

**#2003-78 also Terminates
#2001-13**

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
First National Bank of Wiggins)
Wiggins, Mississippi)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has examined First National Bank of Wiggins, Wiggins, Mississippi (“Bank”), and his findings are contained in the Report of Examination for the examination that commenced on December 2, 2002 (“ROE”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated July 9, 2003, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE AND MONTHLY PROGRESS REPORTING

(1) Within thirty (30) days of the effective date of this Order, the Board shall appoint a Compliance Committee to be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Order. The Compliance Committee shall comprise at least three (3) directors,

a majority of whom shall not be employees of the Bank. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Director.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the appointment of the Compliance Committee and every thirty (30) days thereafter, the Compliance Committee shall submit a written report to the Board setting forth in detail:

- (a) actions taken since the prior report (if any) to comply with each Article of this Order;
- (b) the results of those actions; and
- (c) a description of the actions needed and the anticipated time frame to achieve full compliance with each article of this Order.

(4) The Board shall submit monthly progress reports, including a copy of the Compliance Committee's most recent monthly report, to the Director for Special Supervision ("Director").

(5) For the purposes of this Order, "days" shall mean calendar days unless otherwise specified.

ARTICLE II

STRATEGIC PLAN

(1) Within sixty (60) days of the effective date of this Order, 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. The objectives shall be specific, measurable, and verifiable.

The strategic plan shall, 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) 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 Paragraph (1)(c) of this Article;
- (e) 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 Paragraph (1)(c) of this Article;
- (f) a management employment and succession program to promote the retention and continuity of capable management;
- (g) 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, along with a description of the operating assumptions that form the basis for major projected income and expense components;
- (h) realistic and comprehensive budgets, including projected balance sheets and year-end income statements, along with a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections;

- (i) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operations; and
- (j) 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 Director for review and prior determination of no supervisory objection. After the Director has advised the Bank that it does not take supervisory objection to the strategic plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the strategic plan.

(3) The Bank may not deviate significantly from the Board-approved strategic plan without a written determination of supervisory non-objection from the Director. The Board must give the Director at least sixty (60) days' advance, written notice of its intent to deviate significantly from the strategic plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the strategic plan.

(4) For the purposes of this Article, changes that may constitute a significant deviation from the strategic plan include, but are not limited to, any significant deviations from marketing strategies, marketing partners, or acquisition channels; underwriting practices and standards; credit administration; account management strategies and test programs; collection strategies, partners, or operations; fee structure, pricing, or fee application methods; accounting processes and practices; funding strategy; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(5) 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 III

CAPITAL PLAN AND HIGHER MINIMUMS

(1) Within ninety (90) days of the effective date of this Order, the Bank shall achieve and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to twelve percent (12%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.¹

(2) The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) Within sixty (60) days of the effective date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a three-year capital plan. The capital plan shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements, based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods for strengthening the Bank's capital structure, should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (iii) with the prior determination of no supervisory objection by the Director.

(4) Upon completion, the Bank's capital plan shall be submitted to the Director for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director, the Bank shall implement and adhere to the capital plan. The Board shall review and update the Bank's capital plan on an annual basis, or more frequently, if necessary. Revisions to the Bank's capital plan shall be submitted to the Director for prior determination of no supervisory objection.

(5) 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.

(6) If the Office of the Comptroller of the Currency ("OCC") determines, in its sole judgment, that the Bank has failed to submit an acceptable capital plan as required by paragraph (3) of this Article, or fails to implement or adhere to a capital plan for which the Director has taken no supervisory objection pursuant to paragraph (4) of this Article, then within thirty (30) days of receiving written notice from the Director of such fact, the Bank shall develop and shall submit to the Director for his review and prior determination of no supervisory objection a capital

contingency plan, which shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181. After the Director has advised the Bank that it does not take supervisory objection to the capital contingency plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the contingency plan, unless the Bank receives a determination of no supervisory objection from the Director to a revised capital plan. Failure to submit a timely, acceptable contingency plan may be deemed a violation of this Order, in the exercise of the OCC's sole discretion.

ARTICLE IV

NEW SENIOR LENDING OFFICER

(1) Within one hundred and eighty (180) days, the Board shall develop, consistent with its strategic plan developed pursuant to Article II, and submit to the Director for review and prior determination of no supervisory objection, a plan to identify and employ a new capable Senior Lending Officer ("SLO Plan"). Upon receiving a determination of no supervisory objection from the Director, the Bank shall implement and adhere to the SLO Plan. If the OCC determines, in its sole judgment, that the Bank has failed to submit an acceptable SLO Plan, or fails to implement or adhere to a SLO Plan for which the Director has taken no supervisory objection, then within sixty (60) days of receiving written notice from the Director of such fact, the Bank shall identify a new capable Senior Lending Officer who, following review and a determination of no supervisory objection by the Director, shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank.

(2) Prior to the appointment of any individual as Senior Lending Officer, the Board shall submit to the Director the following information:

- (a) the information sought in the “Changes in Directors and Senior Executive Officers” booklet of the Comptroller’s Corporate Manual, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(3) The Director shall have the power of veto over the initial employment of the proposed Senior Lending Officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(4) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

ARTICLE V

LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within sixty (60) days of the effective date of this Order, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure compliance with the Board-approved Loan Policy;
- (b) procedures to ensure satisfactory and perfected collateral documentation;
- (c) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;

- (d) procedures that address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured;
- (e) procedures to ensure conformance with loan approval requirements;
- (f) procedures governing the identification of nonaccrual loans that are consistent with the accounting requirements contained in the Call Report Instructions;
- (g) procedures to ensure the accuracy of internal management information systems;
- (h) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, that adequately considers their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters; and
- (i) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be forwarded to the Director.

(3) Within sixty (60) days of the effective date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for:

- (a) early problem loan identification, to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records to serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, indirect dealer, and individual lending officer;
- (c) monitoring of previously charged-off assets and their recovery potential;

- (d) compliance with the Bank's lending policies and with laws, rules, and regulations pertaining to the Bank's lending function;
- (e) tracking and analysis of exceptions to the Bank's loan policy;
- (f) monitoring the adequacy of credit and collateral documentation; and
- (g) identification and analysis of concentrations of credit.

(4) Within sixty (60) days of the effective date of this Order and monthly thereafter, management shall provide to the Board, with copies sent to the Director, written reports which include, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit-related violations of law, rule, or regulation;
- (e) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (f) the identification and amount of loans and leases to executive officers, directors, principal shareholders of the Bank, and to their related interests; and
- (g) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

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

ARTICLE VI

LOAN REVIEW

(1) The Board shall, within thirty (30) days of the effective date of this Order, employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases.

(2) Within thirty (30) days of the effective date of this Order, the Board shall establish an effective, independent, and on-going loan review system to review, at least quarterly, 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 Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include:

- (a) conclusions regarding 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) the identification of 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) the identification of concentrations of credit;
- (h) the identification of loans and leases to executive officers, directors, principal shareholders of the Bank, and to their related interests; and

- (i) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and approved exceptions to the Bank's lending and leasing policies.

(3) The Board shall evaluate the loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, where appropriate, is taken upon all findings noted in the report(s).

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

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

ARTICLE VII

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, A-ALLL, of the Comptroller's Handbook, and shall focus particular attention on the following factors:

- (a) results of the Bank's loan review;
- (b) loan loss experience and trends;
- (c) trends of delinquent and nonaccrual loans;
- (d) concentrations of credit in the Bank; and
- (e) 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) 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 VIII

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within thirty (30) days of the effective date of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or identified in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral, where applicable;

- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action plan to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for any criticized asset or combinable relationship containing criticized assets, that equals or exceeds one hundred thousand dollars (\$100,000) shall be forwarded to the Director.

(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.

(5) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset;
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(6) A copy of each review involving criticized assets or combinable relationships containing criticized assets, that equal or exceed one hundred thousand dollars (\$100,000), shall be forwarded to the Director on a monthly basis, in a format similar to Appendix A, attached.

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower or borrowing relationship whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank

Examiners during any examination, and whose aggregate loans or other extensions exceed one hundred thousand dollars (\$100,000), only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending, or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE IX

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within sixty (60) days of the effective date of this Order, 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 sixty (60) days of the effective date of this Order, the Board shall ensure that proper collateral documentation is obtained and thereafter maintained on all loans and shall 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; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(4) Failure to obtain the information in Paragraph 3 shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in Paragraph 3 would be detrimental to the best interests of the Bank. 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.

ARTICLE X

INTERNAL AUDIT

(1) Within ninety (90) days of the effective date of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program sufficient to:

- (a) detect irregularities in the Bank's operations and internal control systems;

(b) determine the Bank's level of compliance with all applicable laws, rules, and regulations; and

(c) evaluate the Bank's adherence to established policies and procedures.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the audit function is of sufficient scope to cover all areas of the bank, is supported by an adequately staffed department or outside firm with respect to both the experience level and number of the individuals employed, and adheres to an annual written audit plan that uses a risk-based approach sufficient to achieve the audit objectives.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(5) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(7) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Director.

(8) 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

ASSET/LIABILITY MANAGEMENT POLICY

(1) Within ninety (90) days of the effective date of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written liquidity, asset, and liability management policy. In formulating this policy, the Board shall refer to the Liquidity and Funds Management booklet, L-L, of the Comptroller's Handbook. The policy shall provide for a coordinated asset/liability management strategy and, at a minimum, address:

- (a) limits on the amount of liquidity risk the Board is willing to assume;
- (b) adequate management reports to enable the Board and management to monitor the Bank's liquidity position and maintain liquidity at an adequate level;
- (c) the liquidity, maturity and pledging requirements of the investment portfolio;
- (d) development of a liquidity contingency plan;
- (e) guidelines concerning the nature, extent, and purpose of the Bank's use of brokered deposits, consistent with the Bank's overall funds management strategies;
- (f) the nature, extent, and purpose of Bank borrowings;
- (g) limits on concentrations of funding sources; and
- (h) periodic review of the Bank's adherence to the policy.

(2) Upon adoption, a copy of the written policy shall be forwarded to the Director for review.

(3) 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.

(4) The Board shall ensure that the Bank's asset and liability management committee meets at least quarterly and that the committee makes at least quarterly reports to the Board, in conformity with the Bank's policy.

(5) 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.

ARTICLE XII

VIOLATIONS OF LAW

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

(2) Within ninety (90) days of the effective date of this Order, 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 that 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 that 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 that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(4) 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 XIII

INFORMATION TECHNOLOGY SYSTEMS

(1) Within ninety (90) days of the effective date of this Order, the Board shall develop, and thereafter ensure compliance with, information technology systems (“ITS”) policies 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.

(2) Within thirty (30) days of the effective date of this Order, the Board shall develop, and thereafter ensure compliance with, a written data security policy that addresses the standards for safeguarding customer information as established at 12 C.F.R. Part 30 Appendix B.

(3) Within ninety (90) days of the effective date of this Order, the Board 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 shall include fundamental elements of a sound audit program, as described in the Federal Financial Institutions Examination Council's 1996 Information Systems Examination Handbook.

(4) The Board shall immediately take all steps necessary to correct each ITS deficiency cited in the Report of Examination, or any subsequent Report of Examination, including the following:

- (a) expand the scope of the Bank's external ITS audit to include review of AS/400 system settings, Internet-related activities, and contingency planning;
- (b) review ITS access authority of all employees and restrict access, as appropriate;
- (c) perform disaster recovery testing of the Bank's AS/400 system within ninety (90) days of the effective date of this Order;
- (d) monitor loan file maintenance activity and produce accurate loan file maintenance activity journals, particularly in regard to loan payments, extensions, and renewals; and
- (e) develop and implement policies governing access to the Internet, including installation of an adequate firewall and controls on unauthorized employee access.

ARTICLE XIV

BANK SECRECY ACT—INTERNAL CONTROLS

(1) Within ninety (90) days of the effective date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to ensure compliance with the Bank Secrecy Act, as amended (31 U.S.C. §§ 5311 - 5330), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C (collectively referred to as the Bank Secrecy Act). At a minimum, this written program shall establish:

- (a) a system of internal controls and independent testing and auditing to ensure ongoing compliance with the Bank Secrecy Act;
- (b) operating procedures for both the opening of new accounts and the monitoring of high-risk accounts;
- (c) adequate controls and procedures to ensure that all suspicious, large currency, and structured transactions are identified and reported. Procedures should be comprehensive as to all points of cash entry and exit;
- (d) procedures to ensure that records are maintained on monetary instrument transactions and funds transfers, as required by the Bank Secrecy Act;
- (e) comprehensive procedures to identify and report to appropriate management personnel:
 - (i) frequent or large-volume cash deposits, wire transfers, or book entry transfers to or from offshore or domestic entities or individuals;
 - (ii) wire transfers or book entry transfers that are deposited into several accounts;

- (iii) receipt and disbursement of wire transfers or book entry transfers without an apparent business reason;
 - (iv) receipt and disbursement of wire transfers or book entry transfers when they are inconsistent with the customer's business;
 - (v) receipt and disbursement of currency or monetary instruments when they are inconsistent with the customer's business; and
 - (vi) bank accounts opened in the name of a casa de cambio (money exchange house) or any "financial institution" as defined in 31 C.F.R. § 103.11(n) (bank, broker/dealer, currency dealer, or exchanger; issuer, seller, or redeemer of traveler's checks or money orders; transmitter of funds or telegraph company; casino, etc.).
- (f) a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act and the Office of Foreign Assets Control ("OFAC"), including the currency reporting and monetary instrument and funds transfer recordkeeping requirements, and the reporting requirements associated with Suspicious Activity Reports ("SARs") pursuant to 12 C.F.R. Part 21, Subpart B;
- (g) comprehensive guidelines and procedures to identify and report both the shipment and receipt of currency or monetary instruments via common couriers, which guidelines should specifically detail procedures to cover and address improperly labeled courier pouches containing monetary instruments, as well as related procedures for reporting and filing SARs for such pouches; and

(h) comprehensive guidelines, procedures, and systems for compliance with the rules and regulations of OFAC.

(2) Upon completion, a copy of this program shall be submitted to the Director for review.

In the event the Director recommends changes to the program, the Board shall immediately incorporate those changes into the program.

(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.

ARTICLE XV

COMPLIANCE OFFICER

(1) The Board shall ensure that the Bank has a capable, experienced compliance officer who is vested with sufficient authority to monitor and ensure the Bank's compliance with all applicable laws, rules, and regulations, including the Bank Secrecy Act, as amended (31 U.S.C. §§ 5311 - 5330), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C (collectively referred to herein as the Bank Secrecy Act), and the rules and regulations of OFAC.

(2) The compliance officer shall report directly to the Board and shall be completely independent of the Bank's management. The compliance officer shall be responsible for the complete and timely filing of all reports required under the Bank Secrecy Act, including, but not limited to, Currency Transaction Reports, Reports of International Transportation of Currency or Monetary Instruments, Reports of Foreign Bank and Financial Accounts, and SARs.

ARTICLE XVI

CONSUMER COMPLIANCE PROGRAM

(1) Within ninety (90) days of the effective date of this Order, the Board 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 in relation to consumer compliance;
- (b) adequate internal controls to ensure compliance with all applicable consumer protection laws, rules, and regulations;
- (c) development of written policies and procedures covering all applicable consumer protection laws, rules, and regulations for use by appropriate Bank personnel in the performance of their duties and responsibilities;
- (d) regular reviews and updates as needed of the written policies and procedures;
- (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 continuing 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 Director 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.

ARTICLE XVII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior determination of no supervisory objection of the Director, the Board has the ultimate responsibility for the 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 by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(6) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 9th day of July, 2003.

signed

Ronald G. Schneck
Director for Special Supervision
Office of the Comptroller of the Currency
Washington, D.C.

APPENDIX A
First National Bank of Wiggins
Wiggins, Mississippi

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S): _____

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds one hundred thousand dollars (\$100,000) and retain the original in the credit file for review by the examiners. Submit your reports monthly until notified otherwise, in writing, by the Director.

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
First National Bank of Wiggins)
Wiggins, Mississippi)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) may initiate cease-and-desist proceedings against First National Bank of Wiggins, Wiggins, Mississippi (“Bank”), pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated July 9, 2003 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC’s exercise of its supervisory responsibilities.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;

- (c) all rights to seek any type of administrative or judicial review of the Order; and
- (d) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER ACTION

(1) The Formal Agreement dated February 12, 2001, between the Bank and the OCC is hereby superceded by this Order, therefore the February 12, 2001, Formal Agreement is hereby terminated.

(2) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

signed

Ronald G. Schneck
Director for Special Supervision
Office of the Comptroller of the Currency
Washington, D.C.

July 9, 2003

Date

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

signed

Benoyd Bell

July 9, 2003

Date

signed

H. F. Campbell

July 9, 2003

Date

signed

E. Earl Danzey

July 9, 2003

Date

signed

Albert Necaise

July 9, 2003

Date

signed

Betty H. Parsons

July 9, 2003

Date

signed

Dana R. Parsons

July 9, 2003

Date

signed

Gerald Price

July 9, 2003

Date

signed

Robert P. Regan, Jr.

July 9, 2003

Date

signed

Durwood Stephens

July 9, 2003

Date

signed

John M. White

July 9, 2003

Date