

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 16th day of December 1991 ("Effective Date"), by and between First Federal Savings Bank of Maryville, Maryville, Tennessee ("First Federal"), (OTS No. 3404), for itself and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S. C. Sections 1818(b)(1) and (i)(2).

WHEREAS, the OTS is of the opinion that the institution has not complied with certain of the regulations to which the institution is subject in conducting the business of First Federal, and OTS is of the opinion that First Federal has engaged in unsafe or unsound practices in conducting the business of First Federal, thereby providing grounds for the initiation of cease and desist proceedings against First Federal by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the institution of cease and desist proceedings against First Federal for its failure to comply with regulations, and unsafe and/or unsound practices as set forth in the institution's Report of Examination dated June 17, 1991 for so long as the institution is in compliance with the provision of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, First Federal by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings;

NOW, THEREFORE, in consideration of the above-stated forbearance by OTS from the initiation of cease and desist proceedings against First Federal, it is agreed between the parties hereto as follows:

1. Within 90 days from the date of this Agreement, the Board shall submit for approval to the Assistant Director, OTS-Cincinnati, a comprehensive Plan for increasing core capital to a level no less than 4 percent of adjusted tangible assets by June 30, 1992. Furthermore, this plan shall demonstrate achieving a risk-based capital ratio of 8 percent by March 31, 1992. Such Plan shall also include strategies and objectives for the improvement of earnings and the reduction of classified assets to no more than 75 percent of tangible capital plus general valuation allowances by September 30, 1992. First Federal shall implement and comply with the approved Plan, and will not make changes to the Plan without the prior written approval of the Assistant Director. Approval of the Plan by OTS does not exempt First Federal from compliance with minimum capital requirements of current or future OTS regulations.

2. Within 60 days from the date of this Agreement, the Board shall submit for approval to the Assistant Director, plans for the disposition of the River Terrace Motel. The Plan shall provide for such disposition within a reasonable time, but under no circumstances shall it take place later than nine months from the date of this Agreement. First Federal shall provide monthly reports to the Assistant Director of its progress in disposing of the River Terrace Motel in accordance with this plan, and shall obtain the Assistant Director's approval prior to implementing significant modifications to the plan. First Federal shall use its best efforts to arrange a cash sale of the property. Any disposition of the property involving financing by First Federal shall require the prior written approval of the Assistant Director.

3. Within 60 days from the date of this Agreement, First Federal shall submit to the Assistant Director written documentation detailing the efforts

of management to bring loans which exceed the loans-to-one- borrower limit into compliance.

4. Within 30 days of the date of this Agreement, First Federal shall submit for approval to the Assistant Director an asset classification policy to provide for the establishment and maintenance of adequate valuation allowances for classified and non-classified assets.

5. Within 60 days from the date of this Agreement, First Federal shall establish policies for placing problem loans on non-accrual. In addition, such policies shall provide for the establishment of specific valuation allowances for accrued, uncollected interest on problem loans.

6. From the date of this Agreement, First Federal shall not engage in any acquisition, development and construction lending. In addition, First Federal shall not engage in any new multi-family and commercial real estate loans. First Federal may make loans to builders to finance the construction of single family residences, provided such loans are limited to \$250,000 per loan, no more than \$500,000 of such loans are outstanding to any one builder, and the loans otherwise comply with applicable regulations and First Federal's lending policy.

7. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy Regional Director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

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

(c) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time limitations may be extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.

(d) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provision of this Agreement, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulation). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(e) 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.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 525 Vine Street, Suite 700, Cincinnati, Ohio 45202, Attn: Assistant Director: All reports and other documents shall be deemed filed when received by the OTS.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

(j) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Deputy Regional Director, and First Federal, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

FIRST FEDERAL SAVINGS BANK OF MARYVILLE
Maryville, Tennessee

By: JS
Jerry M. Benham
Deputy Regional Director

By: JS
Director, James N. Proffitt, Jr.

By: JS
Director, J. William Johnson

By: JS
Director, Homer L. Isbell

By: JS
Director, B. R. Sullivan

By: JS
Director, J. David Walker

By: JS
Director, Robert R. Knoll

By: JS
Director, Don E. Peterson

By: JS
Director, Thomas B. Click

By: JS
Director, Darrell D. Akins