UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of UNITED FEDERAL SAVINGS BANK Rocky Mount, North Carolina	Re: Resolution No. ATL-91-17 DATED: June 10, 1991

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("the OTS"), by and through its Regional Director for the Southeast Region and United Federal Savings Bank, Rocky Mount, North Carolina, OTS Docket Number 1291 ("United" or "Institution"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information derived from the exercise of its supervisory and regulatory powers, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against United pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. Section 1818(b). The grounds include violations of 12 C.F.R. Sections 563.40, 563.43, and 563.160, and unsafe and unsound practices in conducting the business of United.

United desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist proceeding against United with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

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

(b) Pursuant to Section 3(q)(4) of the FDIA, 12 U.S.C. Section 1813(q)(4), the Director of the OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, United 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. Section 1818(b).

3. Consent. United consents to the issuance by the OTS of the accompanying 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. Section 1818(b). Upon its issuance by the Regional Director for the Southeast Region of the 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. Section 1818(i).

5. Waivers. United waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. Section 1818(b), 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. Section 1818(h), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Southeast Region and United, by a majority of its directors, execute this Stipulation and Consent to Issuance of the Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

by: /S/
John E. Ryan
Regional Director
Southeast Region

UNITED FEDERAL SAVINGS BANK
by a majority of its directors

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In the Matter of UNITED FEDERAL SAVINGS BANK Rocky Mount, North Carolina	Re: Resolution No. ATL-91-17 DATED: June 10, 1991

ORDER TO CEASE AND DESIST

WHEREAS, United Federal Savings Bank, Rocky Mount, North Carolina, OTS Docket Number 1291, ("United" or "Institution"), through its directors, has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist ("Stipulation"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Southeast Region ("Regional Director"); and

WHEREAS, United, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. Section 1818(b).

NOW THEREFORE, IT IS ORDERED that United and its directors, officers, employees, agents and subsidiaries, shall cease and desist from any violation of, or the aiding and abetting of any violation of:

1. 12 C.F.R. Section 563.40
2. 12 C.F.R. Section 563.43
3. 12 C.F.R. Section 563.160

IT IS FURTHER ORDERED THAT:

Lending/Investment Restrictions

1. Without the prior approval of the Regional Director, the Institution shall make no further direct or indirect investment in any service corporation or subsidiary (including, but not limited to, investments in securities issued by, the underwriting of extensions of credit to, or guaranteeing the debt of, such corporations), except that United may make additional service corporation investments, subject to compliance with all applicable regulatory and statutory provisions, for the sole purposes of (a) payment of membership dues and ad valorem taxes on the 16 Jones Island membership units owned by United's subsidiary as long as these units are owned by United or a service corporation or subsidiary of United, not to exceed $72,000 annually, and (b) funding ongoing reasonable operating deficits of its service corporation project, Eagle's Nest Bay Corporation, d/b/a The Pea Island Resort (Pea Island), in amounts not to exceed $50,000 in any calendar month, with the total of such funding not to exceed $420,000 over the twelve month period ended April 30, 1992.

2. After June 30, 1991, the Institution shall not make, invest in, purchase or refinance, or commit to make, invest in, purchase or refinance, any loan whereby the proceeds of such loan are utilized to finance the purchase of a membership in The Pea Island Resort ("membership loans"). Prior to June 30, 1991, the Institution shall not make, invest in, purchase, or commit to make, invest in, or purchase more than an additional $500,000 in membership loans, or purchase or invest in any delinquent membership loans. In no event shall United's ownership of or investment in membership loans exceed $6,900,000.

3. The Institution shall maintain specific written commercial mortgage loan monitoring policies and procedures and shall strictly adhere to such policies and procedures as adopted by the Board of Directors ("Board"). Such policies and procedures shall require that in connection with each commercial mortgage loan, updated financial statements of the borrower(s) and guarantor(s), project operating statements, rent rolls and vacancy rates are obtained and analyzed, as appropriate, on an established periodic basis to determine the borrower's, guarantor's and/or security property's continuing ability to service the debt. Written documentation of analyses performed shall be maintained in the loan file. Within 45 days after the effective date of this Order, the Board shall provide

the Regional Director with a certified Board resolution stating that the Institution has implemented commercial mortgage loan monitoring policies and procedures in accordance with this Paragraph.

Asset Classification/Allowance Adequacy

4. The Institution shall revise its construction loan policy and procedures to provide an established maximum term for extensions of speculative construction loans, and to require that loan disbursements be based upon reasonable cost estimates. Within 45 days after the effective date of this Order, the Board shall provide the Regional Director with a certified Board resolution stating that the Institution's construction loan policy has been revised and implemented in accordance with this Paragraph. The Institution shall comply with its construction loan policy and procedures, as revised.

5. A. The Institution shall revise its asset classification and valuation allowance policy to address all related deficiencies cited in the September 24, 1990 Report of Examination ("Examination"). The revised policy shall (1) specify methodologies for determining Loss classifications based upon fair value and net realizable value calculations, in accordance with generally accepted accounting principles, and (2) specifically address the classification of assets acquired from the service corporations, as well as United's investment in its service corporations.

B. The Institution shall maintain an adequate level of valuation allowances on an ongoing basis, in compliance with the requirements of 12 C.F.R. Section 563.160(d) and the guidance provided in 12 C.F.R. Section 571.26 and Section 261 of the Thrift Activities Handbook. The revised asset classification and valuation allowance policy shall specifically identify the methodology utilized by the Board to establish an adequate valuation allowance, and shall provide for documented review of the adequacy of the valuation allowance by the Board not less than quarterly.

C. Within 30 days after the effective date of this Order, the Board shall provide the Regional Director with a certified Board resolution stating that the Institution's asset classification and valuation allowance policy has been revised and implemented in accordance with this Paragraph 5.

6. The Board shall undertake a review of all service corporation related assets, with particular emphasis upon consumer paper generated by the sale of campground memberships in The Pea Island Resort, and establish

adequate valuation allowances in connection therewith, in accordance with the Institution's revised asset classification policy. Within 30 days after the effective date of this Order, the Board shall provide the Regional Director with a certified Board resolution indicating the conclusions reached during the review, supported by written documentation justifying the adequacy of the valuation allowances and describing the method by which adequacy was determined and indicating the factors considered.

7. All asset classifications shall be correctly reported in Thrift Financial Reports filed with the OTS in accordance with 12 C.F.R. Section 563.160(c)(3), and shall be accurately and adequately described and reported in all internal management and Board reports and reports/filings with the OTS.

8. The Board shall comply with its asset classification and valuation allowance policy and procedures, as revised, and all applicable regulations pertaining to asset classification and the establishment of adequate valuation allowances.

Criticized Assets

9. Within 60 days after the effective date of this Order, the Institution shall develop and implement a written plan for the resolution of each criticized asset in which the Institution's total exposure to the borrower exceeds $500,000. The Institution shall develop and implement a written plan for the resolution of any other asset, within 30 days after the Institution or OTS classifies such asset pursuant to 12 C.F.R. Section 563.160, if the Institution's total exposure to the borrower exceeds $500,000. Such plans shall be updated at least quarterly, shall set reasonable targets and timeframes for resolution, assign specific responsibilities, and require reports to the Board evidencing progress towards such targets.

10. The Board shall review, on a monthly basis, all assets for which a written plan has been implemented to determine: (a) the status of the asset and its underlying collateral; (b) compliance with the written plan and with all loan agreements; and (c) action taken by the Institution to eliminate the basis for classification. The Institution shall maintain a written report of each of the Board's monthly reviews, as well as documentation of actions taken as a result of the Board's review.

Internal Audit Program

11. The Institution shall revise its internal audit policy and procedures to address all deficiencies cited in the September 24, 1990 Examination. Such revisions shall be based upon the guidance contained in 12 C.F.R. Section 571.2 and Section 120 of the Thrift Activities Handbook, and shall specifically address internal audit procedures for service corporations. The internal auditor shall report directly to the Board or the audit committee thereof. Within 90 days after the effective date of this Order, the Institution shall engage a qualified internal auditor and provide the Regional Director with a certified Board resolution stating that an internal audit program has been implemented in accordance with this Paragraph.

Management Structure

12. The Board shall review overall management and staffing requirements in light of the deficiencies cited in the Examination, the Institution's present condition and future plans, in order to determine if changes are necessary to provide the Institution with the resources required to effectively address the problems noted. Within 60 days after the effective date of this Order, the Board shall shall submit the results of its review to the Regional Director, including a description of the changes to be effected.

Business Plan

13. Within 90 days after the effective date of this Order, the Institution shall develop and submit a revised Business Plan ("Plan"). At a minimum, the Plan shall address major business strategies, asset quality, projected capital levels (including plans to achieve and maintain the Institution's fully phased-in capital levels in accordance with 12 C.F.R. Part 567), and risk management, and shall include appropriate measures necessary to effect reductions in the current level of operating expenses. Such Plan shall specifically incorporate the asset growth restrictions to which the Institution is subject pursuant to the provisions of Regulatory Bulletin 3a-1. The Plan shall incorporate three-year financial projections and operating budgets, including all relevant assumptions, detailed quarterly income and expense projections, and pro forma quarterly balance sheet items.

14. The Board shall review the Plan on a quarterly basis, at a minimum, to compare actual types and levels of activities, and actual quarterly financial results, with the projections contained in the Plan. The Board shall submit a report to the Regional Director, within 45 days following the end of each calendar quarter, beginning with the quarter ended September 30, 1991, describing the Institution's progress in meeting the objectives of the Plan.

Compensation/Employment Agreements

15. The Institution shall not pay any bonus to any individual vested with loan approval authority where such bonus is based upon loan production or volume. Any bonus paid on this basis shall only be paid pursuant to a plan which stresses asset quality and overall loan performance, and requires compliance with established goals which promote the Institution's long-term financial interests consistent with the principles of safety and soundness.

16. Within 60 days after of the effective date of this Order, the Institution shall renegotiate any and all employment agreements currently in effect to reflect the following:

    (a) compliance with the provisions of 12 C.F.R. Section 563.39;

    (b) deletion of any provision allowing for automatic salary increases;

    (c) a term not to exceed thirty-six months;

    (d) an annual Board evaluation of performance;

    (e) in the event of termination for other than just cause, severance payments not to exceed the lesser of eighteen months or the remaining term of the agreement.

Other

17. The Board shall, in accordance with the provisions of 12 C.F.R. Section 563.176 and Thrift Bulletin 13, evaluate the Institution's existing interest rate risk exposure, develop strategies to reduce such exposure, establish appropriate exposure limits, and review the Institution's compliance with established policy, on at least a quarterly basis. The Institution shall strictly adhere to its interest rate risk management policy and

shall comply with the exposure limits established. Within 60 days after the effective date of this Order, the Institution shall submit a report to the Regional Director documenting the Board's evaluation and conclusions, and actions taken as a result of such evaluation.

18. The Institution shall file complete and accurate financial reports required by the OTS, including monthly and quarterly Thrift Financial Reports, on or before the required date.

19. United shall submit to the Regional Director documentation describing the terms of any sale or other type of transfer of Pea Island at least 15 days prior to the consummation of any such sale or transfer, specifying the assets to be sold, the sales price and any other compensation received, the terms of any loans from United to facilitate the sale, any gain or loss on the sale and the impact of the sale on United's capital position. Such documentation shall also include the financial statements for the borrower(s), a valuation of collateral held, and management's analysis of the borrower's ability to repay the loan.

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 of the Code of Federal Regulations. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Order, references to regulations, bulletins, memoranda and publications shall include any successor provisions mandated by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

THE OFFICE OF THRIFT SUPERVISION

By: /S/

John E. Ryan
Regional Director
Southeast Regional Office