

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
JEFFREY L. GENDELL and)
TONTINE MANAGEMENT, L.L.C.)
)
Institution-Affiliated)
Parties of:)
)
EAGLE BANCGROUP,)
BLOOMINGTON, ILLINOIS)
and of Other Savings and)
Loan Holding Companies and)
Savings Associations)
)

Order No. CHI-00-01

Order No. CHI-00-02

Dated: January 27, 2000

STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF AND
AN ORDER OF ASSESSMENT OF CIVIL MONEY PENALTY

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed Jeffrey L. Gendell and Tontine Management, L.L.C. ("Respondents"), institution-affiliated parties of: (i) Eagle Bancgroup, Bloomington, Illinois; (ii) Potters Financial Corporation, East Liverpool, Ohio; (iii) River Valley Bancorp, Madison, Indiana; (iv) Advance Financial Bancorp, Wellsburg, West Virginia; (v) First Federal Savings and Loan Association of East Hartford, East Hartford, Connecticut; (vi) SHS Bancorp, Pittsburgh, Pennsylvania; (vii) Sistersville Bancorp, Sistersville, West Virginia; (viii) Quitman Bancorp, Quitman, Georgia; (ix) Southfirst Bancshares,

Sylacauga, Alabama; (x) Wyman Park Bancorp, Lutherville, Maryland; (xi) Algiers Bancorp, New Orleans, Louisiana; and (xii) Midwest Bancshares, Burlington, Iowa (“the Financial Entities”) that grounds exist to initiate an administrative cease and desist proceeding and assess a civil money penalty against them pursuant to 12 U.S.C. §§ 1818(b), 1467a(i)(2) and 1818(i);¹ and

WHEREAS, Respondents desire to cooperate with OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, or the Findings of Fact or opinions and conclusions of OTS, except as to Jurisdiction, paragraph 1 below, which is admitted, hereby stipulate and agree to the following:

1. Jurisdiction. (a) Each Financial Entity is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a(a)(1)(D) or a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, each is a “depository institution holding company” or an “insured depository institution” as those terms are defined in 12 U.S.C. §§ 1813(w) and 1813(c);

(b) Respondents are “institution-affiliated parties” of the Financial Entities, as that term is defined in 12 U.S.C. § 1813(u);

(c) Respondent Tontine Management, L.L.C. is a “company” within the meaning of 12 U.S.C. § 1467a(a)(1)(C);

(d) Pursuant to 12 U.S.C. §§ 1813(q) and 1818(b)(9), the Director of the OTS is the “appropriate Federal banking agency” to maintain an administrative cease and desist proceeding

¹ All references to the United States Code (“U.S.C.”) are as amended, unless otherwise indicated.

against savings associations, savings and loan holding companies, or their institution-affiliated parties. Pursuant to 12 U.S.C. § 1467a(i)(2), the Director of the OTS is the appropriate person to maintain an administrative civil money penalty assessment proceeding against companies.

Therefore, Respondents are subject to the jurisdiction of OTS to initiate and maintain a cease and desist proceeding against them pursuant to 12 U.S.C. § 1818(b) and assess a civil money penalty against them pursuant to 12 U.S.C. § 1467a(i)(2). The Director of OTS has delegated to the Regional Director of the Central Region of OTS or his designee ("Regional Director") the authority to issue cease and desist orders and orders of assessment of civil money penalties where the individual or entity has consented to the issuance of the orders.

2. OTS Findings of Fact. OTS finds that:

(a) At all times relevant hereto, Respondent Tontine Management, L.L.C. was a "company" and Respondent Jeffrey L. Gendell was a "person" pursuant to 12 C.F.R. § 574.2 of the OTS control regulations, which are issued by OTS pursuant to Section 10(e) of the Home Owners' Loan Act, 12 U.S.C. § 1467a(e).

(b) At all time relevant hereto, Respondent Jeffrey L. Gendell was the managing member of Tontine Management, L.L.C.

(c) Because of the relationship described in paragraph 2(b) herein, Respondents are presumed to be acting in concert pursuant to 12 C.F.R. §§ 574.2(c) and 574.4(d).

(d) During the period from January 1, 1998 to the present, Respondents acquired more than 10% of any class of voting stock ("10% threshold") of each of the Financial Entities.

Therefore, Respondents exceeded the 10% threshold for rebuttable control set forth in 12 C.F.R. § 574.4(b)(1)(i). In each such instance, the Respondents exceeded the 10% threshold through a percentage increase in ownership following stock repurchases by the Financial Entities.

(e) At all times relevant hereto, Respondents were one of the two largest shareholders of a class of voting stock of each of the Financial Entities and were therefore subject to a control factor pursuant to 12 C.F.R. § 574.4(c)(1).

(f) Pursuant to 12 C.F.R. § 574.3(d), Respondents were required to divest the stock in excess of 10% or file an application or rebuttal with OTS within 90 days of acquisition of control. Respondents failed to divest the stock or file an application or rebuttal with OTS within 90 days of acquisition of control.

(g) Respondents' failure to make the required filings with and to obtain the required approvals from OTS constituted a violation of the Home Owners' Loan Act, 12 U.S.C. § 1467a(e), and the OTS Control Regulations, 12 C.F.R. Part 574.

3. Consent. Respondents consent to the issuance by OTS of the accompanying Order to Cease and Desist For Affirmative Relief and Order of Assessment of Civil Money Penalty ("Orders"). Respondents further agree to comply with the terms of the Orders upon issuance and stipulate that the Orders comply with all requirements of law.

4. Finality. The Orders are issued under 12 U.S.C. §§ 1467a(i)(2) and 1818(b). Upon their issuance by OTS, they shall be a final orders, effective and fully enforceable by OTS under

the provisions of 12 U.S.C. §§ 1467a(i) and 1818(i).

5. Waivers. Respondents waive the following:

(a) the right to be served with a written notice of OTS's charges against them as provided by 12 U.S.C. § 1818(b) and written notice of assessment of civil money penalty against them as provided by 12 U.S.C. § 1467a(i)(2);

(b) the right to an administrative hearing of OTS's charges against them as provided by 12 U.S.C. §§ 1467a(i)(2) and 1818(b);

(c) the right to seek judicial review of the Orders, including, without limitation, any such right provided by 12 U.S.C. §§ 1467a(j) and 1818(h), or otherwise to challenge the validity of the Orders;

(d) Any and all claims against 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 Orders, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

(e) the right to assert this proceeding, their consent to issuance of the Orders, the issuance of the Orders, the payment of any monies or the provision of any other financial relief as contemplated by the Orders as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. Resolution of this Matter. By this Stipulation, and by the execution and issuance of the accompanying Orders, this enforcement matter is resolved. Except as specified in this

Stipulation and the accompanying Orders, OTS and any successor to OTS shall bring no charges and commence no administrative or other action or proceeding against Respondents, or against Tontine Financial Partners, L.P., Tontine Partners, L.P., or Tontine Overseas Associates, L.L.C., in connection with allegedly exceeding, at any time up to and including the date of the Orders hereof, the 10% threshold for rebuttable control, or for not divesting voting stock in excess of 10% or filing an application or rebuttal with OTS within 90 days of exceeding said threshold.

7. Other Governmental Actions Not Affected. Respondents acknowledge and agree that the consent to the issuance of the Orders is for the purpose of resolving this OTS enforcement matter only and, except as set forth in paragraph 6 above, does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of Respondents that arise pursuant to this action or otherwise and that may be or have been brought by OTS or another governmental entity.

8. Miscellaneous. (a) The construction and validity of this Stipulation and the Orders shall be governed by the laws of the United States of America;

(b) All references to OTS in this Stipulation and the Orders shall also mean any of OTS' predecessors, successors, and assigns;

(c) The section and paragraph headings in this Stipulation and the Orders are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Orders;

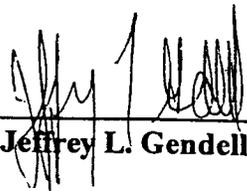
(d) The terms of this Stipulation and the Orders represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

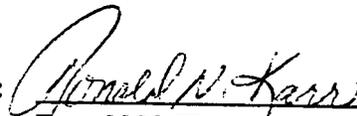
(e) This Stipulation and the Orders shall remain in effect until terminated, modified, or suspended in writing by OTS, or its successor, acting through its Director, Regional Director, or other authorized representative.

WHEREFORE, Respondents and OTS execute this Stipulation and Consent to the Issuance of an Order to Cease and Desist For Affirmative Relief and Order of Assessment of Civil Money Penalty, intending to be legally bound hereby.

Accepted by:

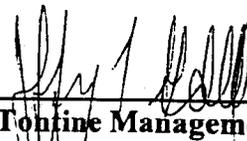
OFFICE OF THRIFT SUPERVISION

By: 
Jeffrey L. Gendell

By: 
Ronald N. Karr
Regional Director
Central Region

Dated: 1/24/00

Dated: 1-27-00

By: 
Tontine Management, L.L.C.

Dated: 1/24/00

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of OTS the authority to issue Orders to Cease and Desist on behalf of OTS where the individual or entity has consented to the issuance of the Order.

NOW THEREFORE, IT IS ORDERED THAT:

1. Respondents shall take immediate action to correct any existing and outstanding violations of the OTS Control Regulations, 12 C.F.R. Part 574. Within 10 days of the corrective action, the Respondents shall notify the Central Regional Director of the corrective action taken. Such notification shall include the identity of the savings association or the savings and loan holding company involved and a description of the corrective action. If the corrective action involves a divestiture of shares, the notification shall also include the number of shares divested, the percentage ownership after divestiture, and the amount of any gain or loss realized as a result of the divestiture. Any gains that the Respondents realize from the divestiture shall be remitted to the appropriate savings association or savings and loan holding company within five days of the divestiture.

2. Within 30 days of the date of this Order, Respondents shall remit to the appropriate savings and loan holding company or savings association the amounts of gains realized from their sale of stock in such holding company or association, between January 1, 1998 and the date of this Order, which shares were:

(a) in excess of 10% of the outstanding shares of a class of stock at the time of the sale(s);

(b) where no application or rebuttal was filed pursuant to 12 C.F.R. Part 574 within 90 days of acquisition of such shares; and

(c) where no divestiture of the excess shares occurred within 90 days.

The term “gain” is defined as the net amount that the Respondents realized from their sale of stock in excess of 10% of the outstanding shares of a class of stock. Within 45 days of the date of this Order, Respondents shall notify the Central Regional Director of the amount of money remitted to each savings and loan holding company or savings association pursuant to this paragraph and shall provide documentation supporting the amount of money remitted.

3. Respondents shall cease and desist from any violations of Section 10(e) of the Home Owners’ Loan Act, 12 U.S.C. § 1467a(e), and the OTS Control Regulations, 12 C.F.R. Part 574, including any successor statutes and regulations.

4. By February 7, 2000, Respondents shall implement and adhere to internal policies and procedures designed to prevent themselves from engaging in any future violations of Section 10(e) of the Home Owners’ Loan Act, 12 U.S.C. § 1467a(e), and the OTS Control Regulations, 12 C.F.R. Part 574. Such policies and procedures require, at a minimum, the Respondents to:

(a) monitor, on at least a quarterly basis, the total outstanding shares of any savings and loan holding company or savings association in which they own or control stock;

(b) review the following information for any savings and loan holding company or savings association in which they own stock: (i) all applicable Securities and Exchange Commission (“SEC”) filings; (ii) proxy statements; (iii) press releases issued by savings associations or savings and loan holding companies that are available from Bloomberg L.P.;

(iv) H-(b)11 Reports filed with OTS; (v) 10Q and 10K reports filed with OTS when the savings association or savings and loan company does not file with the SEC; and (vi) any other relevant, accurate information regarding outstanding shares that has been communicated to Respondents, the possession of which would not render a sale of the stock in violation of SEC Rule 10b-5, 17 C.F.R. § 240.10b-5;

(c) not purchase more than 10% of any class of voting stock of any savings and loan holding company or savings association unless they have obtained the prior written approval of the OTS; and

(d) avoid a violation of the OTS Control Regulations, 12 C.F.R. Part 574, if they acquire more than 10% of any class of voting stock of any savings and loan holding company or savings association as the result of a stock repurchase by the savings and loan holding company or savings association.

5. Respondents have submitted the policies and procedures referenced in paragraph 4 above to the Central Regional Director. The Central Regional Director has taken no objection to the submitted policies and procedures.

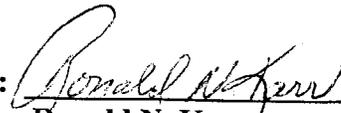
6. The Stipulation is made a part hereof and is incorporated herein by reference.

7. Respondents shall promptly respond to any request from OTS for documents that OTS reasonably requests to demonstrate compliance with this Order.

8. This Order is and shall become effective on the date it is issued, as shown in the caption hereof. The Stipulation and the Order shall remain in effect until terminated, modified or

suspended, in writing by OTS, or its successor, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: 
Ronald N. Karr
Regional Director
Central Regional Office