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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 19 day of Oct., 1989, by and between Carrollton Federal Savings and Loan Association, Carrollton, Georgia, for itself and its affiliated service corporations (hereinafter called "CARROLLTON" or "Institution") and the Office of Thrift Supervision ("OTS"), through its Acting Principal Supervisory Agent for the Fourth Federal Home Loan Bank District or his delegate ("PSA").

WHEREAS, the OTS is of the opinion that the Institution has violated certain of the laws or regulations to which it is subject and/or has engaged in certain unsafe or unsound practices in conducting the business of the Institution, and that such violations and/or practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS, and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution, without admitting or denying that the Institution has violated certain of the laws or regulations to which it is subject and/or has engaged in certain unsafe or unsound practices in conducting the business of the Institution, is willing to enter into this Agreement to avoid initiation of cease and desist proceedings against CARROLLTON, and

WHEREAS, the OTS is willing to forbear from the initiation of cease and desist proceedings against CARROLETON 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 to require actions not specifically covered by this Agreement which 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:

I. CONFLICTS OF INTEREST

- A. Within 30 days after the date of this Agreement, the members of the board shall review and familiarize themselves with the provisions of 12 C.F.R. Sections 561.29, 563.41, 563.43, 571.7 and 571.9 and FHLBB Memoranda R 19a and R 62, and Sections 130 and 140 of the Federal Home Loan Bank System Thrift Activities Handbook. Within 45 days after the date of this Agreement, the board shall

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provide to the PSA a certified resolution that each member of the board has reviewed and familiarized himself with the provisions of each of the cited regulations, Memoranda and publications in this paragraph.

- B. CARROLLTON shall develop, adopt and submit to the PSA within 60 days after the date of this Agreement, in form and content acceptable to the PSA, a specific plan for the avoidance of conflicts of interest which reflects compliance with the provisions of this Agreement and all applicable regulations and written Federal Home Loan Bank Board (FHLBB) pronouncements. Such plan will (1) identify specific areas in which such abuses could occur; (2) address any and all permitted and authorized transactions including transactions between the Institution and affiliated persons (as defined in 12 C.F.R. Section 561.29) or the Institution and immediate family (as defined in 12 C.F.R. Section 561.25) of affiliated persons; (3) describe specific policies and actions that the Institution will adopt to avoid potential conflicts of interest and corporate opportunity abuses; and (4) establish specific procedures for dealing with

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directors and management officials who violate the Institution's policies in these areas: Such plan shall provide for appropriate disclosure by affiliated persons of any circumstance(s) which creates, could lead to, or appears to be a conflict of interest, and require the absence from the loan or transaction approval process, as appropriate. CARROLLTON shall comply with the Plan for the Avoidance of Conflicts of Interest which is acceptable to the PSA.

C. CARROLLTON shall not extend credit to, engage in any transaction with or enter into any contract, agreement or other business arrangement with affiliated persons or immediate family of an affiliated person without the prior written approval of the PSA if approval is also required by 12 C.F.R. Sections 563.41 and 563.43, except for the following provided such loans comply with the Institution's loan underwriting standards and applicable regulations, and are approved by the board of directors:

- (1) loans secured by savings accounts of the Institution;
- (2) financing on owner-occupied residences;
- (3) home improvement loans;

- (4) education loans; and
- (5) consumer loans up to \$10,000.

The PSA will approve a submission under this paragraph only if the proposal is determined to be fair to and in the best interests of CARROLLTON and is in compliance with its approved Plan for the Avoidance of Conflicts of Interest.

II. ASSET CLASSIFICATION

- A. Within 30 days after the date of this Agreement, Carrollton shall adopt and submit, in a form acceptable to the PSA, policies and procedures regarding self-classification of assets. Said policies shall address the deficiencies noted in the March 6, 1989 report of examination and the issues contained in Federal Home Loan Bank of Atlanta Regulatory Bulletin 32-1988, dated July 22, 1988. CARROLLTON shall adhere to asset classification policies and procedures which are acceptable to the PSA.
  
- B. The board of directors of CARROLLTON shall ensure that management promptly records all asset classifications and establishes specific reserves

and/or write downs as directed by the PSA in accordance with 12 C.F.R. Section 561.16(c).

C. CARROLLTON shall develop, within 60 days of the date of this Agreement, in form and content satisfactory to the PSA, comprehensive commercial loan underwriting policies and procedures for all secured and unsecured commercial loans, and nonresidential permanent mortgage loans, made or purchased by the Institution. Said policies and procedures shall reflect compliance with the terms of this Agreement and with all applicable regulatory provisions, including, but not limited to, 12 C.F.R. Sections 563.17-1, 545.32, 545.33, 545.34, 545.35, 545.36, 545.45, 545.46, and 545.48. Further, such policies and procedures shall not be revised during the term of this Agreement without the prior written approval of the PSA. CARROLLTON shall strictly comply with such policies and procedures acceptable to the PSA.

III. OTHER

A. The review by Independent Counsel, formally retained by CARROLLTON at the July 20, 1989 board meeting, shall commence immediately and proceed in

an expeditious manner. The scope of such independent review shall include present and prior actions and practices of the board and executive management of the Institution as they relate to fiduciary responsibilities with regard to the circumstances surrounding (1) the acquisition of the property presently known as the Banning 1846 River Club ("River Club property") by Bann-Line, Inc., and any properties which border the River Club property which affiliated person(s) of Institution may have previously owned or presently own; (2) the sale and/or transfer of the subject property to Banning 1846 River Club, Inc.; and (3) the financing by Institution for the acquisition, development and operation of said properties. Independent Counsel shall be instructed to prepare a report to the Institution's board of directors describing the findings of his review, and make recommendations with regard to the board of directors' and/or executive management's failure to exercise fiduciary responsibility with regard to these transactions and/or loans. The board of directors of CARROLLTON shall review the final report within 30 days of its completion by

**Independent Counsel and advise the PSA of all actions which are proposed to be taken by the board.**

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 which are provided pursuant to, issued or remain in effect under the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of CARROLLTON. 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 Federal Deposit Insurance Act, 12 U.S.C. Section 1818(b)(1) (1982).

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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 by the OTS, acting through its PSA. The Agreement may be terminated if, in the sole opinion of the PSA, the Institution has satisfactorily complied with the terms of this Agreement. The PSA will consider a written request from CARROLLTON to terminate the Agreement subsequent to the completion of at least one regular examination of the Institution and/or three years from the date of execution of this Agreement. Any decision to approve such request for termination shall be at the sole discretion of the PSA.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives. A certified copy of the resolution of the Board of Directors of



DIRECTORS' WAIVER OF NOTICE

I hereby waive notice of the meeting of the board of directors of Carrollton Federal Savings and Loan Association, Carrollton, Georgia, at 5:00 p.m., October 19, 1989, held at Carrollton, Georgia, at which the board of directors considered and adopted the attached resolution concerning a Supervisory Agreement between Carrollton Federal Savings and Loan Association and the Office of Thrift Supervision.

<u>151</u>	<u>October 19, 1989</u>
<u>151</u>	<u>October 19, 1989</u>
<u>151</u>	<u>October 19, 1989</u>
<u>151</u>	<u>October 11, 1989</u>
<u>151</u>	<u>October 19, 1989</u>

(Name)

(Date)

DEC-13-1990 15:34 FROM OTS LEGAL ATLANTA GA TO ENFORCEMENT

CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Carrollton Federal Savings and Loan Association, Carrollton, Georgia, ("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 October 19, 1989, 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 Institution has violated certain of the laws or regulations to which the Institution is subject and/or has engaged in certain unsafe or unsound practices, and that such violations and/or practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of cease and desist 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

