

#2004-70

**AGREEMENT BY AND BETWEEN
FIRST NATIONAL BANK
DEWITT, ARKANSAS
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY**

First National Bank, Dewitt, Arkansas (“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 for the examination that commenced on January 13, 2004 (“ROE”).

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 -- JURISDICTION

(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 “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

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

F. Christian Dunn
Assistant Deputy Comptroller
Little Rock Field Office
10201 West Markham, Suite 105
Little Rock, Arkansas 72205-2180

Article II -- CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall maintain the following capital level (as defined in 12 C.F.R. Part 3): Tier 1 capital at least equal to eight and one-half percent (8.5%) leverage ratio, and Total Risk Based capital of twelve percent (12%).

(2) The requirement in this Agreement 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 ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to, a three-year capital program. The program 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;
- (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 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 ADC.

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

Article III -- **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 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;
- (e) a management employment and succession program to promote the retention and continuity of capable management;
- (f) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (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;
- (h) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (i) 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
- (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 ADC for review and prior determination of no supervisory objection. After the ADC has advised the Bank that it

does not object to the strategic plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the strategic plan.

Article IV -- SENIOR LOAN OFFICER/CREDIT ADMINISTRATOR

(1) Within ninety (90) days, the Board shall appoint a capable, experienced Senior Loan Officer/Credit Administrator (SLO/CA) who 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. Responsibilities of an effective SLO/CA should include, but are not limited to, the following:

- (a) Implement an effective risk rating system and review with loan officers to ensure problem loan identification is timely.
- (b) Implement a system to identify, track, and report policy and documentation exceptions.
- (c) Review the adequacy of the ALLL and its method.
- (d) Assess the quality and capacity of management information systems, such as those to track extensions and renewals granted.
- (e) Assist loan officers in setting up prudent underwriting standards on individual loans, including structure and covenants.
- (f) Ensure that proper credit analysis and collateral valuations are employed, especially when loans are modified, restructured or renewed.
- (g) Assist the loan officers in developing timely workout strategies for problem borrowers.
- (h) Establish a formal process to develop, implement and review policy directives.

- (i) Keep abreast of regulatory changes.
- (j) Train lending officers, as needed.

(2) Prior to the appointment of any individual to the SLO/CA position, the Board shall submit to the ADC the following information:

- (a) a written statement of the Board's reasons for selecting the proposed officer; and
- (b) a written description of the proposed officer's duties and responsibilities.

(3) The ADC shall have the power to disapprove the appointment of the proposed new senior executive officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(4) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the ADC 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 forty-five (45) days, 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 that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (b) procedures to ensure that this analysis is clearly documented;
- (c) procedures to ensure satisfactory and perfected collateral documentation;

- (d) procedures to ensure conformance with loan approval requirements;
- (e) procedures to ensure the accuracy of internal management information systems;
- (f) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters; and
- (g) 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 ADC.

(3) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure

Bank adherence to systems which provide for effective monitoring of:

- (a) early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) previously charged-off assets and their recovery potential;
- (c) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
- (d) adequacy of credit and collateral documentation;
- (e) concentrations of credit; and
- (f) non-accrual loans.

(4) Beginning June 30, 2004, on a monthly basis management will provide the Board with written reports including, 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) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;
- (f) 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; 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.

Article VI -- CREDIT AND COLLATERAL EXCEPTIONS

(1) 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 (1)(d) 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 (1)(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 VII -- **CREDIT RISK**

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to, a written program to reduce the high 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 commercial and agricultural loan portfolios;
- (b) procedures to strengthen management of loan operations and to maintain an adequate, qualified staff in all lending functional areas; and
- (c) problem loan workout plans.

(2) The Board shall submit a copy of the program to the ADC.

(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 ADC.

Article VIII -- 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) Internal problem loan identification;
- (b) results of the Bank's external loan review;
- (c) an estimate of inherent loss exposure on each significant credit in excess of \$250,000.
- (d) Changes in lending policies and procedures, including underwriting, collection, charge-off, and recovery policies;
- (e) Changes in national and local economic and business conditions, including individual market and industry segments;
- (f) Changes in the nature and volume of the loan portfolio;
- (g) Changes in the experience, ability, and depth of lending management staff;
- (h) Changes in the volume and severity of past due and classified loans and in the volume of nonaccruals, troubled debt restructures, and other loan modifications;
- (i) Changes in the quality of the bank's loan review system and the degree of oversight by the bank's Board of Directors;

- (j) The existence and effect of any concentrations of credit and changes in the level of such concentrations; and,
- (k) The effect of external factors, such as competition and legal and regulatory requirements on the level of estimated credit losses in the bank's current portfolio.

(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 ADC for review and prior determination of no supervisory objection.

Article IX -- **LOAN REVIEW**

(1) Within forty-five (45) days, the Board shall establish, or confirm that the Bank already has, an effective, independent and on-going loan review program to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The Board may, if it chooses, engage an outside vendor to provide this service to the Bank. If the Board chooses to engage an outside vendor, the Bank's engagement letter to the vendor must be submitted to the ADC, and the Bank must receive prior written approval of the ADC before contracting with a vendor. The program shall provide for a written report to be filed with the Board after each review, at least quarterly, 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 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; and,
- (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.

(2) A written description of the program called for in this Article shall be forwarded to the ADC upon implementation.

(3) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if 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 promptly forwarded to the ADC.

Article X -- **ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME**

(1) If the Bank determines that an exception to any provision of this Agreement is in the best interests of the Bank, or requires an extension of any timeframe within this Agreement, the Board shall submit a written request to the ADC asking for relief.

(2) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with any provision, that require the ADC to exempt the Bank from any provision, or that require an extension of any timeframe within this Agreement. All such requests shall be accompanied by relevant supporting documentation.

(3) The ADC's decision in granting the request is final and not subject to further review.

Article XIV -- **REPORTING REQUIREMENT**

(1) Within ninety (90) days of the execution of this Agreement, and quarterly thereafter, the Chief Executive Officer (CEO) of the Bank 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.

(2) The Board shall review the progress report, and shall promptly forward a copy of it, with any additional comments by the Board, to the ADC.

Article XV -- **CLOSING**

(1) Although the Board has agreed to submit certain programs and reports to the ADC for review or prior determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) 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.

(3) 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.

(4) 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 ADC for good cause upon written application by the Board.

(5) 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.

(6) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for management to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(7) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States. 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(b)(1), 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. 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. The terms of this Agreement, 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.

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

Signed _____
F. Christian Dunn
Assistant Deputy Comptroller
Little Rock Field Office

6/10/04

Date

AND IN FURTHER 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	June 3, 2004
_____	_____
Dale Bennett	Date
Signed	6/3/04
_____	_____
Russell D. Berry	Date
Signed	June 3, 2004
_____	_____
Georgea M. Greaves	Date
Signed	June 3, 2004
_____	_____
Waymon Hornbeck	Date
Signed	June 3 '04
_____	_____
Mary M. Jennings	Date
Signed	6-3-04
_____	_____
Warren A. Jennings, Jr.	Date
Signed	June 3, 2004
_____	_____
Warren A. Jennings, Sr.	Date
Signed	June 3, 2004
_____	_____
Georgea B. McKinley	Date
Signed	6/3/04
_____	_____
Lester A. McKinley	Date
Signed	June 3, 2004
_____	_____
Jimmie Rodgers	Date