.

27. Following the effective date of this ORDER, the Bank shall send to its members a copy or description of this ORDER in conjunction with the Bank's next member communication, which may include monthly deposit account statements ("Statement Stuffers") and/or letters to loan customers. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC Accounting and Securities Disclosure Section, Washington, D.C. 20429, 550 17th Street, N.W, Washington, D. C. 20429 for review at least 20 days prior to dissemination to the Bank's members. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER shall be effective 15 days after its issuance by the FDIC and the State.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successor and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and the State.

Pursuant to delegated authority.

Dated: January 25, 2008.

John S. Allison Commissioner Mississippi Department of Banking and Consumer Finance	M. Anthony Lowe Acting Regional Director Dallas Region Federal Deposit Insurance Corporation