

AGREEMENT BY AND BETWEEN
Jarrettsville FS&LA
Jarrettsville, Maryland
and
The Comptroller of the Currency

Jarrettsville FS&LA, Jarrettsville, Maryland (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to Board and management oversight, credit risk management, and earnings at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Linda F. Nichols
Assistant Deputy Comptroller
Washington, D.C. Field Office
400 7th Street, SW, Suite 3E-218
Mail Stop 2W-11
Washington, DC 20219

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within sixty (60) days of the date of this Agreement and within ten (10) days of the end of each fiscal quarter thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Agreement; and
- (b) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, and on an ongoing basis thereafter, the Board shall ensure that the Bank has competent management in place on a permanent and full-time basis vested with sufficient executive authority to fulfill the duties and responsibilities of the position, carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in safe and sound operation of the Bank within the scope of that position's responsibilities.

(2) Within sixty (60) days of the date of this Agreement, and annual thereafter or when requested by the Assistant Deputy Comptroller in writing, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and the Board shall determine whether management changes will be made, including the need for additions to or deletions from current management.

(3) For incumbent officers in the positions mentioned in Paragraph (1) of this Article, the Board shall within sixty (60) days of the date of this Agreement assess each of these officers' experience, other qualifications and performance compared to the position's description, duties and responsibilities.

(4) If the Board determines that an officer will continue in his or her position but that the officer's depth of skills needs improvement, the Board shall, within thirty (30) days of such determination, develop and implement a written program, with specific time frames, to improve

the officer's supervision and management of the Bank. At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(5) If a senior executive officer (as defined in 12 C.F.R. § 163.555) is vacant now or in the future, the Board shall within sixty (60) days of the date of this Agreement or the future vacancy, respectively, identify and provide notice to the Assistant Deputy Comptroller of a competent, permanent, and full-time candidate for the position who has sufficient prior experience relevant to the Bank. The Board shall comply with the prior notice requirements of 12 U.S.C. § 1831i and 12 C.F.R. Part 163, subpart H, when selecting an individual to serve in any senior executive position.

(6) Prior to the appointment of any individual to an executive officer position or as a director, the Board shall submit to the Assistant Deputy Comptroller written notice containing the information that 12 C.F.R. Part 163, subpart H, requires for senior executive officers and receive the Assistant Deputy Comptroller's written determination of non-disapproval.

(7) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such disapproval power shall not constitute an approval or endorsement of the proposed executive officer.

(8) Within sixty (60) days of receiving the Assistant Deputy Comptroller's written determination of non- disapproval of a proposed executive officer referred to in paragraph (6) of this Article, the Board shall appoint the individual to that executive officer position. That new executive officer shall be vested with sufficient authority to fulfill the duties and responsibilities of the position, carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and ensure the safe and sound operation of the Bank within the scope of that position's responsibilities.

ARTICLE IV

VENDOR MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Bank shall develop a written policy governing the management of Bank vendors consistent with OCC Bulletin 2013-29 *Third-Party Relationships: Risk Management Guidance* (Oct. 30, 2013). The Bank shall submit the Bank Vendor Management Policy to the Assistant Deputy Comptroller for prior determination of supervisory non-objection. At a minimum, the Bank Vendor Management Policy shall require:

- (a) the Bank to routinely monitor and document its review of the performance and activities of each third party, including, but not limited to:
 - (i) an evaluation of the scope of work to be performed;

- (ii) an evaluation of the fee structure to determine whether expenses for services provided are reasonable for the size and complexity of the Bank;
 - (iii) ensuring that committed goods and services are received in accordance with contract terms and timeframes;
 - (iv) ensuring that the third party is in compliance with the written contract;
 - (v) ensuring that the third party remains a viable provider of services; and
 - (vi) the Bank's right to terminate the contract if the Bank vendor materially fails to comply with the terms specified in the contract.
- (b) a written contract between the Bank and Bank vendor which sets forth the responsibilities of each party, including the vendor's specific performance responsibilities and timeframes;
 - (c) vendor invoices for work performed to be sufficiently detailed, project specific, and billed in accordance with Board approved schedules; and
 - (d) the Board to immediately take appropriate action if the third party is not complying with the written contract or engagement and to maintain documentation of any such action.

(2) Upon receipt of a determination of supervisory non-objection to the Bank Vendor Management Policy submitted pursuant to Paragraph (1) of this Article, the Board shall adopt, and thereafter ensure that the Bank implements and adheres to, the Bank Vendor Management Policy. Any proposed changes or deviations from the approved Bank Vendor Management

Policy shall be submitted in writing to the Deputy Comptroller for prior supervisory review and non-objection.

(3) Within sixty (60) days of the date of this Agreement, the Bank shall develop a schedule to wind down overreliance on specific outside vendors and transfer critical functions in-house to competent Bank employees.

(4) Within sixty (60) days of the date of this Agreement, the Bank shall review and evaluate all existing third party contracts to determine if services can be provided at costs in line with mutual peers.

(5) Within sixty (60) days of the date of this Agreement, the Bank shall develop an effective budget for third party vendor services and ensure services performed are within budgeted amounts.

(6) The Bank shall not renew or enter into new contracts or engagements with a third party company, entity, or person for services (including, but not limited to, internal audit, interest rate risk management, loan review, liquidity risk management, information technology, or financial services) for, or on behalf of, the Bank unless the engagements are in compliance with OCC Bulletin 2013-29, *Third-Party Relationships: Risk Management Guidance* (Oct. 30, 2013).

ARTICLE V

INTERNAL AUDIT

(1) Within ninety (90) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program that:

(i) comports with the standards for Internal Audit Systems set forth in Section II.B of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 170; (ii) is consistent with the guidance set forth in the "Interagency Policy

Statement on the Internal Audit Function and Its Outsourcing" (OCC Bulletin 2003-12); and (iii) is sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (e) review and provide an opinion regarding whether regulatory reports beginning with the quarter ending December 31, 2014, contain "material misstatements" within thirty (30) days of filing; for purposes of this Article, "material misstatements" has the same meaning as the term is used in the SEC's Staff Accounting Bulletin No. 99 on Materiality ("SAB 99") and SEC's Staff Accounting Bulletin No. 108 on "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108");
- (f) adequately cover areas within the scope of the Bank's activities and risk exposures; and
- (g) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(5) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. OCC examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

ARTICLE VI

LENDING POLICY

(1) Within ninety (90) days of the date of this Agreement, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to and incorporate the criteria of 12 C.F.R. § 160.101 and the Appendix to Section 160.101 – *Interagency Guidelines for Real Estate Lending Policies*.

(2) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review.

(3) The Board shall ensure that loan production staff receives training on the Bank's revised loan policy. The Bank shall maintain documentation evidencing that such training has been completed.

ARTICLE VII

LOAN PORTFOLIO MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management ("Loan Portfolio Management Program"). The Loan Portfolio Management Program shall include, but not be limited to:

- (a) procedures that require any extensions of credit (new, maturity extension, or renewal) are made only after obtaining and validating current credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's global cash flow, debt service requirements, contingent liabilities, and global liquidity condition, including current credit reports, and only after the credit officer prepares a documented credit analysis;
- (b) procedures to ensure conformance with loan approval requirements, including obtaining updated financial information as dictated by the Bank's policy threshold;

- (c) guidelines for the performance of interim financial analysis or annual reviews, including alternative procedures for borrowers refusing to provide periodic financial information;
- (d) procedures requiring review of annual reviews by a second party, including verification of the accuracy of the cash flow analysis;
- (e) procedures to ensure financial analyses are performed accurately and that calculations are signed and dated by the preparer and reviewer;
- (f) procedures to ensure conformance with Consolidated Reports of Condition and Income (“Call Report”) instructions;
- (g) a description of the types of credit information required from borrowers and guarantors, including, but not limited to, annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;
- (h) procedures that require borrowers to provide periodic financial data;
- (i) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and documenting the current valuation of any supporting collateral;
- (j) procedures to ensure exceptions to policy and credit and collateral exceptions are within levels consistent with prudential standards and internal limits;
- (k) procedures to ensure that all exceptions to the credit policy shall be clearly documented on the loan offering sheet, problem loan report, criticized asset report, and other management information systems (“MIS”) and

approved by the Board or a committee thereof before the loan is funded or renewed;

- (l) appropriate management information systems to monitor and track financial, policy, and collateral exceptions;
- (m) assignment of accountability for the updating and recording of exceptions and maintenance of management information system accuracy;
- (n) establishment of timeframes for the follow up and elimination of identified exceptions;
- (o) procedures to ensure risk rating upgrades and restoration of loans to accrual status, including upgrading a loan designated as a troubled debt restructuring (“TDR”), are supported by a current and well documented credit evaluation of the borrower’s financial condition and prospects for repayment, including consideration of the borrower’s historical repayment performance and other relevant factors; and
- (p) procedures to maintain standards of independence for the appraisal and evaluation function as part of an effective collateral valuation program that is independent of the loan approval process (if staff limitations prevent full segregation of these functions, then the Board and management must make sure that the individual accepting and reviewing the appraisal abstains from and has no power to approve loans).

(2) Upon completion, a copy of the Loan Portfolio Management Program shall be forwarded to the Assistant Deputy Comptroller for a written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant

Deputy Comptroller, the Board shall adopt, implement and thereafter ensure Bank adherence to the program.

(3) Within sixty (60) days of the date of this Agreement, the Board shall ensure that Bank personnel performing credit analyses are adequately trained in cash flow analysis, and that processes are in place to ensure that additional training is provided as needed.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE VIII

INDEPENDENT APPRAISAL REVIEW

(1) Within sixty (60) days of the date of this Agreement, the Board shall ensure the implementation of policies and controls to ensure full compliance with 12 C.F.R. Part 164. The policies and controls shall include, but not be limited to:

- (a) compliance with the December 10, 2010 Interagency Appraisal and Evaluation Guidelines;
- (b) a requirement that provides for appraisal reviews to be conducted by a qualified person who is independent of the loan approval process.
- (c) a requirement that appraisal reviews appropriately document the conclusion reached to support the appraiser's valuation;
- (d) appropriate guidance establishing appraisal standards for evaluating impaired and collateral dependent loans.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IX

PROFIT PLAN

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall revise, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance, including, but not limited to, loan and deposit pricing strategies;
- (b) narrative detail as to underlying assumptions and management's plans to reach targeted goals and sustain targeted levels;
- (c) reasonable and comprehensive budgets, including projected balance sheets and year-end income statements, particularly with regard to noninterest expenses such as professional fees and staffing;
- (d) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections, including, but not limited to the following:
 - (i) processes to incorporate proposed expenditure needs by each department manager for the coming year;

- (ii) senior management review to ensure that departmental expenditures are reasonable, well supported and documented, and consistent with the goals and objectives of the profitability of the Bank;
 - (iii) documented annual review and approval of the budget by the Board;
 - (iv) quarterly review of budget variances, including detailed explanations for variances; and
 - (v) processes to ensure that any revision to the budget includes a detailed explanation and analysis and is recorded in the Board minutes.
- (e) a description of the operating assumptions that form the basis for major projected income and expense components; and
 - (f) the impact of the Bank's strategies on its capital ratios.

(2) The budgets and related documents required in paragraph (1) above for 2015 shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in subparagraph (1)(b) above for each year this Agreement remains in effect. The budget for each year following the 2015 budget shall be submitted on or before November 30, of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

ARTICLE X

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of the Agreement and that Bank management and personnel have sufficient

training and authority to execute their duties and responsibilities under the terms of this Agreement;

- (b) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of

his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

/S/

Linda F. Nichols
Assistant Deputy Comptroller
Washington, DC Field Office

1/20/2015

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/S/

John Cairnes

1/20/2015

Date

/S/

Robert Compton

1/20/2015

Date

/S/

Russell Cullum

1/20/2015

Date

/S/

Allen Henderson

1/20/2015

Date

/S/

Arnold Neuburger

1/20/2015

Date

/S/

Donald Stewart

1/20/2015

Date