

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 15th day of September, 1992, by and between Key Federal Savings Bank, Owings Mills, Maryland, OTS Number 6633, for itself and its wholly owned service corporations and subsidiaries ("Key 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 the grounds exist to initiate administrative proceedings against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. Section 1818(b) (West 1989 & Supp. 1992); and

WHEREAS, the Institution, without admitting or denying that such grounds exist and 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.

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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 Board of Directors of Key Federal ("Board") shall adopt and implement a written plan to manage and reduce the level of assets classified or designated special mention assets ("criticized assets") in the Institution's April 6, 1992 OTS Report of Examination ("1992 Exam"). The plan shall include objectives, action plans, specific targets and quarterly timeframes for the reduction of the level of criticized assets. The Board shall review and update the plan on a quarterly basis to include criticized assets that are identified during that quarter, and to reflect changes in circumstances affecting the disposition of each criticized asset. The Board also shall review and assess on a quarterly basis management's progress in meeting the targets set out in the plan for resolving criticized assets, and document its review in the minutes of the board meeting at which such review occurs.

2. Within 30 days of each calendar quarter end, the Institution shall submit to the Regional Director a status report for each criticized asset and each loan 30 days or more delinquent with an outstanding principal balance of \$500,000 or more. The report shall contain, at a minimum, the following information: (a) dollar balance outstanding, (b) name of borrower, (c) description of security and/or guarantors, (d) number of days delinquent, (e) accrual status, (f) classification, (g) any interest reserve, (h) identification of the expected source(s) of repayment, (i) the appraised value of the collateral and the Institution's lien position, (j) a summary of an analysis of the borrower's financial position, and (k) specific steps taken or to be taken, including timeframes, for the resolution or disposal of each asset.

3. As of the effective date of this Agreement, Key Federal shall make no capital distribution, as that term is defined at 12 C.F.R. Section 563.134(a)(1), until such time as the Institution's total classified assets equal an amount less than its total risk based capital.

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4. Key Federal shall account for each parcel of real estate owned and in substance foreclosure, and all other troubled debt restructurings, in accordance with Generally Accepted Accounting Principles and in accordance with the provisions of 12 C.F.R. Sections 563.172 and 571.18.
5. Within 30 days of the effective date of this Agreement, the Board shall review and revise its (a) lending, (b) asset classification, (c) investment, and (d) interest rate risk policies and procedures, which revisions shall, at a minimum, address the deficiencies cited in the 1992 Exam.
6. The Institution shall comply with the provisions of 12 C.F.R. Part 564 and shall ensure that appraisals obtained by the Institution are reviewed and analyzed to ensure the safety and soundness of the Institution's loan underwriting.
7. Within 30 days of the effective date of this Agreement, the Institution shall establish general valuation allowances in the amounts prescribed by the examiners in the 1992 Exam. Additionally, the Board shall review and document the sufficiency of the Institution's general and specific valuation allowances at least quarterly.
8. Within 60 days of the effective date of this Agreement, the Board shall adopt and implement a comprehensive, three year business plan. In developing this business plan, the Board and Management shall emphasize prudent investments appropriate in a troubled economic climate. Additionally, the business plan shall address the Institution's strategy in complying with Qualified Thrift Lender requirements. A copy of the business plan shall be submitted to the Regional Director upon Board approval, and the Board shall review Management's compliance with the business plan on at least a quarterly basis.

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9. The Institution shall comply with the provisions of
OTS Regulatory Bulletin 27, dated November 8, 1991.

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 the Institution. 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.A.
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, modified, or suspended by the OTS, acting through
the Regional Director. The Regional Director may suspend, in
his sole discretion, any or all provisions of this Agreement.

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

Key Federal Savings Bank
Owings Mills, Maryland
OTS Number 6633

By: 151
Bernard Dackman, Director

By: 151
David Wells, Director

By: 151
Philip Glazer, Director

By: 151
Irwin Cohen, Director

By: 151
Joel Dackman, Director

By: 151
Jan Feldman, Director

By: 151
Charles Jules, Director

By: 151
Marc Rosen, Director

By: 151
Morton Shapiro, Director

By: 151
Richard Sussman, Director

By: 151
Seymour Sussman, Director

OFFICE OF THRIFT SUPERVISION

By: 151
John E. Ryan
Regional Director

