UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

ARKANSAS STATE BANK DEPARTMENT
LITTLE ROCK, ARKANSAS

Written Agreement by and among MSB SHARES, INC. Jonesboro, Arkansas MIDSOUTH BANK Jonesboro, Arkansas FEDERAL RESERVE BANK OF ST. LOUIS St. Louis, Missouri and ARKANSAS STATE BANK DEPARTMENT Little Rock, Arkansas	Docket Nos. 01-18-WA/RB-HC 01-18-WA/RB-SM

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of MSB Shares, Inc., Jonesboro, Arkansas (the "BHC"), a registered bank holding company, and its subsidiary bank, the MidSouth Bank, Jonesboro, Arkansas (the "Bank"), a state chartered bank that is a member of the Federal Reserve System, the BHC, the Bank, the Federal Reserve Bank of St. Louis (the "Reserve Bank"), and the Arkansas State Bank Department, Little Rock, Arkansas (the "ASBD") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on February 5, 2002, the boards of directors of the BHC and the Bank, at duly constituted meetings adopted resolutions authorizing and directing

TERRY FRIERSON and TERRY FRIERSON to enter into this Agreement on behalf of the BHC and the Bank, respectively, and consented to compliance by the BHC and the Bank and their institution-affiliated parties, as defined by sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1813(u) and (b)(3)) (the "FDI Act"), with each and every applicable provision of this Agreement.

NOW, THEREFORE, the BHC, the Bank, the Reserve Bank, and the ASBD agree as follows:

1. (a) Within 90 days of this Agreement, the Bank shall take such steps as are necessary to employ a chief lending officer with demonstrated experience in commercial lending, who shall report directly to the board of directors' loan committee. The chief lending officer's responsibilities shall include, at a minimum: oversight of the lending function, including implementation of lending objectives; development of the loan review function; and supervision of the development and implementation of workout plans for problem credits. In employing the chief lending officer, the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. 1831i) and Subpart H of Regulation Y of the Board of Governors.

(b) Within 30 days of the appointment of a chief lending officer, the Bank shall take such steps as are necessary to employ a qualified loan administration officer, whose responsibilities shall include, at a minimum: ensuring loans are appropriately analyzed and consistent with the Bank's lending guidelines; ensuring the Bank has obtained appropriate loan documentation; and tracking and reporting policy exceptions and concentrations of credit to the board of directors.

(c) Within 30 days of the appointment of the chief lending officer, the Bank shall take the steps necessary to hire a qualified loan workout specialist, whose responsibilities shall include, at a minimum: the development and implementation of workout plans for classified credits; the management of past due and nonaccrual loan collection efforts; and the management of other real estate owned by the Bank.

(d) Within 60 days of the hiring of a chief lending officer, the Bank shall implement procedures, including any training, to ensure that all loan officers appropriately assess the financial condition and repayment capacity of borrowers at the time that the loan is made and for the term of the loan, and that the analyses are adequately documented in the loan files.

2. (a) Within 30 days of this Agreement, the board of directors shall establish a loan committee (the "Loan Committee"), the majority of which shall at all times be comprised of outside directors. The prior approval of the Loan Committee, which shall include after appointment, the chief lending officer described in paragraph 1(a) hereof, shall be required for any extension of credit made, renewed, or acquired by the Bank that, when aggregated with existing credits, will exceed $250,000 to any one borrower, including related interest(s) of such borrower. The Loan Committee shall have responsibility for monitoring compliance with the Bank's written loan policies and procedures and shall review, on a monthly basis, all loans made by the Bank and the activities of all personnel of the Bank involved in its lending functions. At each Loan Committee meeting, the committee shall also review the current status of all loans that are in default as to principal or interest for 30 days or more as of the date of the committee meeting, or that are adversely classified or listed for special mention by state or federal examiners in the Bank's latest report of examination.

(b) All requests made to the Loan Committee regarding new loans or loan renewals shall be accompanied by adequate supporting documentation, including, but not limited to:

(i) A detailed description of the loan purpose and terms;

(ii) a detailed description of loan collateral, collateral values, and documents necessary to perfect liens on collateral;

(iii) an evaluation of the primary and secondary sources of repayment and support for the adequacy of the stated sources of repayment;

(iv) a detailed financial analysis of the borrower, co-signors and guarantors, if any, and documentation to support the analysis, such as current and three-year historical financial and income statements;

(v) a detailed analysis of the borrower's cash flow and debt service capacity;

(vi) a statement of the current and proposed aggregate credit exposure of the borrower; and

(vii) a certification that the proposed loan conforms to the Bank's loan policies.

(c) The Loan Committee shall maintain accurate written minutes of its loan discussions and meetings, which shall be available for subsequent supervisory review.

(d) For the purpose of this Agreement, the term: (i) "outside director" is defined as an individual who is not otherwise an employee, officer or agent of the Bank or any affiliate of the Bank or a direct or indirect owner of 10 percent or more of any class of the outstanding shares of the Bank or its holding company; (ii) "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. 215.2(n)); and (iii) "extension of credit" is defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3).

3. Within 30 days of this Agreement, the Bank shall submit to the Reserve Bank and the ASBD acceptable written revisions to the loan policy and procedures that address the Bank's lending deficiencies noted in the report of the examination of the Bank conducted by the Reserve Bank and the ASBD in July 2001 (the "Report of Examination"). At a minimum, the revised loan policy and procedures shall address, consider, and include:

(a) Requirements for diversification of the loan portfolio, including real estate lending;

(b) loan origination and approval procedures;

(c) underwriting standards for each type of credit extended by the Bank;

(d) loan administration procedures, including adequate documentation, loan proceeds disbursement, collateral inspection, and collection;

(e) a formal appraisal review program that ensures compliance with Subpart E of Regulation H of the Board of Governors;

(f) procedures to ensure that the Bank adheres to its established overdraft and nonaccrual policies and does not (i) convert overdrafts to loans without performing a credit underwriting analysis, (ii) allow overdrafts to fund past due loan payments, or (iii) accrue interest on any asset that is, or becomes, 90 days or more past due as to principal or interest, unless such asset is "well-secured" and "in the process of collection," as those terms are used in the Instructions for the Preparations of Reports of Condition and Income;

(g) procedures for monitoring and reporting loans to individuals and related groups to ensure that management and the board receive accurate reports on aggregate credit exposure to individual borrowers, and to facilitate the Bank's compliance with federal and state banking laws and regulations limiting such exposure; and

(h) review and approval procedures for exceptions to the loan policy.

4. Within 60 days of the appointment of a chief lending officer, the Bank shall submit to the Reserve Bank and the ASBD acceptable written loan review procedures. These procedures shall be designed to identify and categorize problem credits and to assess the overall quality of the Bank's loan portfolio, and shall, at a minimum, address, consider, and include:

(a) the review of extensions of credit for compliance with the Bank's loan policy;

(b) a description of the risk grades to be assigned to each loan;

(c) the designation of the individuals who will be responsible for determining loan grades;

(d) the frequency of loan grading;

(e) a description of which loans will be graded;

(f) the requirements outlined in Attachment I to the Interagency Policy Statement on the Allowance for Loan and Lease Losses, dated

December 22, 1993, regarding loan review systems and credit grading systems;

(g) procedures to confirm the accuracy of all risk grades assigned by the Bank's loan officers;

(h) the development of an adequate watch list that includes all classified loans and accurately identifies the Bank's aggregate exposure to each borrower;

(i) for each loan identified as a watch list loan, a written statement, maintained in the credit file, of the reasons why such loan merits special attention; and

(j) periodic reporting to the board of directors of the status of the loan reviews and the action(s) taken by management to improve the Bank's position on each loan adversely graded.

5. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the ASBD an acceptable written policy and procedures to monitor and control concentrations of credit. The policy and procedures shall, at a minimum, address, consider and include:

(i) Methods used to accurately identify assets or groups of assets or contingent claims with common risk elements that, in the aggregate, represent 25 percent or more of the Bank's tier 1 capital;

(ii) the establishment of acceptable limits on concentrations of credit;

(iii) monitoring procedures to control concentrations of credit; and

(iv) written monthly reporting of concentration levels to the board of directors, copies of which shall be retained for subsequent supervisory review.

(b) Within 90 days of this Agreement, Bank management shall submit to the board of directors a written action plan to reduce the concentrations of credit identified in the Report of Examination. Copies of the action plan shall also be submitted to the Reserve Bank and the ASBD.

6. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged-off. Thereafter, the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss," unless otherwise approved in writing by the Reserve Bank and the ASBD.

(b) Within 30 days of this Agreement, the Bank shall achieve and, thereafter, maintain, through charges to current operating income, an adequate valuation reserve for loan losses. The adequacy of the reserve shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of the probable losses in the Bank's loan portfolio, including the potential for the existence of unidentified losses in loans adversely classified, the imprecision of loss estimates, and the requirements of the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated December 22, 1993 and July 2, 2001. A written record shall be maintained indicating the methodology used in determining the amount of reserve needed to cover total loans, and documentation shall be maintained to support the methodology. The reserve methodology shall be submitted to the Reserve Bank and the ASBD within 60 days of this Agreement. Thereafter, at a minimum on a calendar quarterly basis, the Bank shall conduct an assessment of its loan loss reserve and shall submit documentation of each quarterly assessment to the Reserve Bank and the ASBD within 30 days of the end of each calendar quarter.

7. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the ASBD an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral or other means on each loan or other asset in excess of $250,000, including other real estate, that was past due as to principal or interest in excess of 90 days as of the date of this Agreement, included on the Bank's problem loan watch list, or was adversely classified or listed as special mention in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of $250,000 becomes past due as to principal and interest for more than 90 days, is adversely classified internally by the Bank, or is adversely classified or listed for special mention in any subsequent report of examination or visitation of the Bank, the Bank shall submit to the Reserve Bank and the ASBD an acceptable written plan to improve the Bank's position on such loan or other asset.

(c) The plan for each loan or other asset shall be formally approved by the Loan Committee and shall, at a minimum, include:

(i) A description of the current status of the loan or other asset, including book and nonbook carrying value, and the nature and value of supporting collateral;

(ii) proposed actions to improve, reduce, or eliminate the loan or other asset, time frames for such actions, and the projected balance owing and value of anticipated collateral; and

(iii) where appropriate, the borrower's acknowledgement of and response to the plan.

(d) Within 30 days of the end of each calendar quarter following the date of this Agreement (March 31, June 30, September 30, and December 31), the Bank shall submit a written progress report to the Reserve Bank and the ASBD on the loans or other assets described in this paragraph, which shall include, at a minimum, the carrying value of the loan or other asset, changes in the nature and value of supporting collateral, and a copy of the Bank's current internal watch list.

8. (a) The Bank shall implement procedures to eliminate the documentation and credit information deficiencies in the Bank's loan files listed in the Report of Examination, and to ensure that adequate documentation is obtained for future loans prior to funding and during the term of the loans.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement (March 31, June 30, September 30, and December 31), the Bank shall submit to the Reserve Bank and the ASBD a report detailing the Bank's progress in correcting the loan documentation and credit deficiencies listed in the Report of Examination. In all cases where the

Bank is unable to obtain needed documentation or credit information, the Bank shall document the actions taken to secure the information and the reasons the information could not be obtained. The Bank shall maintain this documentation in the related credit file for supervisory review.

9. (a) The BHC or the Bank shall not declare or pay any dividends, and the BHC shall not make any distribution of interest, principal or other sums on the subordinated debentures issued in connection with its trust preferred securities, without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the ASBD.

(b) Within 60 days of this Agreement, the BHC shall submit to the Reserve Bank and the ASBD an acceptable written dividend policy concerning the payment of corporate dividends and the payment of dividends by the Bank to the BHC.

(c) Requests for approval shall be received at least 30 days prior to the proposed dividend declaration or distribution date and shall contain, but not be limited to, current and projected information on earnings, cash flow, asset quality of the Bank, and capital levels of the Bank and, where appropriate, the consolidated organization.

10. (a) The BHC shall not, directly or indirectly, incur any debt, including but not limited to, subordinated debentures in connection with the issuance of trust preferred securities, without the prior written approval of the Reserve Bank and the ASBD. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the proposed debt, and the planned sources for debt, and an analysis of the cash flow resources available to meet such debt.

(b) Within 90 days of this Agreement, the BHC shall submit to the Reserve Bank and the ASBD a cash flow plan that demonstrates the BHC's ability to service its debt and meet all parent company expenses for 2002 and 2003, including proposed dividend payments and subordinated debenture payments related to its trust preferred securities, without adversely affecting the Bank's capital ratios. The plan shall, at a minimum, address, consider, and include: (a) the sources and uses of funds on a quarterly basis; and (b) the business and capital maintenance plans described in paragraphs 13 and 14 hereof. An updated plan for each calendar year subsequent to 2002 shall be submitted to the Reserve Bank and the ASBD at least one month prior to the beginning of that calendar year.

11. The BHC and the Bank shall not, directly or indirectly, pay any bonus, increase any salary or fees, or make any other payments, including, but not limited to, the reimbursement of expenses or the payment of indebtedness, to or on behalf of any of the BHC's or the Bank's directors or executive officers, as defined in section 215.2(e)(1) of Regulation O of the Board of Governors (12 C.F.R. 215.2(e)(1)), without the prior written approval of the Reserve Bank and the ASBD.

12. The Bank shall not accept brokered deposits, except in accordance with the provisions of section 29 of the FDI Act (12 U.S.C. 1831f). If the Bank becomes subject to the brokered deposits restrictions of the FDI Act, management shall notify the Reserve Bank and the ASBD in writing at least 5 days prior to the Bank's submission to the FDIC of any request for waiver of the restrictions imposed by section 29, and provide the Reserve Bank and the ASBD

with a copy of such waiver filing and any supplemental information submitted to the FDIC in connection with a waiver request.

13. (a) Within 45 days of this Agreement, the Bank shall submit to the Reserve Bank a written business plan and budget concerning the Bank's proposed business activities for 2002. The plan and budget shall, at a minimum, provide for or describe:

(i) Management, lending, and operational objectives, given the condition of the Bank as reflected in the Report of Examination, and the Report's recommendations concerning diversification of the loan portfolio;

(ii) an earnings improvement plan that includes (A) the balance sheet composition and operating assumptions that form the bases for major projected income and expense components, and (B) detailed quarterly and annual pro forma financial statements, including projected budgets, balance sheets and income statements, that relate to specific goals for asset growth and diversification, earnings, liquidity, and capital; and

(iii) the establishment of a monthly review process to monitor the actual income and expenses of the Bank in comparison to budgetary projections.

(b) A business plan and budget for each calendar year subsequent to 2002 shall be submitted to the Reserve Bank and the ASBD at least one month prior to the beginning of that calendar year.

14. Within 60 days of this Agreement, the BHC and the Bank shall submit to the Reserve Bank and the ASBD an acceptable joint written plan to achieve and maintain sufficient capital at the BHC and the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The BHC's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measures and Tier 1 Leverage Measures, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measures and Tier 1 Leverage Measures, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the volume of the Bank's adversely classified assets;

(c) the Bank's level of concentrations of credit;

(d) the growth in the Bank's loans and its effect on the Bank's capital ratios;

(e) the Bank's anticipated level of retained earnings;

(f) the adequacy of the Bank's loan loss reserves and its effect on the Bank's financial condition; and

(g) the source and timing of additional funds to fulfill the future capital and loan loss reserve requirements set forth in this Agreement.

15. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written internal audit program that is consistent with the December 22, 1997

Interagency Policy Statement on the Internal Audit Function and Its Outsourcing. The program shall, at a minimum, address, consider, and include:

(i) Generally accepted auditing standards, including the scope and frequency of audits, and submission of periodic audit reports and written management responses to the board of directors or an appropriate committee of the board of directors;

(ii) guidelines and the designation of resources to ensure that internal audits are completed as scheduled and that audits are performed for all areas that have been designated as warranting attention; and

(iii) corrective steps that address the criticisms of audit scope and staffing set forth in the Report of Examination.

(b) Within 90 days of this Agreement, the Bank shall take all steps necessary to employ an internal auditor and audit staff that have the experience and skill necessary to implement the internal audit program of the Bank described in this paragraph.

16. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank acceptable written information technology policies and procedures that fully address the deficiencies noted in the Report of Examination, including but not limited to, Internet banking, disaster recovery/contingency/business resumption plans, information security, and audit scope.

17. The Bank shall immediately take all necessary steps, consistent with safe and sound banking practices, to eliminate or correct all violations of laws and regulations set forth in

the Report of Examination. The Bank's board of directors shall take all necessary steps to ensure the Bank's future compliance with applicable laws and regulations.

18. (a) Within 15 days of this Agreement, the board of directors of the Bank shall appoint a committee (the "Compliance Committee") comprised of 3 or more directors, the majority of whom shall be outside directors, to monitor and coordinate the Bank's compliance with the provisions of this Agreement.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement (March 31, June 30, September 30, and December 31), the Compliance Committee shall submit a written progress report to the board of directors detailing the actions taken to comply with each provision of this Agreement and the results of those actions.

(c) Within 15 days after its receipt from the Compliance Committee, the board of directors shall forward a copy of the quarterly progress report described in this paragraph, with any additional comments made by the board of directors, to the Reserve Bank and the ASBD and shall certify in writing that each director has reviewed the report. Such reports may be discontinued when the Reserve Bank and the ASBD, in writing, release the Bank from making further reports.

19. The Bank, and the BHC where applicable, shall submit plans, policies, procedures and the program required by paragraphs 3, 4, 5(a), 7(a) and (b), 9(b), 14, 15(a), and 16 hereof that are acceptable to the Reserve Bank and the ASBD within the time periods set forth in this Agreement. The Bank, and the BHC where applicable, shall adopt all plans, policies, procedures and the program that are approved by the Reserve Bank and the ASBD within 10 days of

approval and then shall fully comply with them. During the term of this Agreement, the BHC and the Bank shall not amend or rescind the approved plans, policies, procedures, and the program without the prior written approval of the Reserve Bank and the ASBD.

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

(a) Timothy A. Bosch
Vice President
Federal Reserve Bank of St. Louis
Post Office Box 442
St. Louis, Missouri 63166

(b) Frank White
Commissioner
Arkansas State Bank Department
400 Hardin Road, Suite 100
Little Rock, Arkansas 72211-3502

(c) Terry Frierson
President and CEO
MSB Shares, Inc.
MidSouth Bank
P.O. Drawer 5040
2506 Southwest Circle
Jonesboro, Arkansas 72403-5040

21. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the ASBD may, in their sole discretion, grant written extensions of time to the BHC and the Bank to comply with any provision of this Agreement.

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

23. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank and the ASBD.

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

25. 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 (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 5 day of February, 2002.

MSB Shares, Inc.	Federal Reserve Bank of St. Louis
By: ______________	By: Timothy A. Bosch
MidSouth Bank	Arkansas State Bank Department
By: ______________	By: Frank White