

UNITED STATES OF AMERICA
before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Security Federal Savings and Loan)
Association of Nashville)
Nashville, Tennessee)

Resolution No.: CIN 91-35
Dated: September 13, 1991

STIPULATION AND CONSENT TO ISSUANCE OF
ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS") by and through its Regional Director for the Central Region of OTS and Security Federal Savings and Loan Association of Nashville, Nashville, Tennessee ("Security"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative Cease and Desist proceeding against Security pursuant to the Federal Deposit Insurance Act, § 8(b), 12 U.S.C.A. § 1818(b) (West 1989). Security desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist litigation against Security with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Security is a "savings association" and an "insured depository institution" as defined by 12 U.S.C.A. §§ 1462 and 1813 (West 1989 and Supp. 1990).

(b) The OTS is the "appropriate Federal Banking agency" to maintain a cease and desist proceeding against such savings association, pursuant to 12 U.S.C.A. § 1818(b) (West 1989), therefore, Security is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it.

3. Consent. Security consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon its issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C.A. § 1818(b) (West 1989). Upon its issuance by the Central Region, OTS, it shall be a final Order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C.A. § 1818(1) (West 1989).

5. Waivers. Security waives its right to a notice of charges and the administrative hearing provided by 12 U.S.C.A. § 1818(b) (West 1989), and further waives its right to seek judicial review of the Order, including any such right provided by 12 U.S.C.A. § 1818(h) (West 1989), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Central Region, OTS, and Security by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

Security Federal Savings and Loan
Association of Nashville
Nashville, Tennessee
by a majority of its directors

/S/

~~Stuart M. Braffman~~
Regional Director
Central Region

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In the Matter of)
Security Federal Savings and Loan)
Association of Nashville)
Nashville, Tennessee)

Resolution No.: CIN 91-⁸⁵(Data)
Dated: September 13, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Security Federal Savings and Loan Association of Nashville, Nashville, Tennessee ("Security"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation") that is accepted and approved by the Office of Thrift Supervision ("OTS") ^{/S/} acting through its regional Director for the Central Region and is incorporated herein by reference; and

WHEREAS, Security, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C.A. § 1818(b) (West 1989).

NOW THEREFORE, IT IS ORDERED that Security and its directors, officers, employees, agents, subsidiaries and service corporations shall comply with the provisions of this Order.

IT IS FURTHER ORDERED as follows:

1. Security shall, within 30 days of the issuance of this Order, submit to the Deputy Regional Director or designee, a written program which

describes the workout plan of action and the anticipated time frame for its accomplishment with respect to each credit relationship and each parcel of real estate of \$250,000 or more which was criticized or classified in the OTS February 11, 1991 Report of Examination. Such submission shall be updated and forwarded to the Deputy Regional Director or designee on a monthly basis and shall include any additional assets of \$250,000 or more which are internally criticized or classified. This report shall be forwarded no later than 10 days following the end of each month and, at a minimum, include the following:

<u>Name/ Parcel</u>	<u>Gross Book Balance</u>	<u>Specific Valuation Allowance</u>	<u>Net Book Balance</u>	<u>Amt. Criticized at last Examination</u>	<u>Status</u>
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2. Security shall, within 60 days of the date of the issuance of this Order, submit and comply with a comprehensive business plan acceptable to the Deputy Regional Director or designee which provides for the systematic reduction of classified assets over the next two years to a ratio of no more than 75% of such assets to tangible capital plus general valuation allowances ("GVA's"). The business plan shall demonstrate compliance with contemporaneous capital requirements in addition to a minimum tangible capital targets of no less than 3.75% of adjusted tangible assets by December 31, 1991, and 4.00% by March 31, 1992. Security shall not implement material changes to the activities and strategies outlined in this plan without the written approval of the Deputy Regional Director or designee. The Deputy Regional Director will consider proposals by Security's Board of Directors to amend the business plan or adjust the tangible capital targets required by this paragraph, and may approve such proposals as he deems to be in the best interests of Security.

3. No later than 90 days from the date of issuance of this Order the Board of Directors shall submit and comply with a written plan acceptable to the Deputy Regional Director setting forth its plans for obtaining additional capital through an outside capital infusion, merger conversion, conversion or other similar transaction. The objective shall be for Security to obtain tangible capital of not less than 5% of adjusted tangible assets as soon as practical, but no later than June 30, 1992, and to have all applications necessary to effect the transaction filed with the appropriate regulatory authorities no later than April 30, 1992. Security shall also in good faith pursue any other alternatives for raising additional capital suggested by the Office of Thrift Supervision.

4. Security shall, within 30 days from the issuance of this Order, develop and approve a written concentration policy, institute procedures to identify, monitor and report concentrations to the board on a monthly basis. The board shall determine and document in its minutes the desirability of each such concentration, and with respect to those concentrations deemed objectionable, Security shall develop strategies to reduce each such concentration to no greater than 25% of tangible capital and GVA's.

5. Security shall, within 30 days of the issuance of this Order, amend its GVA policy to the satisfaction of the Deputy Regional Director or designee to establish appropriate GVA provisions for all loans, including loans with existing specific valuation allowances.

6. Security shall use its best efforts to hire an additional commercial real estate workout specialist, and an internal loan review officer. Security shall also immediately establish an independent internal asset review committee. Security shall adopt written procedures that fully encompass the objectives and responsibilities for such a function as set out

in Section 210 titled "Lending Risk Assessment" of the Thrift Activities Regulatory Handbook.

7. Security shall use its best efforts to fill the one existing vacancy on its board with an individual, acceptable to the Deputy Regional Director or designee, experienced in commercial real estate lending and/or problem real estate workouts.

8. Security shall not purchase or originate, in whole or in part, any new commercial or commercial real estate loans, including loans secured by residential property with 5 or more dwelling units, until Security has achieved a ratio of classified assets, net of specific valuation allowances to total tangible capital plus general valuation allowances, not exceeding 75%. Said ratio to be determined based on subsequent OTS examinations. Notwithstanding the above, Security may modify or extend any existing commercial loan provided no new funds are advanced, and may make a loan to facilitate the sale of any real estate owned property. Security shall not advance additional funds for real estate owned, except for the purpose of maintaining the property (i.e., taxes and insurance) except where said advancement(s) will preserve or enhance the value of the property. Security shall maintain evidence of the purpose and necessity of such expenditures.

9. Security shall, as of the date of issuance of this Order, record the Harbor Hotel, Steamboat Springs, Colorado on the books to reflect its fair market value as of June 30, 1991. Within 30 days Security shall require independent outside counsel to review and advise Security as to options available to it with respect to the lease dated July 9, 1987, entered into in conjunction with the above "sale." The report of the outside counsel shall address Security's legal avenues for forcing a

