

#2000-94

AGREEMENT BY AND BETWEEN
COMMUNITY NATIONAL BANK OF TENNESSEE
LEXINGTON, TENNESSEE
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

Community National Bank of Tennessee (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination, dated March 6, 2000.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

- (1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. 1818(b)(1).
- (2) This Agreement shall be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. 1818(e)(1) and 12 U.S.C. 1818(i)(2).
- (3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 C.F.R. 5.51(c)(6)(ii). See 12 U.S.C. 1831i.

(4) This Agreement shall be construed to be a "final order" within the meaning of 12 U.S.C. 1818(u).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Memphis Field Office
Comptroller of the Currency
57 Germantown Court, Suite 309
Memphis, Tennessee 38018

with a copy to:

Deputy Comptroller
Southeastern District
Comptroller of the Currency
245 Peachtree Center Avenue, NE
Marquis One Tower, Suite 600
Atlanta, Georgia 30303

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days, the Board shall appoint a Compliance Committee of at least five (5) directors, of which no more than two shall be employees of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

- (2) The Compliance Committee shall meet at least monthly.
- (3) Within fifteen (15) days of the appointment of the Committee and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:
 - (a) actions taken to comply with each Article of this Agreement; and
 - (b) the results of those actions.
- (4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller on a quarterly basis.

ARTICLE III

INFORMATION TECHNOLOGY SYSTEMS DEFICIENCIES

- (1) The Bank shall immediately take all steps necessary to improve the management of the Bank's Information Technology Systems (ITS) activities and correct each deficiency cited in the Report of Examination or any subsequent Report of Examination.
- (2) Within ninety (90) days, the Bank shall implement effective ITS security and operations procedures as described in the Federal Financial Institutions Examination Council's 1996 Information Systems Examination Handbook, and Banking Circular Number 229, dated May 31, 1988.
- (3) Within ninety (90) days, the Bank shall develop an effective and independent internal ITS audit program. At a minimum, the ITS audit program shall be performed by an independent and qualified individual, and include fundamental elements of a sound audit program as described in the Federal Financial Institutions Examination Council's

1996 Information Systems Examination Handbook.

(4) Within ninety (90) days, the Board shall appoint a Security Officer familiar with ITS operations. The Security Officer shall be responsible for reviewing and ensuring appropriate data security of the Bank.

(5) The Board shall provide a quarterly written progress report on each of the requirements of this article to the Assistant Deputy Comptroller.

ARTICLE IV

SERVICE AGREEMENTS WITH OUTSIDE PARTIES

(1) Before entering into a contractual agreement with any party (servicer) which provides services to the Bank including data processing, loan applications processing, account management and management information systems (MIS), the Board shall perform a comprehensive due diligence review of the servicer to assess management capabilities, adequacy of staffing, existence of proper internal controls, comprehensiveness of operating procedures, and adequacy of MIS to fulfill the Bank's needs.

A similar analysis should be performed when selecting an in-house computer system or remaining a serviced institution.

The Board shall also assess the financial strength of the servicer and determine the ongoing viability of the servicer. If the Board's evaluation does not demonstrate that the servicer possesses these attributes, then the Board shall not enter into the agreement.

The Board shall submit to the Assistant Deputy Comptroller a copy of their written evaluation before the execution of a contract with any servicer.

(2) Within one hundred twenty (120) days, the Board shall prepare the

aforementioned written analysis with regard to any servicer with which the Bank has entered into an existing contractual service agreement and submit a copy prior to execution (including fees and terms) to the Assistant Deputy Comptroller.

(3) The Board shall designate a Bank officer to monitor the operations of such servicer(s) and to submit to the Board, at least quarterly, a written appraisal of the servicer's performance in providing services to the Bank, and in maintaining sufficient management, staff, controls, procedures and MIS. The Board shall forward a copy of these appraisals to the Assistant Deputy Comptroller.

(4) In the event that the aforementioned written appraisals demonstrate that such servicer(s) has failed to provide acceptable services to the Bank, or to maintain the necessary management, staff, controls, procedures and MIS, and if such servicer(s) is(are) unable or unwilling to correct these deficiencies, the Board shall terminate the contract between the Bank and servicer(s).

ARTICLE V

EXTERNAL AUDIT

(1) Within ninety (90) days, the Bank shall obtain a proposed engagement letter to retain the services of a qualified and independent Certified Public Accountant to render an opinion on the Bank's December 31, 2000, Statement of Condition (Balance Sheet) and its Income Statement for year 2000 and for each subsequent year-end Statement of Condition and Income Statement during the term of this Agreement.

(2) A copy of the Bank's proposed "Engagement Letter" (including fees and terms) with this independent Certified Public Accountant, and any amendments thereto, shall be submitted to the Assistant Deputy Comptroller for review and veto prior to its

execution. The results of this review shall be communicated to the Bank within thirty (30) days of the Assistant Deputy Comptroller's receipt of the proposal. Failure to exercise veto power shall not constitute an approval or endorsement. If the Assistant Deputy Comptroller exercises his veto power, the Bank shall have an additional ninety (90) days to submit another proposed engagement letter.

ARTICLE VI

CREDIT RISK

(1) Within one hundred twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to monitor the moderate, but increasing level of credit risk in the Bank. The program shall include, but not be limited to:

- (a) procedures to strengthen credit underwriting, particularly in the consumer and commercial loan portfolios;
- (b) procedures to strengthen management of all lending operations, especially credit administration and to maintain an adequate, qualified staff in all lending functional areas; and
- (c) an action plan to monitor controlled loan growth.

(2) The Board shall submit a copy of the program to the Assistant Deputy Comptroller.

(3) At least quarterly, the Board shall prepare a written assessment of the bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VII

LOAN REVIEW

(1) Within sixty (60) days, the Board shall employ a qualified consultant to perform an ongoing asset quality review of the Bank. The consultant shall be utilized until such time as an ongoing internal asset quality review system is developed by the Board, implemented and demonstrated to be effective. Before terminating the consultant's asset quality review services, the Board shall both certify the effectiveness of the internal asset quality review system, and receive prior approval from the Assistant Deputy Comptroller.

(2) Prior to hiring a consultant or entering into any contract with a consultant, the Bank shall submit the proposed terms of employment and the qualifications of the consultant to the Assistant Deputy Comptroller who shall have the power of veto. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed consultant. If the Assistant Deputy Comptroller exercises his veto power, the Bank shall have an additional sixty (60) days to submit another proposed consultant.

(3) Within one hundred twenty (120) days, the Board shall establish an effective, independent and on-going loan review system to review, at least every six months, the Bank's loan and lease portfolios to assure the timely identification and categorization of

problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in the Loan Portfolio Management Booklet of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;
- (d) credit and collateral documentation exceptions;
- (e) the identification and status of credit-related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;
- (g) concentrations of credit;
- (h) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank;
- (i) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies; and
- (j) direct confirmation of the loan portfolios of former President Howard Tignor and other loan officers that he supervised.

ARTICLE VIII

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days, the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) Within ninety (90) days, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (d) shall require a majority of the full Board or the Loan Committee to certify in writing the specific reasons why obtaining and analyzing the information in (d) would be detrimental to the best interests of the Bank.

- (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE IX

INSIDER ACTIVITIES POLICY

(1) Within one hundred twenty (120) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive insider activities policy applicable to the Bank's and the Bank's holding company's directors, principal shareholders, executive officers, affiliates, and employees (Insiders) and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;
- (b) involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;
- (c) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215;
- (d) requirements for arms-length dealing in any transactions by Insiders, or their related organizations, involving the Bank's sale, purchase, or rental of property and services;

- (e) disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Bank; and
 - (f) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank.
- (2) Upon adoption, a copy of this conflict of interest policy shall be forwarded to the Assistant Deputy Comptroller for review.
- (3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.
- (4) Within one hundred twenty (120) days, the Compliance Committee shall conduct a review of the Bank's existing relationships with its and its holding company's directors, executive officers, affiliates, principal shareholders, employees and their related interests for the purpose of identifying relationships not in conformity with the policy. The Board shall ensure that:
- (a) any nonconforming relationships are brought into conformity with the policy within fifteen (15) days; and
 - (b) that within fifteen (15) days the Bank is properly reimbursed for:
 - (i) any excess or improper payments to Insiders and their related interests; and
 - (ii) any excess or improper payments for services provided by Insiders and their related interests.

Thereafter, the Board shall review all proposed transactions, or modifications of existing

relationships,

between the Bank and any of its or its holding company's directors, executive officers, affiliates, principal shareholders, employees and their related interests. Documentation supporting these reviews shall be in writing and preserved in the Bank.

(5) The Bank shall require each executive officer, director and principal shareholder to provide at least annually and in writing, a listing of the preceding parties' respective Related Interests as defined in 12 C.F.R. Part 215. The list of these persons' Related Interests shall be maintained by the Board and any changes to these listings of Related Interests shall be promptly reported to the Board and reflected in the centralized records.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (Allowance) and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the Allowance for Loan and Lease Losses Booklet of the Comptroller's Handbook, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal or external loan review;
- (b) an estimate of inherent loss exposure on each credit in excess of fifty thousand dollars (\$50,000);
- (c) loan loss experience;
- (d) trends of delinquent and nonaccrual loans;

- (e) concentrations of credit in the Bank; and
 - (f) present and prospective economic conditions.
- (2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.
- (3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and approval.
- (4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XI

CONSUMER COMPLIANCE PROGRAM

- (1) Within ninety (90) days, the Bank shall adopt, implement, and thereafter ensure adherence to a written consumer compliance program designed to ensure that the Bank is operating in compliance with all applicable consumer protection laws, rules and regulations. This program shall include, but not be limited to:
- (a) a written description of the duties and responsibilities of the compliance officer;
 - (b) adequate internal controls to ensure compliance with consumer protection laws, rules, and regulations;

- (c) the preparation of a policies and procedures manual covering all consumer protection laws, rules and regulations for use by appropriate Bank personnel in the performance of their duties and responsibilities;
 - (d) annual updates of the written policies and procedures manual to ensure it remains current;
 - (e) an audit program to test for compliance with consumer protection laws, rules and regulations;
 - (f) procedures to ensure that exceptions noted in the audit reports are corrected and responded to by the appropriate Bank personnel;
 - (g) the education and training of all appropriate Bank personnel in the requirements of all federal and state consumer protection laws, rules and regulations; and
 - (h) periodic reporting of the results of the consumer compliance audit to the Board or a committee thereof.
- (2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review.
- (3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.
- (4) Within ninety (90) days, the Board shall appoint a capable officer of the Bank who shall be vested with sufficient authority to monitor and ensure the Bank's compliance with the Bank Secrecy Act, the A Know-Your-Customer@ guidelines, suspicious activity reporting requirements, and the rules and regulations of the Office of

Foreign Assets Control (OFAC). This compliance officer shall report directly to the Board and shall be completely independent of the Bank's management. This officer shall be responsible for the complete and timely filing of Currency Transaction Reports (CTRs), Reports of International Transportation of Currency or Monetary Instruments (CMIRs) and Suspicious Activity Reports (SARs).

(5) The Assistant Deputy Comptroller shall have the power of veto over the appointment of the proposed officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

ARTICLE XII

MANAGEMENT AND BOARD SUPERVISION STUDY

(1) Within one hundred eighty (180) days, the Compliance Committee, or a delegated subcommittee, shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Compliance Committee shall be set forth in a written report to the Board. At a minimum, the report shall contain:

- (a) the identification of present and future management and staffing requirements of each area of the Bank, with particular emphasis given to the lending and compliance areas;
- (b) detailed written job descriptions for all executive officers;
- (c) an evaluation of each officer's qualifications and abilities and a determination of whether each of these individuals possesses the

- experience and other qualifications required to perform present and anticipated duties of his/her officer position;
- (d) recommendations as to whether management or staffing changes should be made, including the need for additions to or deletions from the current management team;
 - (e) objectives by which management's effectiveness will be measured;
 - (f) a training program to address identified weaknesses in the skills and abilities of the Bank's staff and management team;
 - (g) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
 - (h) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers, including the Bank's president and chief executive officer;
 - (i) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;
 - (j) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary responsibilities and other responsibilities under law;
 - (k) recommendations to expand the scope, frequency and sufficiency of information provided to the Board by management;
 - (l) an evaluation of the extent of responsibility of current management and/or the Board for present weaknesses in the Bank's condition; and

- (m) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.
- (2) Within sixty (60) days of completion of this study, the Board shall develop, implement, and thereafter ensure Bank adherence to a written plan, with specific time frames, that will correct any deficiencies which are noted in the study.
- (3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.
- (4) Copies of the Board's written plan and the Compliance Committee study shall be forwarded to the Assistant Deputy Comptroller. The Assistant Deputy Comptroller shall retain the right to determine the adequacy of the report and its compliance with the terms of this Agreement. In the event the written plan, or any portion thereof, is not implemented, the Board shall immediately advise the Assistant Deputy Comptroller, in writing, of specific reasons for deviating from the plan.

ARTICLE XIII

BOARD'S COMMITTEE STRUCTURE

- (1) Within one hundred eighty (180) days, the Compliance Committee shall conduct a review of the Board's committee structure. The review shall include an evaluation of the existing structure and shall include:
 - (a) an analysis of the number of committees and responsibilities assigned to each;
 - (b) the composition of each committee with regard to the number of members

- and the technical expertise required for each committee; and
- (c) specific recommendations to improve the efficiency and responsiveness of each committee.
- (2) Upon completion of the review, a copy of the report shall be forwarded to the Assistant Deputy Comptroller along with a copy of the Board resolution making appropriate adjustments in the committee structure.

ARTICLE XIV

STRATEGIC PLAN

- (1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:
- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
 - (b) an assessment of the Bank's present and future operating environment;
 - (c) the development of strategic goals and objectives to be accomplished over the short and long term;
 - (d) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and

- objectives established in (1)(c) of this Article;
- (e) specific plans for maintenance of adequate capital, including a dividend policy that permits declaration of a dividend only with the prior written approval of the Assistant Deputy Comptroller;
 - (f) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (1)(c) of this Article;
 - (g) a management employment and succession program to promote the retention and continuity of capable management;
 - (h) product line development and market segments that the Bank intends to promote or develop;
 - (i) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
 - (j) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
 - (k) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
 - (l) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and

- (m) systems to monitor the Bank's progress in meeting the plan's goals and objectives.
- (2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and approval.
- (3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE XV

PROFIT PLAN

- (1) Within one hundred twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:
 - (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
 - (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
 - (c) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
 - (d) a description of the operating assumptions that form the basis for major projected income and expense components.
- (2) The budgets and related documents for 2001 shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1) above for each year this

Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE XVI

LIQUIDITY

(1) The Board shall review the Bank's liquidity on a monthly basis. Such reviews shall consider:

- (a) a maturity schedule of certificates of deposit, including large uninsured deposits;
- (b) the volatility of demand deposits including escrow deposits;
- (c) the amount and type of loan commitments and standby letters of credit;
- (d) an analysis of the continuing availability and volatility of present funding sources;
- (e) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans; and
- (f) an analysis of the impact of decreased cash flow from the sale of loans or loan participations.

(2) The Board shall take appropriate action to ensure adequate sources of liquidity in relation to the Bank's needs. Monthly reports shall set forth liquidity requirements and

sources and establish a contingency plan. Copies of these reports shall be forwarded to the Assistant Deputy Comptroller in the Bank's quarterly report to the Assistant Deputy Comptroller.

ARTICLE XVII

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The quarterly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within ninety (90) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE XVIII

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or approval, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller,
has hereunto set his hand on behalf of the Comptroller.

Signed
Paul E. Robertson
Assistant Deputy Comptroller
Memphis Field Office

9-20-00
Date

IN TESTIMONY WHEREOF, the undersigned, as duly elected and acting Board of Directors of the Bank, hereunto set their hands on behalf of the bank.

Steve Dodds - Signed Date - 9/20/00

Randy Helms - Signed Date - 9/20/00

Trommy Holmes - Signed Date - 9/20/00

Gary Jones - Signed Date - 9/20/00

Richard Odle - Signed Date - 9/20/00

Phjillip Renfroe - Signed Date - 9/20/00

Tim Roberts - Signed Date - 9/20/00

Charles White, Jr. - Signed Date - 9/20/00

Billy Max Woods - Signed Date - 9/20/00