

95149

## WRITTEN AGREEMENT

This Written Agreement ("Agreement") is made and is effective this 12th day of August, 1991, by and between First Federal Savings and Loan Association of Chilton County, Clanton, Alabama, OTS No. 6905, for itself and its wholly-owned service corporations and subsidiaries (hereinafter "First Federal" or "Institution") and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

**WHEREAS**, the OTS is of the opinion that grounds exist to initiate administrative proceedings against First Federal for non-compliance with certain regulations (as specifically referred to herein) pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. Section 1818(b); and

**WHEREAS**, the Institution, in the interest of regulatory compliance and cooperation is willing to enter into this Agreement, without admitting or denying that grounds exist for the initiation of proceedings, as referred to above, to avoid the initiation of such proceedings by the OTS on the matters covered by this Agreement; and

**WHEREAS**, the OTS is willing to forebear from the initiation of such administrative proceedings against the Institution for so long as the Institution is in compliance with the provisions of this Agreement; and

**WHEREAS**, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking or enforcement measures on matters not specifically covered by this Agreement that the OTS considers appropriate under the circumstances.

**NOW THEREFORE**, in consideration of the above-stated forbearance, it is agreed between the parties hereto as follows:

1. Within 60 days of the effective date of this Agreement, the Institution shall develop, adopt and implement a written plan that sets forth the specific measures to be implemented by the Board of Directors and Management to improve operating results. Such plan shall include quarterly pro forma financial statements for the first full year following the execution of this Agreement and a statement of the significant assumptions upon which the pro forma financial statements are based.

2. Within 60 days after the effective date of this Agreement, the Institution shall develop, adopt and implement a written plan to collect, strengthen, or otherwise reduce the risk of loss for each loan in excess of \$250,000 that is more than 60 days delinquent, was classified in the January 22, 1991 OTS examination report ("1991 Examination") or has been subsequently classified, and for each parcel of real estate owned in excess of \$250,000. The plan shall state, at a minimum, explicit goals for the resolution of each problem asset as well as goals for an orderly reduction in the aggregate level of problem assets outstanding within specified time frames. This plan shall be maintained and updated at least quarterly to include assets that meet the criteria in this Paragraph 2 subsequent to the effective date of this Agreement.
  
3. The Institution shall immediately increase its general valuation allowances to \$225,000. Notwithstanding the foregoing, the Institution shall at all times maintain general and specific valuation allowances consistent with applicable regulations and adequate in the judgment of the Board of Directors, Management, and OTS taking into consideration, at a minimum, the following factors:
  - (a) the results of the Institution's internal loan review and classifications;
  - (b) the Institution's loan loss experience;
  - (c) an estimate of the potential loss exposure on each significant credit;
  - (d) concentrations of credit in the Institution; and
  - (e) present and prospective economic conditions.

The Board shall review, at least once each calendar quarter, the sufficiency of the general and specific valuation allowances established by the Institution. Any deficiency in the allowances shall be remedied in the quarter it is discovered, prior to the filing of the Thrift Financial Report ("TFR") for that quarter. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the allowances.

4. The Board shall direct Management to obtain appraisals on all Don Martin properties and the fair values for the properties. The foregoing appraisals and NRV calculations shall be submitted to this office within 60 days of the date of this Agreement. Additionally, the Board will direct Management to perform NRV calculations on all REO in compliance with Statement of Financial Accounting Standards No. 15. The Board shall confirm that Management has complied with its directives as indicated above.
  
5. The Board shall immediately direct Management to develop proposed quality control policies and procedures for adoption by the Board, which when properly implemented will confirm that the Institution's consumer loan underwriting adheres to regulatory requirements and its own policies. The Board shall confirm that Management has complied with its directives, as indicated above. The policies shall be adopted within 60 days of the date of this Agreement. At a minimum, the policies should address the following:
  - (a) That single payment loan renewals will be made only after significant principal reduction and that such loans will not be renewed after the maturity date,
  - (b) That interest will not be capitalized to the loan balance for renewals of single payment loans,
  - (c) That the deficiencies noted with regard to consumer loan credit analysis and documentation by the examiners and external auditors will be corrected immediately and the appropriate actions will be undertaken to avoid the reoccurrence of such deficiencies.

The board agrees that each board member, Management, and all lending personnel shall become familiar with the quality control policies and procedures for consumer underwriting.

6. The directorate and Management shall take immediate steps to develop, adopt and implement an effective appraisal policy and procedures designed to improve the appraisal function. Such policies and procedures shall correct all deficiencies noted by the Regional Appraiser and noted in the Institution's 1991 Examination, including the separation of the appraisal function from the lending and collection functions to improve internal control.

7. The Institution shall immediately submit an amended March 31, 1991 TFR to reflect correct reporting of classified assets, specific and general valuation allowances, and construction loans. The board will direct Management to develop procedures to be adopted by the Board, which when properly implemented will confirm that similar reporting errors will not reoccur in the future.
8. The Board and Management shall immediately review Thrift Bulletin 41 and shall take all appropriate action to ascertain whether or not the Institution's investment portfolio is in compliance with Generally Accepted Accounting Principles and the Institution's own investment policies. The Institution's investment policies shall be revised to reflect current reporting and regulatory references.

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, and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Agreement, references to regulations, bulletins, memoranda and publications shall include any successor regulations, bulletins, memoranda and publications.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of First Federal. It is understood and agreed that this Agreement is a "written agreement entered into with the agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. 1818(b)(1).

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.

This Agreement shall remain in effect until the OTS has determined that the Institution has effected compliance with the provisions thereof and the Agreement is terminated or suspended by the OTS, acting through the Regional Director or his designee. The Agreement may be modified by agreement of the Institution and Regional Director or his designee. The Regional Director or his designee may suspend, in his or her sole discretion, any or all provisions of this Agreement. The Institution may request the termination, modification or suspension of the Agreement.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director or his designee, and the Institution, by its duly elected directors, have executed this Agreement.

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION  
OF CHILTON COUNTY  
CLANTON, ALABAMA  
OTS No. 6905

By:           *JS*            
Director

By:                             
Director

By:                             
Director

OFFICE OF THRIFT SUPERVISION

By:           *JS*            
John E. Ryan  
Regional Director



**CERTIFIED COPY OF  
RESOLUTION OF Board of Directors**

I, the undersigned, being the duly qualified Secretary of First Federal Savings and Loan Association of Chilton County, Clanton, Alabama, OTS No. 6905, ("Institution"), hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on August 12, 1991, and at said meeting a quorum was present and voting throughout, and that said resolution has not be rescinded or modified and is now in full force and effect:

**RESOLUTION**

**WHEREAS**, the officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS) is of the opinion that the grounds exist to initiate administrative proceedings against First Federal for non-compliance with certain regulations specifically referred to in the attached Written Agreement ("Agreement"), pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b); and

**WHEREAS**, said officers and directors have been informed that the OTS will forbear from the initiation of such administrative proceedings in connection with the matters referred to in the attached Agreement if the Agreement is executed by the Institution and if its terms are thereafter complied with by the Institution; and

**WHEREAS**, the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the Board of Directors held on August 12, 1991, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed Agreement, without admitting or denying that grounds exist for the initiation of administrative proceedings by OTS, as referred to above, on the matters covered by the Agreement.

**NOW, THEREFORE, BE IT RESOLVED**, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

**IN WITNESS WHEREOF**, I have hereto subscribed my name and affixed the seal of First Federal Savings and Loan Association of Chilton County this 12th day of August, 1991.

/s/  
\_\_\_\_\_  
Secretary

[SEAL]