

**SUPERVISORY AGREEMENT**

This Supervisory Agreement ("Agreement") is made and is effective this 17<sup>th</sup> day of December, 1990 ("effective date"), by and between Mutual Federal Savings and Loan Association of Atlanta, Atlanta, Georgia, OTS No. 0484, for itself and its wholly owned service corporations and subsidiaries (hereinafter called "Mutual" 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 Mutual pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. 1818(b); and

**WHEREAS**, the Institution, in the interest of regulatory compliance and cooperation is willing to enter into this Agreement to avoid the initiation of such administrative proceedings 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 to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of the Agreement that pertain to such actions, and

**WHEREAS**, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory 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. The Institution's Board of Directors shall review the payment status of all loans to affiliated persons and ensure that all collection remedies available under the terms of the loan agreement(s) are promptly employed to ensure timely and complete payments.

2. Within sixty (60) days of the effective date of this Agreement, the Institution shall adopt and implement a plan to reduce assets classified as "doubtful," "substandard," or "special mention" in the Examination Report, dated May 7, 1990 ("Examination Report"), and by the Institution's internal loan review and classification system. The plan shall describe the actions to be taken to dispose of each asset, to restore it to earning status, and/or to otherwise eliminate the basis for criticism of the asset. The plan shall incorporate time frames for the accomplishment of the specified actions and the Board of Directors shall review management's progress in accomplishing the objectives of the plan at least quarterly.

3. The Institution shall immediately analyze all escrow accounts with negative balances and take action necessary to increase the escrow balances to ensure the sufficiency of funds to meet anticipated payments from the escrow accounts. In addition, the Board shall direct management to establish procedures to monitor and manage the escrow accounts to ensure that sufficient balances are available to disburse from the escrow accounts, without causing negative balances in the future. Incorporated into the procedures shall be a requirement that management analyze escrow accounts on at least a quarterly basis and provide a written report to the Board four (4) times per year on the status of escrow accounts. Management's quarterly report as well as the Board's review and corrective actions taken at each quarterly period shall be incorporated into the Board's meeting minutes.

4. The Institution shall file accurate and timely Thrift Financial Reports (TFR). The Board shall, on a monthly basis, review each TFR submitted to the OTS the previous month to assure that the information reported is accurate and reflects all material financial transactions occurring with the Institution.

5. Within sixty (60) days of the effective date of this Agreement, the Board shall establish, adopt, and adhere to an interest rate risk policy as required by 12 C.F.R. Sections 563.176 and 571.3, and shall implement procedures and controls consistent with the guidelines set forth in OTS Thrift Bulletin 13, 13-1, and 13-2, and all other applicable laws, regulations, and OTS policies.

6. Within sixty (60) days of the effective date of this Agreement, the Board shall establish, adopt, and adhere to an asset classification policy to ensure compliance with 12 C.F.R. Section 563.160 and the Statement of Policy contained

in 12 C.F.R. 571.26. The policy so adopted shall ensure correction of all monitoring and classification deficiencies disclosed in the Examination Report. The policy shall set forth procedures consistent with Thrift Bulletin 3 and all other applicable laws, regulations, and OTS policies.

7. The Institution shall record each parcel of real estate owned and in-substance foreclosure in accordance with GAAP as set forth in Statements of Financial Accounting Standards Numbers 5 and 15, and in accordance with 12 C.F.R. Sections 563.172 and 571.18.

8. Within sixty (60) days of the effective date of this Agreement, the Institution shall increase its general valuation allowances to at least the minimum level required in the Examination Report. In addition, the Institution shall continue to establish and maintain adequate general and specific loss reserves on at least a quarterly basis hereafter, 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 will ensure that the above factors are used to review the sufficiency of both the general and specific valuation allowances at least once each calendar quarter. Any deficiency in the allowances shall be remedied in the quarter it is discovered, prior to the filing of the quarterly Thrift Financial Report. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the allowances.

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 which are provided pursuant to, issued or remain in effect under

the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA").

This Agreement has been duly authorized, executed and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Mutual. 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. Section 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 terminated or modified or suspended by the OTS, acting through the Regional Director or his designee. The Regional Director or his designee may suspend, in his or her sole discretion, any or all provision of this 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.

Mutual Federal Savings and Loan Association of Atlanta,  
Atlanta, Georgia  
OTS No. 0484

By:           / S /          

OFFICE OF THRIFT SUPERVISION

By:           / S /            
John E. Ryan  
Regional Director

          / S /

**CERTIFIED COPY OF  
RESOLUTION OF Board OF DIRECTORS**

I, the undersigned, being the duly qualified Secretary of Mutual Federal Savings and Loan Association of Atlanta, Atlanta, Georgia, OTS No. 0484, ("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 December 17, 1990, 1990; and at said meeting a quorum was present and voting throughout; and that said resolution has not been 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 Mutual pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA") 12 U.S.C. 1818(b); and

**WHEREAS**, the 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 Supervisory Agreement ("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 December 17, 1990 1990, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed 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 Mutual Federal Savings and Loan Association of Atlanta this 17th day of December, 1990.

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Secretary

**DIRECTORS' WAIVER OF NOTICE**

I hereby waive notice of the meeting of the Board of Directors of Mutual Federal Savings and Loan Association of Atlanta, Atlanta, Georgia, OTS No. 0484, at \_\_\_\_\_, \_\_\_\_\_, 1990, held at \_\_\_\_\_, \_\_\_\_\_, at which the Board of Directors considered and adopted the attached resolution concerning a Supervisory Agreement between Mutual and the Office of Thrift Supervision.

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(Date)