

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 31st day of October, 2006 (Effective Date), by and between **Dryades Savings Bank, FSB, New Orleans, Louisiana** (OTS Docket No. 11884) (the Bank or Dryades), a federal stock savings bank, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Midwest Regional Director or his designee (Regional Director).

WHEREAS, OTS is the primary federal regulator of the Bank;

WHEREAS, based upon the Bank's May 30, 2006 Report of Examination (ROE) and ongoing monitoring, OTS is of the opinion that the Bank has engaged in acts and practices that: (i) have resulted in violations of certain laws or regulations to which the Bank is subject; and (ii) are considered to be unsafe and unsound;

WHEREAS, OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Bank pursuant to 12 U.S.C. §§ 1464(d) and 1818;

WHEREAS, OTS is of the view that it is appropriate to take measures intended to ensure that the Bank will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices;

WHEREAS, the Bank wishes to cooperate with OTS and to evidence its intent to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Bank, acting through its Board of Directors (Board) enters into this Agreement, without admitting or denying that such grounds exist to initiate an administrative proceeding.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

1. **Compliance With Laws and Regulations**

The Bank and its directors, officers, employees, and agents shall take all necessary and appropriate actions to comply with 12 C.F.R. § 563.161(a) (financial policies).

2. **Management and Staff Resources**

- A. By **October 31, 2006**, the Board shall establish a committee, comprised of at least one outside director who shall be the chairperson, (1) to determine staffing levels that are needed to operate efficiently the home office and branches, and (2) to determine which employees should be cross trained or transferred to other positions (Staffing Committee). The Staffing Committee shall provide a report to the Board by **November 30, 2006**, with a copy to OTS by **December 15, 2006**.

- B. By **November 1, 2006**, the Board shall provide to OTS (1) a copy of performance appraisal documentation assessing the performance of senior management in 2006, and (2) the current performance objectives for senior management. "Senior management" shall include the positions of chief executive officer, the chief financial officer, and the senior vice president.

3. **Capital**

- A. The Board shall require **monthly** reports from management regarding the Bank's capital position and prompt corrective action category as set forth in 12 C.F.R. Part 565. These reports also shall address whether the Bank is required to seek a waiver to accept brokered deposits from the Federal Deposit Insurance Corporation.
- B. Dryades must provide notice no less than **ten (10) calendar days** after an event that caused its capital level to drop below what is required to be "well capitalized" as defined in 12 C.F.R. § 565.4(b).

4. **Restrictions on Asset Growth and Product Lines Expansion**

- A. Except as otherwise permitted by a written notice of non-objection of the Regional Director, and by letters from the Regional Director, dated June 23, 2006 and August 17, 2006, the Bank shall not increase its assets in any calendar quarter in excess of the amount of the net interest credited on its deposit liabilities during that **calendar quarter**. Any such request shall include: (1) documentation showing that the growth will be supported by the applicable tangible, core, and risk-based capital, and (2) documentation of the sources and uses of funds.
- B. The Bank shall not expand its current product lines or business activities (including but not limited to the information technology leasing program in accordance with the OTS's July 23, 2003 letter), offer new product lines, or engage in a new business activity.
- C. Without prior written notice of non-objection of OTS, Dryades shall not:
1. Make¹, any loan secured by real estate or any participation therein (including any acquisition, development and construction loan) or any real estate investment, or any set of such loans, participations, or investments, except for: (a) loans for owner-occupied, 1-to-4 family residences in Dryades' that do not exceed \$500,000; (b) extensions, refinancing, assumptions or modifications of loans, that do not involve the granting of new funds; (c) conversions of existing construction loans to permanent loans, that do not involve the granting of new funds; (d) disbursements pursuant to legally binding commitments made prior to the date of this letter; or (e) financings for the sale of real estate acquired by foreclosure that do not exceed \$500,000 and do not involve cash-out equity;

¹ The term "make" also refers to invest in, purchase, sell, refinance, extend or otherwise modify or commit to make.

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2. Make any commercial loans, letters of credit, participations therein, or any set of such loans, letters of credit, or participations, except for (a) extensions, refinancing, assumptions, or modifications of loans; and (b) disbursements pursuant to legally binding commitments made prior to the date of this Agreement, and provided that such transactions do not involve the granting of new funds;
3. Make any consumer or education loans in excess of \$50,000, except for share loans fully secured by the customer's deposits that are within market rates;
4. Make any home improvement loans, except for conventional home improvement loans that do not exceed \$100,000 and FHA Title I home improvement loans, provided that if the loan is secured by a junior lien, the Bank must be the holder of the first lien;
5. Release any borrower or guarantor from personal liability on any loan or extension of credit granted by the Bank, except when the outstanding balance of the loan and other outstanding loans to the borrower or guarantor have been paid in full or when such release is required by the applicable loan documents existing as of the date of this Agreement;
6. Engage in any forward commitment, futures transaction, financial options, or other financial derivative transaction as defined in 12 C.F.R. § 563.172;
7. Enter into any joint venture or limited partnership agreement; or
8. Incur any material obligation or liability or have any contingent liability arise, except in the ordinary and usual course of its business, provided that no such obligation or liability shall exceed five (5%) percent of core capital.

All loan transactions must comply with applicable regulations and the Bank's loan policies.

5. **Dividends**

The Bank shall not commit to pay, declare, or pay any dividend.

6. **Internal Controls**

The Bank shall not make, purchase, modify, or renew any loans (including credit cards) that fail to comply with the Bank's loan policies unless (a) the exceptions are reviewed and approved by the Board in accordance with the Bank's policy, (b) the exceptions are documented in the Board minutes and in the loan files, and (c) the Bank has received the prior written notice of non-objection from OTS.

7. **Corporate Governance**

The Board and each Board Committee shall maintain accurate and adequate records of its deliberations and all actions taken during its meetings in accordance with 12 C.F.R. § 563.170(c). Each director or committee member shall review the minutes for accuracy and adequacy prior to a vote on the adoption of the minutes for the prior meeting.

8. **Employment Restrictions**

- A. The Bank shall not enter into any employment contract, including renewal or restructuring of existing employment contracts, until and unless the Bank receives a written notice of non-objection from OTS. Any such employment contract must comply with 12 C.F.R. Part 359, §§ 563.39 and 563.161(b), and Section III of Appendix A to 12 C.F.R. Part 570, and satisfy the guidelines for compensation arrangements set forth in Section 310 (Management) of OTS Examination Handbook. For purposes of this section, the term “employment contract” includes any contract by the Bank with an individual to pay compensation in any form for any past, current, or anticipated future services as an officer, director, or a consultant or agent who exercises significant influence over, or participates in, major policymaking decisions, whether or not hired as an employee or given a title.
- B. Without the prior written notice of non-objection of OTS, the Bank shall not employ any person at a rate of compensation which, on an annualized basis, exceeds \$50,000 per year; pay any bonuses to senior executive officers; or increase the salary or other compensation of officers or make or commit to make any increase in the salary or other compensation to any officers, except for individual merit increases in accordance with its standard personnel policy adopted prior to the effective date of this Agreement and normal periodic employee salary and wage increases scheduled prior to the date of this Agreement.
- C. The Bank shall comply with 12 C.F.R. § 563.560, regarding the employment or designation of senior executive officers, the appointment or replacement of any director, or a change in responsibilities of a senior executive officer.
- D. The Bank shall not make any “golden parachute payments” (as that term is defined in 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359), except as permitted under 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359.

9. **Asset Review**

- A. The Bank shall, at all times, maintain adequate valuation allowances, as required by 12 C.F.R. § 560.160 and in accordance with its revised Allowance for Loan Losses Reserves Policy and Procedures.
- B. By the **fifteenth (15th) calendar day**, after the end of the month, beginning with the month ending **October 31, 2006**, management shall submit to the Board for review,

with a copy to OTS, a monthly update of its Hurricane Risk Assessment Report and a status report of all loans impacted by Hurricane Katrina, including but not limited to (1) mortgage loans, (2) consumer loans, (3) commercial loans, and (4) commercial real estate loans. In addition, the report shall address (1) collection efforts, including foreclosures and repossessions, (2) collection of insurance on the affected properties, (3) the amount of any allowances and charge-offs, (4) past due and non-accrual loans, and (5) for all commercial loans and commercial real estate loans, a description of the status of the primary source of repayment.

- C. By the **fifteenth (15th) calendar day** after the end of **the month**, beginning with the month ending **October 31, 2006**, management shall submit to the Board for review, with a copy to OTS, a monthly report on the status of collection of delinquent credit cards.

10. **Reports**

- A. Dryades must provide immediate notice to OTS of any notification from the Federal Home Loan Bank of Dallas regarding the Bank's failure to meet collateral requirement or a change in its borrowing capacity.
- B. Management shall submit a copy of all Board meeting documents to OTS when the documents are submitted to the directors.

11. **Insurance Coverage**

- A. By **October 31, 2006**, the Bank shall obtain flood insurance and hazard insurance coverage on all Bank premises.
- B. By **October 31, 2006**, the Board shall adopt a policy to ensure compliance with the Flood Disaster Protection Act and implementing regulations, 12 C.F.R. Part 572. This Policy must require; (1) periodic reviews of all secured loans (except consumer loans) to determine whether adequate flood insurance has been maintained, and (2) the forced placement of flood insurance in accordance with 12 C.F.R. § 572.7.
- C. By **November 15, 2006**, management shall conduct a review of all secured loans to determine whether adequate hazard and flood insurance are in place and provide a report to the Board, with a copy to OTS. Management shall **quarterly** conduct such review and provide a report to the Board.

12. **Compliance with Agreement**

- A. All policies, procedures, corrective actions, plans, programs, agreements, reviews and systems required by this Agreement (collectively referred to as Plans and Policies) shall conform to all applicable statutes, regulations and, OTS policy and guidance. The Board shall revise such Plans and Policies as required by OTS with 30 days of receipt of written direction from OTS. The Plans and Policies shall be incorporated

into this Agreement, and any deviation from such Plans and Policies shall be a violation of this Agreement.

- B. The Board and officers of the Bank shall take immediate action to cause the Bank to comply with the terms of this Agreement and shall take all actions necessary or appropriate to cause the Bank to continue to carry out the provisions of this Agreement.
- C. This Agreement requires the Bank to receive approval, notice of non-objection, or notice of acceptability from OTS for certain Board actions. The Board affirms that such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Bank, at all times, including compliance with OTS's determinations as required by this Agreement.
- D. By the **fifteenth (15th) calendar day** after the end of each **month**, beginning with the month ending **November 30, 2006**, the Board shall adopt and submit to OTS a certified copy of a board resolution (Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including a report from Bank's management regarding the Bank's compliance with each provision of this Agreement), to the best of its knowledge and belief, during the immediately preceding month, the Bank has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (1) specify in detail how, if at all, full compliance was found not to exist; and (2) identify all notices of exemption or non-objection issued by OTS that were outstanding as of the date of its adoption. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the Compliance Resolution.

13. Definitions

- A. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), Federal Deposit Insurance Act (FDIA), or OTS Publications. Any such technical words or terms used in this Agreement and undefined in Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. For purposes of this Agreement, nothing shall be deemed "acceptable" to the Regional Director or OTS unless the Regional Director, or the assigned Regional Deputy Director or Assistant Director, has stated, in writing, that it is acceptable or has provided a written notice of non-objection to it.

14. **Successor Statutes, Regulations, Guidance, Amendments**

Reference in this Agreement to provisions of statutes, regulations, and OTS Publications shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date of this Agreement and references to successor provisions as they become applicable.

15. **Notices**

- A. Except as otherwise provided herein, any request, demand, authorization, directive, notice, consent, waiver or other document provided or permitted by this Agreement to be made upon, given or furnished to, delivered to, or filed with:
1. OTS, by Dryades, shall be addressed to the Assistant Director, Office of Thrift Supervision, Department of the Treasury, 225 East John Carpenter Freeway, Suite 500, Irving, Texas 75062-2327 or telecopied to (972) 277-9500; and
 2. Dryades, by OTS, in each case shall be addressed to the Chairman of the Board or the Board of the Bank, at 233 Carondelet Street, New Orleans, Louisiana 70130 or telecopied to (504) 598-7233.
- B. Such delivery shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid; sent via overnight delivery service; physically delivered; or means of electronic transmission. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, then, in the event such notice was sent by United States mail, there shall be a presumption that the notice was received two (2) business days after the date of the postmark on the envelope in which the notice was enclosed.

16. **Effect of Headings**

The section or paragraph headings herein are for convenience only and shall not affect the construction hereof.

17. **Separability Clause**

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director, in his sole discretion, determines otherwise.

18. **No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted**

Nothing in this Agreement shall be construed as: (a) allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting OTS from

taking such action(s), including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate in fulfilling the responsibilities placed upon it by law.

19. **Time Limits**

The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may extend time frames in this Agreement by a written notice that expressly provides for such extension.

20. **OTS Review of Actions Required**

The Regional Director or the assigned OTS Regional Deputy Director or Assistant Director may request additional information and provide written notice of non-objection or objection with respect to any submission required by this Agreement.

21. **Duration, Termination or Suspension of Agreement**

A. This Agreement shall: (1) become effective upon its execution by OTS, through its authorized representative, whose signature appears below; and (2) remain in effect until terminated, modified or suspended in writing by OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

B. The Regional Director, in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

22. **Successors in Interest/Benefit**

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, expressed or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

23. **Integration Clause**

This Agreement represents the final written agreement of the parties with respect to the corrective actions set forth herein, and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such corrective actions.

24. **Enforceability of Agreement**

The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Bank. The Bank acknowledges that this Agreement is a "written agreement" entered into with OTS within the meaning of 12 U.S.C. §1818.

25. **Counterparts**

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

26. **Termination of Part 570 Compliance Plan**

Upon execution of this Agreement by the Regional Director, the reporting requirements under the Compliance Plan that was submitted by the Bank pursuant to 12 C.F.R. Part 570 and that was accepted by the Regional Director on December 11, 2002 are hereby terminated.

27. **Signature of Directors**

Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board resolution authorizing the execution of this Agreement by the Bank. A copy of the resolution of the Board of Directors authorizing the execution of the Agreement shall be delivered to OTS along with the executed original of the Agreement.

