

(b) The Institution's failure, as of September 28, 1992, to properly classify assets and set aside allowances accordingly, in violation of 12 C.F.R. § 563.160 and contrary to the guidelines of 12 C.F.R. § 571.26;

(c) The Institution's failure, as of September 28, 1992, to comply with Section 2 of a Supervisory Agreement between the OTS and the Institution, dated June 26, 1992 ("Supervisory Agreement"), which required the Institution's board of directors ("Board of Directors") to adopt an updated asset classification policy within sixty days and thereafter required the Institution to comply with such updated asset classification policy;

(d) The Institution's provision of information to the OTS, with intent resulting from the intent of its management, in the form of letters dated July 15, 1992, August 14, 1992, and September 15, 1992, or attachments thereto, which was misleading or contained material omissions, in violation of 12 C.F.R. § 563.180(b);

(e) The Institution's failure, on or before September 28, 1992, to maintain safe and sound management, in violation of 12 C.F.R. § 563.161, by allowing its management to engage in substantial conflicts of interest, contrary to the guidelines of 12 C.F.R. § 571.7, insofar as it allowed its chief executive officer to provide for insurance arrangements which directly or indirectly benefited him or one or more of his close relatives in connection with numerous consumer loans of the Institution without the authorization of the Board of Directors;

(f) The Institution's acceptance, on or before September 28, 1992, of non-possessory, non-purchase-money security interests in household goods, in violation of 12 C.F.R. § 535.2(a)(4) and in violation of Section 10 of the Supervisory Agreement;

(g) The Institution's failure, as of September 28, 1992, in violation of 12 C.F.R. § 563.170(c), to maintain adequate documentation of certain of its consumer loans in order to demonstrate that it was complying with 12 C.F.R. § 535.2(a)(4) and Section 10 of the Supervisory Agreement;

(h) The Institution's provision of a loan, on or before September 28, 1992, to Director Beard on preferential terms, in violation of 12 C.F.R. § 215.4; and

(i) The Institution's failure, as of September 28, 1992, to ensure that transactions between the Institution and Eagle Service Corporation were adequately documented to provide an accurate and complete record of such transactions, in violation of 12 C.F.R. § 563.170(c).

It is the understanding of OTS that, on or about December 11, 1992, the Board of Directors restricted the authority of B.W. Curry, III and J.R. Curry to representing the Board of Directors in completing its arrangements with First Tower Loan, Inc., in representing the Board of Directors in obtaining a merger of the Institution with another depository institution, and, as requested, in assisting and consulting with the Board of Directors and the Institution's president.

2. Jurisdiction.

(a) The Institution is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C.S. § 1813(b) (Supp. 1992), and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C.S. § 1462(4) (1992). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C.S. § 1813(c) (Supp. 1992).

(b) Pursuant to Section 3(q) of the FDIA, 12 U.S.C.S. § 1813(q) (Supp. 1992), the OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, the Institution is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C.S. § 1818(b) (Supp. 1992).

3. Consent. The Institution consents to the issuance by the OTS of the accompanying Order to Cease and Desist ("Order"). It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, 12 U.S.C.S. § 1818(b) (Supp. 1992). Upon its issuance by the Regional Director for the Midwest Regional Office, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C.S. § 1818(i) (Supp. 1992).

5. Waivers. The Institution waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C.S. § 1818(b) (Supp. 1992), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C.S. § 1818(h) (Supp. 1992), or otherwise to challenge the validity of the Order.

IT IS FURTHER ORDERED that:

Lending Restrictions

1. Except as otherwise authorized in writing by the Regional Deputy Director for the Dallas Area Office, Midwest Region, OTS, or his successor or designee ("Regional Deputy Director"), the Institution shall not make or renew any loans except for loans fully secured by deposits at the Institution and low-risk loans made in the Institution's normal market area in the amount of \$100,000 or less which are collateralized by first liens on owner-occupied, single-family homes and, in the case of non-purchase money loans, which do not exceed 75% of fair market value of such homes in amount.

Conflicts of Interest

2. The Institution and its officers and directors shall act in accordance with the guidelines of 12 C.F.R. § 571.7. Further, except as authorized in writing by the Regional Deputy Director, the Institution shall engage in no transaction of any kind with any affiliate, affiliated person, stockholder, or employee of the Institution, or any member of the immediate family of any of the foregoing or any related interest of the foregoing (each of which is referenced herein as an "insider", notwithstanding the definition at 12 C.F.R. § 215.2(f)) and shall engage in no transaction with any party that directly or indirectly benefits an insider other than:

(a) deposit arrangements that are on the same terms as those offered to the general public; and

(b) continued employment of individuals by the Institution on the same terms as those in existence as of September 28, 1992, provided that such employment is not inconsistent with other provisions of this Order.

Classifications and Allowances

3. (a) By no later than the latter of December 31, 1992, or the effective date of this Order, and thereafter, the Institution shall classify assets and set aside general allowances and specific allowances in accordance with 12 C.F.R. § 563.160 and the guidelines of 12 C.F.R. § 571.26. In doing so, it shall act in accordance with the findings of OTS examiners at the examination commenced September 28, 1992, with regard to the proper classification of assets to the extent that such assets are retained by the Institution.

(b) The Institution, through its board of directors ("Board of Directors"), shall review the provision for general valuation allowances on a quarterly basis, if not more frequently, in accordance with 12 C.F.R. § 563.160, and the guidelines set forth in 12 C.F.R. § 571.26 and Section 261 of the Thrift Activities Handbook.

Business Plan

4. (a) Within 60 days after the effective date of this Order, the Institution, through its Board of Directors, shall prepare, adopt, and submit to the Regional Deputy Director for review a new business plan ("Business Plan") that sets forth a plan to achieve, if not yet achieved, and maintain compliance with the Institution's regulatory capital requirements. The Business Plan, at a minimum, shall contain the following components:

(i) Financial projections through December 31, 1994, on a quarterly basis, including major balance sheet and income components;

(ii) A budget with respect to the overall operations of the Institution;

(iii) A narrative description of the strategy to be implemented to manage the Institution in a manner for achieving and maintaining profitability;

(iv) A narrative description of interest-rate scenario assumptions upon which the Business Plan is based; and

(v) An evaluation of operations including staffing, goals, income, expenses, and objectives.

(b) The Institution, through its Board of Directors, shall amend its Business Plan if and as directed by the Regional Deputy Director.

(c) The Institution, through its Board of Directors, shall provide information pertaining to the Business Plan to the Regional Deputy Director as the Regional Deputy Director requests.

(d) Beginning with the end of the quarter following submission of the Business Plan to the Regional Deputy Director, the Institution, through its Board of Directors, shall provide to the Regional Deputy Director quarterly progress reports comparing the actual performance to the projections set forth in the Business Plan, detailing all material variances.

Records and Reports

5. (a) The Institution shall maintain accurate and complete records of all business it transacts, shall cause each subsidiary of the Institution to maintain accurate and complete records of all business its transacts, shall provide OTS with information required to be provided to OTS by regulation or otherwise, shall not disclose false, materially incomplete, or misleading information to the OTS, and shall otherwise comply with 12 C.F.R. Part 562 and with 12 C.F.R. §§ 563.170(c) and 563.180.

(b) Within thirty days of the effective date of this Order, the Board of Directors shall adopt a written set of procedures designed to ensure compliance with subparagraph 5(a) hereof and shall submit such written set of procedures to

the Regional Deputy Director. Thereafter, the Institution and its Board of Directors, officers, employees, and agents shall comply with such written set of procedures except as otherwise authorized in writing by the Regional Deputy Director.

Management

6. (a) (i) The Institution shall comply with the requirements of Section 32 of the FDIA, 12 U.S.C.S. § 1831i (Supp. 1992), and any regulations thereunder, before hiring any senior executive officer or appointing a director.

(ii) Subject to subparagraph (a) (i) hereof, on the effective date of this Order and thereafter, the Board of Directors shall ensure that the Institution has in place, or has ready to be in place upon the approval of OTS pursuant to subparagraph (a) (i) hereof when such approval is required, senior management, including a chief executive officer and a chief financial officer, competent and qualified to serve the Institution in light of its circumstances.

(iii) The Institution shall not raise the salary of any officer or employee to an amount in excess of \$50,000 on an annualized basis, nor shall it provide any severance arrangements with any officer or employee, without a written notice of non-objection to such action by the Regional Deputy Director.

(b) (i) Within 30 days of the effective date of this Order, the Institution, through its Board of Directors, shall review the authorities, responsibilities, salaries, and performance of each person employed by the Institution who, on or after November 20, 1991, has served, by function or title, as an executive officer of the Institution and shall provide to the Regional Deputy Director a report of its findings and a plan of action ("Action Plan") to address changes, if any, that should be made with regard to such

persons. For this purpose, review of performance with regard to each such person shall include, but not be limited to, a review of the accuracy, timeliness, and completeness of information provided by such person to the Board of Directors, to counsel for the Institution, and to the OTS, and the person's role, if any, in violations of laws or regulations or in unsafe and unsound operations of the Institution.

(ii) The Action Plan shall include, to the extent they are appropriate, termination of employment, reassignment of authority, reassignment of duties, and/or adjustment in salary for the persons subject to the review required by subparagraph (b)(i) hereof, and time frames for the foregoing.

(iii) The Institution, through its Board of Directors, shall amend its Action Plan as directed by the Regional Deputy Director and shall, except as otherwise authorized in writing by the Regional Deputy Director, comply with the Action Plan, as so amended if so amended.

(c) Beginning with the second calendar quarter of 1993 and thereafter until otherwise authorized in writing by the Regional Deputy Director, the Institution, through its Board of Directors, shall, on a quarterly basis, review the performance of its management and submit to the Regional Deputy Director a report of its findings.

Attorneys and Consultants

7. (a) The Institution and its subsidiaries shall not enter into any written or verbal contracts with consulting firms, investment bankers, attorneys, accountants, or any other third party to provide services outside of the normal course of business without the prior review and written notice of non-objection by the Regional Deputy Director and shall further act in accordance with Thrift Bulletin No. 50, dated November 19, 1991.

(b) All contractual or fee arrangements between the Institution or its subsidiaries and consultants or attorneys shall require the submission of monthly invoices to the Institution specifying the amount claimed and the services provided.

Employment Contracts and Limitation of Authority

8. (a) The Institution and its subsidiaries shall not enter into any employment contracts without the prior written approval of the Regional Deputy Director. Such employment contracts must comply with 12 C.F.R. §§ 563.161(b) and 563.39 and the guidelines set forth in Regulatory Bulletin RB 27, dated November 8, 1991.

(b) The Institution, through its Board of Directors, shall, until otherwise authorized by the Regional Deputy Director, restrict the authority of B.W. Curry III and J.R. Curry to assisting and consulting with the Board of Directors and the Institution's president in transactions with First Tower Loan, Inc., in seeking a merger or similar arrangement with another financial institution, and in other matters in which the Board of Directors or the Institution's president requests their assistance or consultation.

Supervisory Agreement

9. Nothing in this Order terminates the Supervisory Agreement between the OTS and the Institution, dated June 26, 1992 ("Supervisory Agreement"), provided that, in the case of any conflict between the Supervisory Agreement and either this Order or the Stipulation, the terms of the Order or the Stipulation shall prevail. The Institution and its directors, officers and agents shall comply with the Supervisory Agreement to the extent of its continued applicability.

Disposition of Assets and Distribution of Capital

10. (a) The Institution shall not sell, pledge, or exchange any loan, or participation therein, real estate investment, security, or other asset, or any set of such loans, participations, real estate investments, securities, or other assets, or any combination of the foregoing, and shall not commit to such sale, pledge, or exchange, without obtaining a prior, written notice of non-objection from the Regional Deputy Director.

(b) The Institution shall neither make nor commit to make any capital distribution other than in accordance with 12 C.F.R. § 563.134.

Growth

11. Notwithstanding any other provision of this Order, the Institution shall not increase its assets in any amount unless each of the following conditions is satisfied:

(a) each increase in assets by the Institution is approved in writing by the Regional Deputy Director and is in accordance with the terms of such approval;

(b) each increase in assets by the Institution is accompanied by an increase in applicable tangible or core capital in a percentage amount not less than that for which 12 C.F.R. Part 567 provides;

(c) each increase in assets by the Institution is accompanied by an increase in capital by the Institution in an amount not less than the percentage amount required by the risk-based capital standard applicable at the time of such increase in assets;

(d) each increase in assets by the Institution is invested in low-risk, first-mortgage loans secured fully by single-family residences or, if approved in writing by the Regional Deputy Director, in other types of low-risk loans as are specifically so approved;

(e) the Institution's ratio of core capital to total assets at the time immediately following each increase in assets by the Institution is not less than the amount existing on December 17, 1992;

(f) each increase in assets is not inconsistent with any outstanding capital directive issued to the Institution and is not in violation of any applicable statutory or regulatory provision in effect at that time; and

(g) each increase in assets by the Institution, when aggregated with all other increases in assets by the Institution since December 17, 1992, inclusive, does not exceed the amount of net interest credited to the Institution's deposit liabilities during that period.

Directors' Fiduciary Responsibility and Oversight of the Institution

12. (a) Each member of the Board of Directors owes fiduciary duties to the Institution, its depositors and shareholders. Notwithstanding that certain provisions of this Order require the Board of Directors to submit various matters to the Regional Deputy Director for the purpose of receiving approval, notice of acceptability or non-objection, such regulatory oversight does not derogate or supplant the fiduciary duties owed by the members of the Board of Directors. The Board of Directors, at all times, shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution.

(b) In connection with its oversight of the Institution, the Board of Directors shall review the Director Information Guidelines, published by the OTS in December, 1989 (the "Guidelines") and the Statement Concerning the Responsibilities of Directors and Officers of Insured Depository Institutions, issued by a letter of November 18, 1992, from Timothy Ryan, to chief executive officers ("Statement"), and the Board of Directors shall obtain such of the

information suggested by the Guidelines and the Statement as it, while acting reasonably and in good faith, deems appropriate.

13. The Institution shall engage in no major activity outside of the ordinary course of its business, including but not limited to the disposition of its consumer loan portfolio or contracts pertaining to any merger or bulk sale, without the prior, formal approval of the Board of Directors.

14. The Board of Directors shall take prompt action to cause the Institution to fully comply with this Order. At least monthly, the Board of Directors shall evaluate the Institution's compliance with this Order and the conditions set forth in this Order. This review shall be documented in the minutes of a regular meeting of the Board of Directors. All documentation considered by the Board of Directors in performing its review shall be explicitly referenced in the minutes of the meeting at which the review was undertaken.

15. After the review is complete, the Board of Directors shall adopt a resolution, summarizing its findings with respect to the review. If full compliance is found not to exist, the resolution shall specify in detail all instances of non-compliance. The resolution and any other reports described above shall be submitted to the Regional Deputy Director no later than the end of the following month. Each director shall at such time either provide the Regional Deputy Director with certification that, to the best of his/her knowledge and belief, and based upon a prudent review, the above-referenced resolution is accurate or provide the Regional Deputy Director with a written statement providing in detail the reason(s) for disagreement with the resolution.

General Provisions

16. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by the provisions of this Order, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 Code of Federal Regulations, the Home Owners Loan Act, the FDIA, or OTS Memoranda and any such technical words or terms used in this Order and undefined in such regulations, statutes, or memoranda shall have meanings that accord with the best custom and usage in the savings and loan industry.

17. The terms, "related interest", "affiliate", "affiliated person", and "immediate family", as used herein, have the definitions that exist at 12 C.F.R. §§ 215.2(m), 561.4, 561.5, and 561.24, respectively.

18. Nothing in this Order shall be construed as allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject.

19. This Order is effective upon its issuance by the OTS and shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director for the Midwest Regional Office or through the Regional Deputy Director.

20. The Stipulation is made a part hereof and is incorporated herein by this reference.

21. (a) In case any provision in this Order is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director for the Midwest Region, OTS, or his successor or designee ("Regional Director), in his or her sole discretion, determines otherwise.

