

UNITED STATES OF AMERICA

BEFORE

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

\_\_\_\_\_)  
Written Agreement by and among )  
INDEPENDENT SOUTHERN )  
BANCSHARES, INC. )  
EMPLOYEE STOCK )  
OWNERSHIP TRUST ) Docket Nos. 00-009-WA/RB-HC1  
Brownsville, Tennessee ) 00-009-WA/RB-HC2  
INDEPENDENT SOUTHERN )  
BANCSHARES, INC. )  
Brownsville, Tennessee )  
and )  
FEDERAL RESERVE BANK OF )  
ST. LOUIS )  
St. Louis, Missouri )  
\_\_\_\_\_)

WHEREAS, in order to restore and maintain the financial soundness of Independent Southern Bancshares, Inc., Brownsville, Tennessee, a registered bank holding company ("Insouth"), the Federal Reserve Bank of St. Louis (the "Reserve Bank"), Independent Southern Bancshares, Inc. Employee Stock Ownership Trust, Brownsville, Tennessee, a registered top-tier bank holding company (the "ESOT"), and Insouth have mutually agreed to enter into this Written Agreement (the "Agreement").

WHEREAS, Insouth owns and controls Insouth Bank of Brownsville, Brownsville, Tennessee, a state nonmember bank (the "Brownsville Bank");

WHEREAS, on Sept 6, 2000, the board of directors of Insouth, at a duly constituted meeting, adopted a resolution authorizing and directing J. D. Clinton to enter into this Agreement on behalf of Insouth and consented to compliance with each and every applicable provision of this Agreement by Insouth and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u) and 1818(b)(3)); and

WHEREAS, on Sept 4, 2000, Phil Clinton agreed to enter into this Agreement on behalf of the ESOT and consented to compliance with each and every applicable provision of this Agreement by the ESOT and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act.

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Agreement constituting an admission of any allegation made or implied by the Board of Governors of the Federal Reserve System ("Board of Governors"), the Reserve Bank, the ESOT and Insouth hereby agree as follows:

1. (a) Insouth shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors of the Federal Reserve System (the "Director"). All requests for prior approval shall be received by the Reserve Bank and the Director at least 30 days prior to the proposed dividend declaration date and shall include, but not be limited to, current and projected information on consolidated earnings, cash flow and capital levels, and the asset quality of the Brownsville Bank and any affiliate of Insouth.

(b) Insouth shall not take dividends or any other form of direct or indirect payment representing a reduction of capital from the Brownsville Bank without the prior written approval of the Reserve Bank.

2. (a) The ESOT and Insouth shall not, directly or indirectly, increase their borrowings or incur any debt, in the form of a guarantee or otherwise, without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, and the planned source(s) for debt repayment and an analysis of the cash flow sources available to meet such debt repayment.

(b) Within 45 days of this Agreement, Insouth shall submit to the Reserve Bank an acceptable written plan to service Insouth's outstanding debt without incurring any additional debt. The plan shall, at a minimum, specifically address:

- (i) Reductions in outstanding debt and periodic payments of principal and interest;
- (ii) Insouth's cash flow projections;
- (iii) the Brownsville Bank's anticipated earnings, asset growth, capital, and dividend projections; and
- (iv) alternative sources of funds to be used to make all necessary debt reductions.

3. (a) Insouth shall not, directly or indirectly, pay any salary, bonus or fees, or make any other payments, including but not limited to management or consultant fees or the reimbursement of expenses or the payment of indebtedness, to or on behalf of Insouth's directors, senior executive officers or their related interests thereof without the prior written approval of the Reserve Bank.

(b) For the purposes of this Agreement, (i) "senior executive officer" shall be defined as set forth in section 225.71 of Regulation Y of the Board of Governors (12 C.F.R. 225.71); and (ii) "related interest" shall be defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. 215.2(n)).

4. Within 60 days of this Agreement, Insouth shall submit to the Reserve Bank an acceptable written plan to achieve and, thereafter, to maintain an adequate capital position for the Brownsville Bank and the consolidated organization. The plan

shall, at a minimum, address and consider: (a) the current and future capital requirements of the Brownsville Bank and the consolidated organization, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D); (b) the volume of adversely classified assets at the Brownsville Bank and the risk profile of the Brownsville Bank's asset and liability structure; (c) the Brownsville Bank's anticipated level of earnings; (d) the development of procedures for monitoring, on a quarterly basis, the capital adequacy of the Brownsville Bank and the consolidated organization; (e) the source and timing of additional funds to fulfill the Brownsville Bank's future capital requirements and maintain the adequacy of the allowance for loan loss reserves; and (f) the requirements of any capital restoration plan for the Brownsville Bank.

5. (a) Insouth shall not, directly or indirectly, enter into, participate, or in any other manner engage in any financial transaction with the Brownsville Bank, without the prior written approval of the Reserve Bank.

(b) Any request for prior approval pursuant to paragraph (5) (a) shall be accompanied by documentation adequate to provide the Reserve Bank with the details of each proposed transaction, including a full description of the proposed transaction, the purpose(s) of the transaction, the amounts involved, the benefits to be derived by Insouth or the Brownsville Bank, the proposed transaction's compliance with all applicable laws and regulations, including sections 23A and 23B of the Federal Reserve Act (12 U.S.C.

371c and 371c-1) and such other matters that may be pertinent to the proposal and assist the Reserve Bank in its review of each proposal.

(c) For the purposes of this Agreement, the term (i) "financial transaction" shall include, but not be limited to the transfer, contribution, sale or purchase of any asset, the direct or indirect payment of any expense or obligation of Insouth (the direct or indirect assumption of any liability of Insouth), the payment of a management or service fee of any nature, or any extension of credit, including overdrafts, and the performance of any financial service for Insouth by the Brownsville Bank; and (ii) "extension of credit" shall be defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3).

6. Insouth shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

7. The plans required by paragraphs 2(b) and 4 hereof shall be submitted to the Reserve Bank for review and approval. Acceptable plans shall be submitted to the Reserve Bank within the required time periods. Insouth shall adopt the approved plans within 10 days of receipt of approval by the Reserve Bank and then shall fully comply with them. During the term of this Agreement, the approved plans shall not be amended or rescinded without the prior written approval of the Reserve Bank.

8. Within 30 days of the end of each quarter (September 30, December 31, March 31 and June 30) following the date of this Agreement, Insouth shall furnish to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof, including a parent company cash flow statement for the period ending that quarter and a cash flow projection for the subsequent two quarters.

9. All communications regarding this Agreement shall be sent to:

- (a) Mrs. Joan P. Cronin  
Senior Vice President  
Federal Reserve Bank of St. Louis  
P. O. Box 442  
St. Louis, Missouri 63166-0442
- (b) First Tennessee Bank National Association  
Trustee  
Independent Southern Bancshares, Inc.  
Employee Stock Ownership Trust  
165 Madison Avenue  
Memphis, Tennessee 38103
- (c) Mr. Timothy Enochs  
Chairperson  
Employee Benefits Committee  
Insouth Southern Bancshares  
P.O. Box 879  
Brownsville, Tennessee 30812-0879
- (d) Mr. J. D. Clinton  
Chairman of the Board  
Independent Southern Bancshares  
P. O. Box 879  
Brownsville, Tennessee 30812-0879

10. The provisions of this Agreement shall be binding upon the ESOT and Insouth and all of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

11. The provisions of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended, in writing, by the Reserve Bank.

12. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the ESOT and Insouth to comply with any provision of this Agreement.

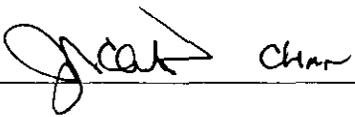
13. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank or any federal or state agency or department from taking any other action affecting the ESOT, Insouth or any of their current or former institution-affiliated parties and their successors or assigns.

14. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 6<sup>th</sup> day of Sept, 2000.

INSOUTH BANCSHARES, INC.

INSOUTH BANCSHARES, INC.  
EMPLOYEE STOCK  
OWNERSHIP TRUST

By:  John W. Block Jr.

By:  Paul J. ...

FEDERAL RESERVE BANK  
OF ST. LOUIS

By:  John W. Block Jr.

The undersigned directors of Insouth each acknowledges having read the foregoing Agreement and approves of the consent thereto by Insouth.



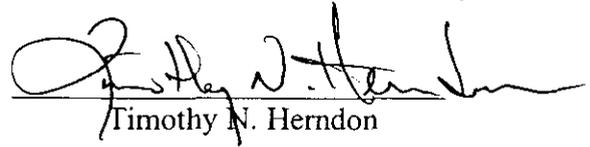
John D. Clinton



James P. Clinton



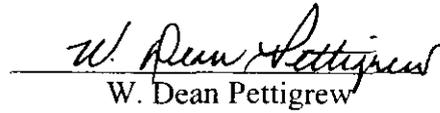
C. E. Cole, Sr.



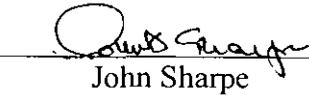
Timothy N. Herndon



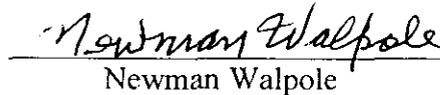
Dewey Jones



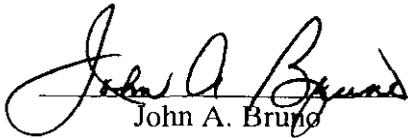
W. Dean Pettigrew



John Sharpe



Newman Walpole



John A. Bruno



Robert E. Gaston



George Williams



Charles Bone