

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.  
AND  
MISSISSIPPI DEPARTMENT OF BANKING AND CONSUMER FINANCE  
JACKSON, MISSISSIPPI

_____ )	
In the Matter of )	
PEOPLES BANK OF THE SOUTH )	CONSENT ORDER
BUDE, MISSISSIPPI )	
(Insured State Nonmember Bank) )	FDIC 09-566b
_____ )	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for PEOPLES BANK OF THE SOUTH, BUDE, MISSISSIPPI (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation to the Issuance of a Consent Order” (“Stipulation”), dated December 9, 2009, that is accepted by the Regional Director of the FDIC’s Dallas Regional Office (hereafter referred to either as “Regional Director” or “FDIC”) and the Commissioner of the Mississippi Department of Banking and Consumer Finance (hereafter referred to either as “Commissioner” or “State”). With this Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of laws or regulations relating to capital adequacy, asset quality, management, earnings, liquidity, or sensitivity to market risks, to the issuance of this Consent Order (“ORDER”) by the FDIC and the State.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Title 81, Chapter 1 of the Mississippi Code, Miss. Code Ann. § 81-1-125, have been satisfied, the FDIC and the State hereby order that:

## **MANAGEMENT – BOARD SUPERVISION**

1. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall increase its participation in the affairs of the Bank by assuming full responsibility for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all the Bank's activities. The board's participation in the Bank's affairs shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, nonaccrual, and recovered loans; investment activities; operating policies; and individual committee actions. The Bank's board of directors' minutes shall document the board's reviews and approvals, including the names of any dissenting directors.

## **MANAGEMENT**

2. (a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management personnel shall be evaluated on their ability to:

- (1) Comply with the requirements of the ORDER;
- (2) Operate the Bank in a safe and sound manner;
- (3) Comply with applicable laws and regulations; and
- (4) Restore all aspects of the Bank to a safe and sound condition, including improve the Bank's asset quality, capital adequacy, earnings, management effectiveness, liquidity, and its sensitivity to market risk.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in management. The notification must include the name(s) and background(s) of any replacement personnel and must be provided 60 days prior to the individual(s) assuming the new position(s).

**CAPITAL INCREASE, CAPITAL MAINTENANCE, AND CAPITAL PLAN**

3. (a) Within 90 days after the effective date of this ORDER, the Bank, after establishing an Allowance for Loan and Lease Losses, shall have and thereafter maintain its Tier 1 Leverage Capital ratio equal to or greater than 8 percent of the Bank's Average Total Assets; shall maintain its Tier 1 Risk-Based Capital ratio equal to or greater than 10 percent of the Bank's Total Risk-Weighted Assets; and shall maintain its Total Risk-Based Capital ratio equal to or greater than 12 percent of the Bank's Total Risk Weighted Assets. In order to achieve and maintain such ratios, the Bank shall, within 90 days after the effective date of this ORDER either: (i) increase its Tier 1 Capital by no less than \$800,000; or (ii) submit a written capital plan to the Regional Director and the Commissioner that, at a minimum, guarantees that the Bank has funds immediately available to it in order to achieve and maintain the ratios required by this paragraph.

(b) Any increase in the Bank's Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The direct contribution of cash subsequent to August 3, 2009, by the directors and shareholders of the Bank or by the Bank's holding company; or

- (3) Receipt of an income tax refund or the capitalization subsequent to August 3, 2009, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (4) Any other method approved by the Regional Director and the Commissioner.

(c) If any such capital ratios are less than the percentages required by this ORDER, as determined at an examination by the FDIC or the State, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director and the Commissioner, present to the Regional Director and the Commissioner a plan to increase the Bank's Tier 1 Capital or to take other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director and the Commissioner respond to the plan, the Bank's board of directors shall adopt the plan, including any modifications or amendments requested by the Regional Director and the Commissioner.

(d) Thereafter, the Bank shall immediately initiate measures detailed in the plan, to the extent such measures have not previously been initiated, to increase the Bank's Tier 1 Capital by an amount sufficient to bring all the capital ratios to the percentages required by this ORDER within 30 days after the Regional Director and the Commissioner respond to the plan.

(e) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's board of directors shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering

materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, 550 17<sup>th</sup> Street N.W., Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Commissioner for prior approval.

(f) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank's securities. The written notice required by this paragraph shall be furnished within 10 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(g) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(h) For purposes of this ORDER, all terms relating to capital shall be

calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

### **DIVIDEND RESTRICTION**

4. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

### **LOAN POLICY**

5. (a) Within 60 days after the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's loan policy and procedures for effectiveness and, based upon this review, shall make all necessary revisions to the policy in order to strengthen the Bank's lending procedures and abate additional loan deterioration. The revised written loan policy shall be submitted to the Regional Director and the Commissioner for review upon its completion.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

- (1) Establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policy; deviations on any borrower with aggregate debt in excess of \$75,000 must be approved in advance by the Bank's loan committee; deviations on any borrower with aggregate debt in

excess of \$100,000 must be approved in advance by the Bank's board of directors;

- (2) Requiring that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, including lien searches and the perfection of security interests; have a defined and stated purpose; and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information, profit and loss statements or copies of tax returns, cash flow projections, and calculation of global debt service coverage; such information shall be maintained throughout the term of the loan;
- (3) Requiring loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" in the Report of Examination;
- (4) Requiring the establishment and maintenance of a loan grading system and internal loan watch list;
- (5) Requiring a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;
- (6) Prohibiting the capitalization of interest or loan-related expenses, including taxes, insurance, principal and interest for other debt at the Bank or at other lenders, unless the Bank's board of directors

formally approves such extensions of credit as being in the best interest of the Bank and provides detailed written support of its position in the Bank's board minutes;

- (7) Requiring that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O, 12 C.F.R. Part 215 and Section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3;
- (8) Requiring prior written approval by the Bank's board of directors for any extension of credit, renewal, or disbursement to any of the Bank's executive officers, directors, or principal shareholders, in an amount which, when aggregated with all other extensions of credit to that person and related interests of that person, exceeds \$50,000. For the purpose of this paragraph "Related Interest" is defined as in Section 215.2(n) of Regulation O, 12 C.F.R. § 215.2(n);
- (9) Requiring a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;
- (10) Requiring accurate reporting of past due loans to the Bank's board of directors on at least a monthly basis;

- (11) Addressing concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;
- (12) Requiring guidelines and review of out-of-territory loans which, at a minimum, shall include complete credit documentation, approval by a majority of the Bank's board of directors [loan committee] prior to disbursement of funds, and a detailed written explanation of why such a loan is in the best interest of the Bank;
- (13) Establishing measurable standards for extending unsecured credit;
- (14) Incorporating collateral valuation requirements, including:
  - a. Maximum loan-to-collateral-value limitations;
  - b. A requirement that the valuation be completed prior to a commitment to lend funds;
  - c. A requirement for periodic updating of valuations; and
  - d. A requirement that the source of valuations be documented in Bank records;
- (15) Establishing standards for initiating collection efforts;
- (16) Establishing guidelines for timely recognition of loss through charge-off;
- (17) Prohibiting the extension of a maturity date, advancement of additional credit or renewal of a loan to a borrower whose

obligations to the Bank were classified “Substandard,” “Doubtful,” or “Loss,” whether in whole or in part, as of July 20, 2009, or by the FDIC or State in a subsequent Report of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are supported by current and complete financial information, and the renewal or extension has first been approved in writing by a majority of the Bank’s board of directors;

- (18) Establishing officer tiered-lending limits and limitations on the aggregate level of credit to any one borrower which can be granted without the prior approval of the Bank’s loan committee, not to exceed \$100,000, and without the prior approval of the Bank’s board of directors, not to exceed \$200,000;
- (19) Requiring that collateral appraisals be completed, and maintained in the Bank’s loan files for the life of the loans, prior to the making of secured extensions of credit, and that periodic collateral valuations be performed, and maintained in the Bank’s loan files for the life of the loans, for all secured loans listed on the Bank’s internal watch list, criticized in any internal or outside audit report of the Bank, or criticized in any Report of Examination of the Bank by the FDIC or the State;

- (20) Prohibiting the issuance of standby letters of credit unless the letters of credit are well secured and/or are supported by current and complete financial information;
- (21) Requiring specific guidance for consolidation loans which guidance at a minimum shall require loan committee approval for all consolidation loans in which the aggregate debt of the borrower exceeds \$5,000 and board of director approval for all consolidation loans in excess of \$50,000;
- (22) Requiring standards for loan documentation that at a minimum shall require for all loans or relationships in excess of \$50,000 that all loan documentation be permanently placed in the loan file in order to determine the original date of the loan, the specific purpose of the loan, the expected amortization, the borrower's repayment history, increases or decreases in collateral value, renewals without full payment of interest due, capitalization of interest, and payment skips and other forms of due date advancement;
- (23) Requiring that complete, updated loan documentation be obtained prior to the renewal, refinance, or extension of any loan, and the amendment of any of the original terms of a loan, including, but not limited to, modification of payment due dates or modification of interest and/or principal payments;

- (24) Prohibiting the payment of any overdraft in excess of \$2,500 without the prior written approval of the Bank's loan committee, \$5,000 without the prior written approval of the Bank's board of directors, and imposing limitations on the use of Cash Items account;
- (25) Establishing limitations on the maximum volume of loans in relation to total assets; and
- (26) Establishing review and monitoring procedures to ensure compliance with FDIC's regulation on appraisals pursuant to Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323.

(c) The Bank shall submit the foregoing policies to the Regional Director and the Commissioner for comment. After the Regional Director and the Commissioner respond to the policies, the Bank's board of directors shall adopt the policies as amended or modified by the Regional Director and the Commissioner. The policies will be implemented immediately to the extent that they are not already in effect at the Bank.

**CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION**

6. (a) Within 5 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss by the FDIC or the State as a result of its examination of the Bank as of July 20, 2009. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 60 days after the effective date of this ORDER, the Bank shall submit a written plan to the Regional Director and the Commissioner to reduce the remaining assets classified Doubtful and Substandard as of July 20, 2009. The plan shall address each asset or relationship so classified with a balance of \$75,000 or greater and provide the following:

- (1) The name under which the asset is carried on the books of the Bank;
- (2) Type of asset;
- (3) Actions to be taken in order to reduce the classified asset; and
- (4) Timeframes for accomplishing the proposed actions.

The plan shall also include, at a minimum,

- (1) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
- (2) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall contain a provision requiring the submission of monthly progress reports to the Bank's board of directors and a provision mandating a review by the Bank's board of directors.

(c) The Bank shall provide a copy of the plan to the Regional Director and the Commissioner. Within 30 days after the Regional Director's and the Commissioner's response, if any, the plan, including any requested modifications or amendments shall be adopted by the Bank's board of directors which approval shall be recorded in the minutes of the meeting of the

Bank's board of directors. The Bank shall then immediately initiate measures detailed in the plan to the extent such measures have not been initiated.

(d) For purposes of the plan, the reduction of adversely classified assets as of July 20, 2009 shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's Allowance for Loan and Lease Losses and may be accomplished by:

- (1) Charge-off;
- (2) Collection;
- (3) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State; or
- (4) Increase in the Bank's Tier 1 Capital.

(e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future examination conducted by the FDIC or the State.

#### **LOAN COMMITTEE AND LOAN REVIEW REQUIREMENTS**

7. (a) Within 30 days after the effective date of this ORDER, the Bank's board of directors shall establish a loan review committee to periodically review the Bank's loan portfolio and identify and categorize problem credits. The committee shall file a report with the Bank's board of directors at each board meeting. This report shall include the following information:

- (1) The overall quality of the loan portfolio;
- (2) The identification, by type and amount, of each problem or

delinquent loan;

- (3) The identification of all loans not in conformance with the Bank's lending policy; and
- (4) The identification of all loans to officers, directors, principal shareholders or their related interests.

(b) At least six members of the loan review committee shall be Independent Directors. For purposes of this ORDER, a person who is an Independent Director shall be any individual:

- (1) Who is not an officer of the Bank [any subsidiary of the Bank or any of its affiliated organizations];
- (2) Who does not own more than 5 percent of the outstanding shares of the Bank;
- (3) Who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder; and
- (4) Who is not indebted to the Bank directly or indirectly by blood, marriage or common financial interest, including the indebtedness of any entity in which the individual has a substantial financial interest in an amount exceeding 5 percent of the Bank's total Tier I Capital and Allowance for Loan and Lease Losses; or
- (5) Who is deemed to be an Independent Director for purposes of this

ORDER by the Regional Director and the Commissioner.

## **EXTERNAL LOAN REVIEW**

8. (a) Within 45 days after the effective date of this ORDER, the Bank shall hire an external loan review consultant who is acceptable to the FDIC and the State. Within 120 days after the effective date of this ORDER, the consultant shall review all relationships in excess of \$50,000, other than relationships reviewed by the FDIC and the State at the July 20, 2009, examination; review and assess the Bank's internal loan review system, loan underwriting practices, loan administrative practices, and loan officer authority; review compliance with the loan policy; assess qualification and training needs of the loan committee; complete the external loan review and assessment of the Bank's internal loan review system; and provide a written report to the Bank of its findings, with a copy of the report furnished to the FDIC and the State.

(b) Within 45 days after receipt of the consultant's report by the Bank, the Bank shall notify the FDIC and the State in writing of actions it has taken and actions it proposes to take in response to the consultant's findings.

(c) Within 120 days after its original report, the consultant shall conduct a follow-up review to determine what actions, if any, the Bank has taken with respect to the findings contained in the consultant's original report and file a follow-up report with the Bank within 30 days after completion of the follow-up review, with a copy of the follow-up report furnished to the FDIC and the State.

## **INTERNAL LOAN REVIEW**

9. (a) Within 90 days after the effective date of this ORDER, the Bank shall review and take corrective measures for all loan origination and loan administration deficiencies cited in the July 20, 2009, Report of Examination.

(b) With regard to all such loan originations and loan administrative deficiencies referenced in the preceding subparagraph that exceed \$50,000, the Bank shall obtain all loan documentation to determine the original date of the loan, the specific purpose of the loan, the expected amortization, the borrower's repayment history, increases or decreases in collateral value, renewals without full payment of interest due, capitalization of interest, and payment skips and other forms of due date advancement.

(c) From and after the effective date of this ORDER, the Bank shall obtain and maintain all loan documentation necessary to determine the original date of the loan, the specific purpose of the loan, the expected amortization, the borrower's repayment history, increases or decreases in collateral value, renewals without full payment of interest due, capitalization of interest, and payment skips and other forms of due date advancement.

#### **RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS**

10. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit has been classified Loss by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose extension of credit is

classified Doubtful and/or Substandard by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, unless the Bank's board of directors has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Bank's board of directors' meeting.

### **REDUCTION OF DELINQUENCIES**

11. (a) Within 30 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner a written plan for the reduction and collection of delinquent loans. Such plan shall include, but not be limited to, provisions which:

- (1) Prohibit the extension of credit for the payment of interest;
- (2) Delineate areas of responsibility for implementing and monitoring the Bank's collection policies;
- (3) Establish specific collection procedures to be instituted at various stages of a borrower's delinquency;
- (4) Establish dollar levels to which the Bank shall reduce delinquencies within 90, 120, 150, 180, and 210 days after the effective date of this ORDER; and
- (5) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the Bank's board of directors.

(b) For purposes of the plan, “reduce” means to:

(1) Charge-off; or

(2) Collect.

(c) After receipt of the Regional Director’s and the Commissioner’s

comments, if any, the Bank’s board of directors shall adopt the plan. The plan will be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

### **SPECIAL MENTION AND TECHNICAL EXCEPTIONS**

12. (a) Within 90 days after the effective date of this ORDER, the Bank shall correct all technical exceptions and/or deficiencies in the loans listed for Special Mention in the Report of Examination dated July 20, 2009. If all technical exceptions and/or deficiencies are not corrected within 90 days after the effective date of this ORDER, the Bank’s loan files shall contain documentation establishing measures the Bank undertook to correct the technical exceptions and/or deficiencies.

### **ALLOWANCE FOR LOAN AND LEASE LOSSES AND AMENDED CALL REPORTS**

13. (a) Within 5 days after the effective date of this ORDER, the Bank shall make provisions to its Allowance for Loan and Lease Losses (“ALLL”) in an amount equal to at least \$607,000. The allowance should be funded by charges to current operating income, and should be calculated in accordance with generally accepted accounting standards and ALLL supervisory guidance. After the initial provision is made, the Bank shall thereafter maintain a reasonable ALLL. Prior to the end of each calendar quarter, the Bank’s board of directors shall review the

adequacy of the Bank's ALLL. Such reviews shall include, at a minimum, the Bank's loan loss experience, an estimate of potential loss exposure in the portfolio, trends of delinquent and non-accrual loans and prevailing and prospective economic conditions. The minutes of the Bank's board of directors' meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended increases in the ALLL.

(b) Within 30 days after the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after June 30, 2009, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a reasonable ALLL. Reports filed after the effective date of this ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

(c) The Bank must use Financial Accounting Standards Board Statements Numbers 5 and 114 for determining the Bank's allowance for loan and lease losses reserve adequacy. Provisions for loan losses must be based on the inherent risk in the Bank's loan portfolio. The directorate must document with written reasons any decision not to require provisions for loan losses in the board minutes. At a minimum the procedure shall identify each loan that is not investment quality, is impaired, is impaired and collateral dependent, and the amount of FAS 114 impairment for each impaired loan.

#### **ASSET/LIABILITY COMMITTEE**

14. (a) Within 5 days after the effective date of this ORDER, the Bank's Asset/Liability Committee ("ALCO") shall take an active role in monitoring the Bank's liquidity and report monthly to the Bank's board of directors concerning the Bank's liquidity. Minutes of the meetings of the ALCO committee shall fully document committee review, findings,

recommendations, and an assessment of responses to the committee's recommendations.

### **INTEREST RATE RISK**

15. (a) Within 60 days after the effective date of the ORDER, the Bank shall develop, adopt, and implement an interest rate risk policy and procedures that shall include, at a minimum:

- (1) Measures designed to control the nature and amount of interest rate risk the Bank takes including those that specify risk limits and defines lines of responsibilities and authority for managing risk;
- (2) A system for identifying and measuring interest rate risk;
- (3) A system for monitoring and reporting risk exposures; and
- (4) A system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

### **LIQUIDITY/ASSET/LIABILITY MANAGEMENT**

16. (a) Within 60 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner a written plan addressing liquidity, the Bank's relationship of volatile liabilities to temporary investments, and rate sensitivity objectives. Annually thereafter, while this ORDER is in effect, the Bank shall review this plan for adequacy and, based upon such review, shall make necessary revisions to the plan to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The initial plan shall include, at a minimum, provisions:

- (1) Establishing the Bank's ratios of total loans to total assets and total loans to total deposits;
- (2) Establishing a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;
- (3) Identifying the source and use of borrowed and/or volatile funds;
- (4) Establishing lines of credit at correspondent banks, including the Federal Reserve Bank, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;
- (5) Requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;
- (6) Establishing a minimum liquidity ratio and defining how the ratio is to be calculated;
- (7) Establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;
- (8) Addressing the use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) and providing for reasonable maturities commensurate with the use of the borrowed funds; addressing concentration of funding sources; and addressing pricing and collateral requirements with specific allowable funding

channels (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings); and

- (9) Establishing procedures for managing the Bank's sensitivity to interest rate risk which comply with the Joint Agency Statement of Policy on Interest Rate Risk (June 26, 1996), and the Supervisory Policy Statement on Investment Securities and End-user Derivative Activities (April 23, 1998).

(b) Within 30 days after the receipt of any such comments from the Regional Director and the Commissioner, and after revising the plan as necessary, the Bank shall adopt the plan, which adoption shall be recorded in the minutes of a board of directors' meeting.

Thereafter, the Bank shall implement the plan.

#### **DISASTER RECOVERY PLAN AND BUSINESS CONTINGENCY PLAN**

17. (a) Within 60 days after the effective date of this ORDER, the Bank shall develop and implement a disaster recovery/business contingency plan that addresses all critical services and operations that are provided by internal and external sources. The plan shall be submitted to the Regional Director and the Commissioner. At a minimum, the plan shall address:

- (1) Recovery priorities and procedures;
- (2) Determination of when to use alternate sites;
- (3) Notification to employees;
- (4) Procedures for performing backup and offsite storage;

(5) Obtaining backup equipment, software, and current master file backup; and

(6) All of the deficiencies regarding the Bank's current plan as discussed in the most recent Report of Examination.

(b) Within 30 days from the Bank's receipt of any comments from the Regional Director and the Commissioner, the Bank shall revise the disaster recovery/business contingency plan.

(c) Within 60 days of the Bank's receipt of any comments from the Regional Director and the Commissioner, and annually thereafter, the Bank shall test the disaster recovery/business contingency plan and report the results of the test to the board of directors or designated committee. The test of the plan should include:

(1) Testing of all critical business units and functions;

(2) The use of historic activity volumes;

(3) The use of actual backup system and data files from offsite storage;

(4) Participation and review by internal audit staff; and

(5) A corrective plan of action for all problems encountered.

(d) The Bank's board of directors shall review, revise as necessary, and approve the disaster recovery/business contingency plan annually.

### **INFORMATION TECHNOLOGY**

18. (a) Within 30 days after the effective date of this ORDER, the Bank shall:

(1) develop an ongoing agenda for Information Technology ("IT")

committee meetings and provide a copy of all committee minutes to the Bank's board of directors for review;

(2) ensure that documentation for the core processing system has been reviewed and that the Bank has determined which of the available reports would be beneficial to the Bank in monitoring the Bank's daily operations, user activity, system performance, and system security;

(3) create job descriptions for all IT personnel; and

(4) adopt and implement procedures for periodic review of user access levels;

(b) Within 60 days after the effective date of this ORDER, the Bank shall adopt and implement a training program for the Bank's board of directors and senior management regarding basic IT fundamentals and security.

(c) Within 60 days after the effective date of this ORDER, the Bank shall adopt and implement procedures to ensure compliance with the Interagency Guidelines for Safeguarding Customer Information, including expansion of the risk assessment and annual report to the Bank's board of directors.

(d) Within 90 days after the effective date of this ORDER, the Bank shall revise its strategic IT plan and budget and coordinate such plan with the Bank's overall business plan.

(e) Within 120 days after the effective date of this ORDER, the Bank shall develop and/or revise, and then adopt and implement the following IT policies: Vendor Management; Disaster Recovery/Business Continuity Plan; Audit/Internal Controls; Pandemic Planning; Incident Response; Patch Management; and Automated Clearinghouse activities. The

Bank shall use the appropriate Financial Institution Letters and FFIEC IT Examination Handbooks as guides when developing/revising such policies.

### **PROFIT PLAN**

19. (a) Within 90 days after the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop a written profit plan consisting of goals and strategies for improving the earnings of the Bank for each calendar year.

The written profit plan shall include, at a minimum:

- (1) Identification of the major areas in, and means by, which the board of directors will seek to improve the Bank's operating performance;
- (2) Realistic and comprehensive budgets;
- (3) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and
- (4) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(b) Such written profit plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner. Within 30 days after the receipt of any comment from the Regional Director and the Commissioner, the Bank's board of directors shall approve the written profit plan which approval shall be recorded in the minutes of the Bank's board of directors. Thereafter, the Bank, its directors, officers, and employees shall follow the written profit plan and/or any subsequent modification.

## **STRATEGIC PLAN**

20. (a) Within 90 days after the effective date of this ORDER, the Bank shall prepare and adopt a comprehensive strategic plan. The strategic plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

- (b) The written strategic plan shall address, at a minimum:
- (1) Strategies for pricing policies and asset/liability management;
  - (2) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;
  - (3) Goals for reducing problem loans;
  - (4) Plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions;
  - (5) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings;
  - (6) Formulation of a mission statement and the development of a strategy to carry out that mission.

## **CORRECTION OF VIOLATIONS**

21. (a) Within 90 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination.

- (b) Within 30 days after the effective date of this ORDER, the Bank shall

implement procedures to ensure future compliance with all applicable laws and regulations.

(c) Within 90 days after the effective date of this ORDER, the Bank shall address any contraventions of policy noted in the Report of Examination.

### **NOTIFICATION TO SHAREHOLDERS**

22. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Disclosure Section, 550 17th Street N.W., Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

### **COMPLIANCE COMMITTEE – NON-EMPLOYEE DIRECTORS REQUIRED**

23. (a) Within 5 days after the effective date of this ORDER, the Bank's board of directors shall establish a committee of the board of directors of the Bank charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. At least six members of such committee shall be directors not employed in any capacity by the Bank other than as a director. The committee shall report monthly to the full board of directors of the Bank, and a copy of the report and any discussion relating to the report or the ORDER shall be noted in the minutes of the Bank's board of directors' meetings. The establishment of this

subcommittee shall not diminish the responsibility or liability of the entire board of directors of the Bank to ensure compliance with the provisions of this ORDER.

### **PROGRESS REPORTS**

24. (a) Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Commissioner written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released, in writing, the Bank from making further reports.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the State, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance by the FDIC.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC and the State.

Issued Pursuant to Delegated Authority.

Dated this 10<sup>th</sup> day of December, 2009.

/s/  
\_\_\_\_\_  
John S. Allison  
Commissioner  
Mississippi Department of  
Banking and Consumer Finance

/s/  
\_\_\_\_\_  
Thomas J. Dujenski  
Dallas Regional Director  
Division of Supervision and Consumer Protection  
Federal Deposit Insurance Corporation