

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WN-10-035
)	
)	
UNITED HOLDING COMPANY, INC.)	Effective Date: November 19, 2010
)	
Springdale, Arkansas)	
OTS Docket No. H3490)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, United Holding Company, Inc., Springdale, Arkansas, OTS Docket No. H3490 (Holding Company), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Holding Company, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Western Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Holding Company, its institution-affiliated parties¹, and its successors and assigns shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting of unsafe or unsound practices that resulted in:

- (a) the operation of the Holding Company and its wholly-owned savings association subsidiary, United Bank, Springdale, Arkansas, OTS Docket No. 07756 (Association), with inadequate capital and earnings to support their risk profile; and
- (b) the operation of the Association with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association.

Business Plan.

2. By January 31, 2011, the Holding Company shall submit a written three-year business plan (Business Plan) for the remainder of calendar year 2011 and calendar years 2012 and 2013 that is acceptable to the Regional Director. At a minimum, the Business Plan shall:

- (a) address the requirements contained within this Order and the comments contained within the OTS Report of Examination of the Holding Company, dated June 1, 2010 (2010 ROE);
- (b) detail the Holding Company's capital preservation and enhancement strategies with specific narrative goals and plans to ensure that the Association complies with the capital requirements imposed by the Order to Cease and Desist issued by the OTS against the Association on November 19, 2010 (Association Order);

¹ The term "institution-affiliated party" is defined at 12 U.S.C. § 1813(u).

- (c) identify the specific sources of additional capital and the timeframes and methods by which additional capital will be raised, including specific target dates and capital levels;
- (d) establish an alternative strategy, including, but not limited to, seeking a merger or an acquisition partner for the Holding Company and/or the Association, to be implemented immediately if the Board's primary strategy to raise additional capital is unsuccessful;
- (e) include a detailed narrative of the Board's plans and strategies to strengthen and improve the Holding Company's operations, earnings, and profitability;
- (f) include a detailed discussion of the Holding Company's current financial position and resources and the Board's strategies for preserving and enhancing the Holding Company's financial resources to meet the needs of the consolidated enterprise under the Business Plan, adequately support the Association's risk profile, and maintain compliance with applicable regulatory requirements and this Order;
- (g) require quarterly pro forma financial projections (balance sheet, income statement, and budget) for each quarter covered by the Business Plan, beginning with the quarter ending March 31, 2011;
- (h) include a contingency plan that addresses under three (3) different scenarios involving progressively stressed economic environments: (i) projected short-term and long-term sources of liquidity and cash flow, both into and out of the Holding Company; (ii) the payment of the operating expenses of the Holding Company; and (iii) the payment of dividends on common stock, without the reliance of capital distributions or any other payments from the Association; and

(i) identify all relevant assumptions and documentation, including documentation supporting such assumptions and projections.

3. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Holding Company shall immediately implement and adhere to the Business Plan. The Holding Company shall retain all documentation supporting assumptions addressed in Paragraph 2(i) of this Order.

4. Any material modification² to the Business Plan must receive the prior written notice of non-objection of the Regional Director. The Holding Company shall submit any proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

5. Within thirty (30) days after the end of each quarter, beginning with the quarter ending December 31, 2010, the Senior Executive Officers³ (Management) shall prepare and submit for the Board's review, at each regular quarterly meeting, a written report regarding the Holding Company's capital levels and the Association's compliance with the capital requirements set forth in the Association Order.

6. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review quarterly variance reports on the Holding Company's compliance with the Business Plan (Quarterly Variance Reports). The Quarterly Variance Reports shall:

² A modification shall be considered material under this Paragraph of the Order if the Holding Company plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

³ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

- (a) identify material variances in the Holding Company's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken to address identified variances.

7. The Board's review of the Quarterly Variance Reports, the Board's assessment of the Holding Company's compliance with the Business Plan, and any corrective actions taken or to be taken by the Board shall be fully documented in the Board meeting minutes. A copy of the Quarterly Variance Reports and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the Board meeting.

8. The Holding Company shall notify the Regional Director regarding any material event adversely affecting or that may adversely affect the capital or capital projections of the Holding Company within two (2) days after such event.

9. Within sixty (60) days prior to the end of each calendar year, the Holding Company shall submit to the Regional Director a revised three-year Business Plan for written notice of non-objection.

10. Within thirty (30) days after: (a) the Association fails to meet the capital requirements imposed by Association Order; (b) the Holding Company fails to comply with the Business Plan prescribed in Paragraph 2 of this Order; or (c) a request from the Regional Director, the Holding Company shall submit a written Contingency Plan that is acceptable to the Regional Director.

The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (i) a merger of the Holding Company or the Association with, or the acquisition of the Holding Company or the Association

by, another federally insured depository institution or holding company thereof; or (ii) voluntary liquidation of the Association by filing an appropriate application with the OTS in conformity with federal laws and regulations.

11. Upon receipt of notification from the Regional Director to implement the Contingency Plan, the Holding Company shall implement the Contingency Plan immediately. By no later than the first (1st) and fifteenth (15th) of each month following implementation of the Contingency Plan, the Board shall provide the Regional Director with written status reports detailing the Holding Company's progress in implementing the Contingency Plan.

Risk Management.

12. By March 31, 2011, the Holding Company shall submit to the Regional Director a written enterprise wide risk management policy to identify, monitor, manage, and control credit, interest rate, liquidity, operational, concentration, legal, and reputation risks of the Holding Company and its subsidiaries (Risk Management Policy). The Risk Management Policy, at a minimum, shall:

- (a) address the adequacy and effectiveness of: (i) the Board's and Management's identification, monitoring, management, and control of the risks inherent in the consolidated enterprise's activities; and (ii) the Board's and Management's responses to changes in the risk profile of the Holding Company's operating sectors;
- (b) provide for the establishment of adequate accounting and risk disclosure policies and procedures, and specific limits on activities, given the risks inherent in the activities of the consolidated enterprise, financial strength, staff expertise, and the strategic goals of the Holding Company;

- (c) establish risk monitoring and management information systems to identify, report, and monitor risks;
- (d) establish a system of internal controls to ensure the accuracy of financial reporting and disclosure; and
- (e) require: (i) a quarterly written analysis by Management regarding compliance of the Holding Company and its subsidiaries with the Risk Management Policy, regulatory requirements, policies and procedures, and internal controls relating to segregation of duties; and (ii) the reporting of the written analysis and assessment to the Board for its review.

13. Upon receipt of written notification from the Regional Director that the Risk Management Policy is acceptable, the Holding Company shall immediately implement the Risk Management Policy.

14. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the effectiveness of the Holding Company's implementation of the Risk Management Policy. The Board's review and any corrective action implemented by Management shall be fully documented in the Board meeting minutes.

Dividends.

15. Effective immediately, the Holding Company shall not declare or pay dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.141, or commit to declare or pay dividends or any other capital distributions without the prior written notice of non-objection of the Regional Director. The Holding Company shall submit its written request for non-objection to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend or capital distribution. The written request for such notice of non-objection shall: (a)

contain current and pro forma one-year projections regarding the Holding Company's consolidated capital, asset quality, and earnings; and (b) address compliance with the Business Plan required by Paragraph 2 of this Order.

Stock Transactions.

16. Effectively immediately, the Holding Company shall not: (a) purchase, repurchase, or redeem or commit to purchase, repurchase, or redeem any Holding Company equity stock; or (b) issue to issue a new class of stock, change the terms of any existing classes of stock, convert any class of stock into another class of stock, or commit to take any of these actions without the prior written notice of non-objection of the Regional Director. The Holding Company shall submit its written request for non-objection to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed transaction.

Debt Restrictions.

17. Effective immediately, the Holding Company not, directly or indirectly, incur, issue, renew, rollover, or increase any debt⁴, pay interest or principal on debt, or commit to do so without the prior written notice of non-objection of the Regional Director. The Holding Company shall submit its written request for non-objection to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt transaction. The Holding Company's written request for the Regional Director's non-objection to engage in such debt transactions, at a minimum, shall: (a) describe the purpose of the proposed debt; (b) set forth and analyze the terms of the proposed debt and covenants; (c) analyze the Holding Company's

⁴ For purposes of this Paragraph of the Order, the term "debt" includes, but is not limited to, loans, bonds, cumulative preferred stock, guarantees of debt, and hybrid capital instruments such as subordinated debt or trust preferred securities. For purposes of this Paragraph of this Order, the term "debt" does not include liabilities that are incurred in the ordinary course of business to acquire goods and services and that are normally recorded as accounts payable under generally accepted accounting principles.

current cash flow resources available to satisfy such debt repayment; and (d) set forth the anticipated source(s) of repayment of the proposed debt.

Transactions with Affiliates.

18. Effective immediately, the Holding Company shall not engage in any transactions with the Association unless the transaction is in compliance with 12 C.F.R. § 563.41 and 12 C.F.R. Part 223.

Directorate and Management Changes.

19. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Golden Parachute and Indemnification Payments.

20. Effective immediately, the Holding Company shall not make any golden parachute payment⁵ or prohibited indemnification payment⁶ unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359.

Employment Contracts and Compensation Arrangements.

21. Effective immediately, the Holding Company shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Holding Company, unless it first provides the Regional Director with not less than forty-five (45) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to

⁵ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

⁶ The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Regional Director fully complies with all applicable laws, regulations, and regulatory guidelines.

22. Effective immediately, the Holding Company shall not make any bonus payments to, or otherwise increase the compensation of, any of its directors or officers unless it first: (a) provides the Regional Director with a forty-five (45) day prior written notice of such proposed bonus or increase, including all documentation required to evaluate the proposal; and (b) receives a written notice of non-objection to the proposal from the Regional Director.

Association Oversight.

23. Effective immediately, the Holding Company shall ensure the Association's compliance with the terms of the Association Order.

Board Oversight of Compliance with this Order.

24. Effective immediately, the Board shall monitor and coordinate the Holding Company's compliance with the provisions of this Order and the completion of all corrective actions required in the 2010 ROE. The Board shall review and adopt all policies and procedures required by this Order prior to submission to the OTS.

25. Within thirty (30) days after the end of each quarter, beginning with the quarter ending December 31, 2010, the Holding Company shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and

(c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

26. Within forty-five (45) days at the end of each quarter, beginning with the quarter ending December 31, 2010, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within five (5) days after the Board meeting.

27. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Holding Company's compliance with the provisions of this Order.

Effective Date, Incorporation of Stipulation.

28. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

29. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

30. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

31. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company

that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

32. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

33. Except as otherwise provided herein, all submissions, requests, communications, consents, or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

- (a) To the OTS:
Philip A. Gerbick, Regional Director
Attn: Vivian Carlton, Assistant Director
Office of Thrift Supervision
225 East John Carpenter Freeway, Suite 500
Irving, Texas 75062-3326
Facsimile: (972) 277-9501

- (b) To the Holding Company:
Attn: Craig E. Young, CEO
United Holding Company, Inc.
2790 South Thompson
Springdale, Arkansas 72764-6354
Facsimile: (866) 897-2839

No Violations Authorized.

34. Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/ _____
Philip A. Gerbick
Regional Director, Western Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
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In the Matter of)	Order No.: WN-10-035
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UNITED HOLDING COMPANY, INC.)	Effective Date: November 19, 2010
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Springdale, Arkansas)	
OTS Docket No. H3490)	
_____)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed United Holding Company, Inc., Springdale, Arkansas, OTS Docket No. H3490 (Holding Company), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order; and

WHEREAS, the Holding Company desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 through 3 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Holding Company is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 U.S.C. § 1813(w)(1).

2. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate cease and desist proceedings against a savings and loan holding company in the same manner and to the same extent as a savings association for regulatory violations and unsafe or unsound acts or practices.

3. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, the Holding Company is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

4. Based on its June 1, 2010 examination of the Holding Company, the OTS finds that the Holding Company has engaged in unsafe or unsound practices, including:

- (a) the operation of the Holding Company and its wholly-owned savings association subsidiary, United Bank, Springdale, Arkansas, OTS Docket No. 07756 (Association), with inadequate capital and earnings to support their risk profile; and
- (b) the operation of the Association with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association.

Consent.

5. The Holding Company consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Holding Company further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

6. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

7. The Holding Company waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

8. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Holding Company if, at any time, the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

9. The Holding Company acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 8 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

10. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

11. If any provision of this Stipulation and/or the 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 in his or her sole discretion determines otherwise.

12. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

13. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

14. The terms of this Stipulation and of the Order represent the final agreement of the parties

with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

15. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

16. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of the execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing the execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

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