

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 11th day of September, 1995 (the "Effective Date"), by and between Rushmore Trust and Savings, FSB, Bethesda, Maryland, OTS No. 8572, for itself and its wholly owned service corporations and subsidiaries ("Rushmore" or "Institution"), and the Office of Thrift Supervision ("OTS"), a bureau of the United States Department of the Treasury, acting through its Acting Regional Director for the Southeast Region or his designee ("Regional Director").

WHEREAS, the OTS is the primary federal regulator of the Institution; and

WHEREAS, based upon the March 27, 1995 OTS Safety and Soundness Report of Examination, the March 27, 1995 OTS Holding Company Report of Examination and the February 21, 1995 OTS Trust Report of Examination (collectively the "1995 Examinations"), the OTS is of the opinion that the grounds exist to initiate an administrative proceeding against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)¹; and

WHEREAS, the Institution, acting through its board of directors (the "Board"), without admitting or denying that such grounds exist, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement to avoid the initiation of such administrative proceeding on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceeding 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 this 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. All references to the United States Code ("U.S.C.") are as amended.

BOARD OF DIRECTORS AND MANAGEMENT

1. The Institution shall take immediate steps to clearly establish and maintain the separate corporate existences of Money Management Associates, Limited Partnership, the Institution's parent holding company ("MMA"), and Rushmore. The Institution shall promptly retain qualified and experienced legal counsel to assist in the establishment of policies and procedures ensuring the separate corporate identities of MMA, Rushmore and any and all subsidiaries, affiliates or other related organizations. Such policies and procedures shall be drafted in accordance with the comments and guidance set forth in the 1995 Examinations and approved by the Board within 60 days after the Effective Date of this agreement. In addition to applicable state law, the policies and procedures required by this paragraph shall take into consideration and, as appropriate, comply with the provisions of 12 C.F.R. §§ 563.37 and 571.21. Further, such policies and procedures shall be drafted and shall be approved by the Board. A copy of the policies and procedures and the minutes of the Board meeting in which they were discussed and approved shall be provided to the Regional Director within 10 days after the Board's approval. The Board shall amend the policies and procedures required by this paragraph if and as directed by the Regional Director.

2. Within 90 days after the Effective Date of this Agreement, the Institution shall actively seek and retain a qualified Chief Executive Officer with banking experience. This individual's duties and responsibilities shall be dedicated solely to the Institution. The minutes of the meetings of the Board shall fully document these efforts.

3. Within 60 days after the Effective Date of this Agreement, the Board shall review the present management of Rushmore and shall formulate and submit to the Regional Director a management plan that shall contain:

(i) An organizational chart that is consistent with the recommendations made by outside auditors in the March 24, 1994 management letter, which accompanied Rushmore's March 1994 annual independent audit report, and that specifically delineates the lines of authority, as well as the responsibility and compensation for each officer position;

(ii) Job descriptions for each officer position on the organizational chart. The Chief Executive Officer's position shall require such person to act in the best interests of the Institution, specifically include responsibility for the direct oversight of the Institution and any and all subsidiaries, report directly to the Board; and

(iii) A review of each existing officer's performance, abilities, background and assignments to positions within the organizational structure. If the existing management and other personnel do not have sufficient expertise to develop and carry out the actions described in this Agreement, the plan shall identify and establish positions that require employment of

personnel from outside the Institution to either supplement or replace existing personnel.

4. The Board and management shall formally review its staff, including the need for additional or replacement staff and the cross training of existing staff, not less than annually. Such review shall, among other things, take into consideration any growth or changes in the Institution's existing operations or activities and the engagement in any new operations or activities.

5. As required by 12 C.F.R. § 574.9, the Institution shall provide at least 30 days prior written notice of the proposed addition of any individual as a director or senior executive officer (as those terms are defined in Section 574.9) to the OTS before the employment becomes effective.

6. The Institution shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer, of the Institution or any subsidiary thereof, unless it first (i) reviews any such arrangement to ensure compliance with OTS Regulatory Bulletin 27a, (ii) provides the OTS with a minimum of 30 days advance notice of the proposed transaction and (iii) receives written notice of no-objection from the Regional Director.

UNINSURED AND NONDEPOSIT INVESTMENT PRODUCTS

7. Within 60 days after the Effective Date of this Agreement, the Institution shall draft, adopt and thereafter adhere to policies and procedures establishing general guidelines for the offering of uninsured products on the Institution's premises that are consistent with OTS Thrift Bulletin ("TB") 23a "Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities; TB 23-2, "Interagency Statement on Retail Sales of Nondeposit Products;" and 12 C.F.R. § 563.76. Such policies and procedures shall be approved by the Board. A copy of the policies and procedures and the minutes of the Board meeting at which they were approved shall be provided to the Regional Director within 10 days after receipt of Board approval. The Board shall amend the policies and procedures required by this paragraph if and as directed by the Regional Director.

QUALIFIED THRIFT LENDER STATUS

8. The Institution shall comply with the laws and regulations set forth in 12 U.S.C. § 1467a(m) and 12 C.F.R. §§ 563.50, 563.51 and 563.52 regarding the Qualified Thrift Lender ("QTL") test. The Board shall review the QTL laws and regulations to familiarize themselves with the components of the QTL test. Further, the Board shall review the Institution's QTL ratio and compliance with the QTL laws and regulations not less than quarterly.

CONFLICTS OF INTEREST

9. Within 60 days after the Effective Date of this Agreement, the Board shall review and revise the Institution's existing conflict of interest plan ("COI Plan") to reflect current laws governing transactions with affiliates and to ensure that the Institution complies with the OTS Statement of Policy, 12 C.F.R. § 571.7. The revised plan shall address potential conflicts of interest raised by virtue of conducting trust activities in the Institution, particularly in light of the specific trust activities being performed and the inter-relatedness of the business of Rushmore, MMA and their affiliates. The Institution shall promptly implement and thereafter adhere to the changes in the COI Plan adopted by the Board and shall take action as necessary to reduce or to avoid the appearance of a conflict of interest in transactions between Rushmore and its affiliates and its directors, officers, and other affiliated persons. The Board shall be responsible for the Institution's compliance with the COI Plan and shall obtain and review quarterly reports from Management indicating the level of compliance. The Board's review shall be documented in the minutes of the board meeting in which it was discussed.

TRANSACTIONS WITH AFFILIATES

10. Within 60 days after the Effective Date of this Agreement, the Board shall review all existing contracts with affiliates for compliance with Sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c-1, and 12 C.F.R. §§ 563.41 and 563.42 (collectively, the "TWA Laws"), and this paragraph. The Institution shall comply with the TWA Laws and the requirements of this paragraph. The Board shall ensure that separate written contracts exist governing all transactions with affiliates including, but not limited to, loans, deposits and the providing of services. Such contracts shall, at a minimum: (i) ensure compliance with the TWA Laws; (ii) contain a detailed description of the transactions covered by each contract; (iii) identify reimbursable expenses and detail the terms of the transactions covered by each contract, including, but not limited to, fee and expense breakdowns and allocations, timeframes for payment, and late charges and interest. The contracts shall be supported by a cost/profit analysis of all services provided by the Institution. All contracts and supporting analyses shall receive the prior review and approval of the Board. Rushmore shall promptly collect any and all expenses owed by affiliates. Such collection shall occur not less than monthly and the total amount of expenses or overdrafts on deposits outstanding at any time shall be included in calculating the Institution's compliance with the TWA Laws.

INTERNAL CONTROLS/ACCOUNTING AND REPORTING

11. The Board shall take immediate steps to ensure the accuracy and sufficiency of its accounting, recordkeeping and reporting functions including, but not limited to, reviewing and revising existing accounting, recordkeeping and reporting policies and procedures or adopting new policies and procedures to ensure compliance with regulatory accounting, recordkeeping, reporting and monitoring requirements. The Board shall assign to one of its officers the responsibility of reviewing and signing all Thrift Financial Reports ("TFRs") and require that the accuracy of the TFRs be certified by two directors prior to being filed with the OTS. The Board shall review the external and internal audits conducted during 1994, as well as all future audits, and shall take immediate steps to address and remedy any and all deficiencies noted in such audits. The Institution shall provide the OTS with copies of all audits, both internal and external, and the minutes of the board meeting at which the audits were reviewed, within 10 days after the date of such board meeting.

ASSET/LIABILITY MANAGEMENT

12. Within 90 days of the Effective Date of this Agreement, the Board shall develop, adopt and implement modifications to the Institution's policies and procedures for asset/liability management that, at a minimum, address:

(a) The development and implementation of a long-term cash management strategy to ensure that the Institution can meet its cash needs in consideration of the Institution's overall asset/liability structure, the Institution's activities and operations, the condition of the economy, and the requirements of deposit and loan customers;

(b) The development, implementation and adherence to a policy requiring all demand deposit accounts to be evidenced by a written agreement with each depositor. Such policy shall establish reasonable overdraft limits and clearly state the penalty and interest rate to be charged for overdrafts, as well as the timeframe for collection of such fees and interest;

(c) The development and implementation of a strategy to reduce sensitivity to interest rate risk, that shall address loan and deposit pricing, index risk, and the impact of the rate shocks on prospective interest spreads;

(d) Board approval of all investment transactions that shall be accompanied in the board minutes by a statement of how each transaction benefits the Institution's interest rate risk position;

(e) The development of a clearly defined deposit marketing strategy identifying the desired deposit structure in terms of growth or shrinkage and present and potential competition. The Board shall ensure that the Institution's solicitation practices are consistent with Rushmore's cash management and interest rate risk policies; and

(f) The concerns and problems noted by examiners in the 1995 Examinations regarding commercial non-interest bearing demand deposit accounts, non-interest earning cash balances and Federal Home Loan Bank overnight investments.

INVESTMENT PRACTICES

13. The Board shall review and, as appropriate, revise the Institution's investment policies and procedures consistent with OTS Thrift Bulletin 52 and the guidance contained in Section 220 of the Thrift Activities Handbook ("TAH"). Such policies and procedures shall include procedures for documentation of proper authorization, recordation and monitoring of investment transactions, including the establishment of dollar limitations on each individual's investment authority. The Investment Committee shall review all investment decisions prior to purchasing investment securities. The Investment Committee's review shall be fully documented in the minutes of the Investment Committee's meeting. Such documentation shall include, at a minimum, a description of the securities, an analysis of how the purchase meets the Institution's overall strategies, how the securities will impact the Institution's overall interest rate risk position and, if applicable, a prospectus or offering circular. The Investment Committee's decisions shall be reviewed and approved by the Board. Investment files shall, at a minimum, contain a trade ticket indicating verification of investment committee approval, an accurate description of the security and its price, initials of the officer placing the order with the broker, initials of the officer approving the order, the initials of the officer recording the transaction and broker confirmation of the order. The Institution shall ensure that all investments are properly reported on the TFR.

INTEREST RATE RISK

14. The Board shall review and revise the Institution's Interest Rate Risk Policy (the "IRR Policy") consistent with the requirements of 12 C.F.R. § 563.176(b) and OTS TB 13, TB 13-1 and TB 13-2. The IRR Policy shall contain reasonable interest rate risk limitations as established by the Board and ensure proper management of interest rate risk. Interest rate risk reports shall be prepared by management for the Board in accordance with the requirements of the IRR Policy, Section 563.176(b) and OTS TB 13, TB 13-1 and TB 13-2. The Board shall review the Institution's interest rate risk position and the reports prepared by management not less than quarterly.

TRUST OPERATIONS

15. Within 60 days after the Effective Date of this Agreement, the Institution shall either amend its original trust application or file a new application with the OTS requesting approval under 12 C.F.R. § 550.2(a) to provide transfer agent and portfolio accounting services to affiliated and third party mutual funds.

16. The Institution shall formalize an internal audit program for its bank and trust operations. The internal audit program for trust operations shall include but not be limited to custody, transfer agent and portfolio accounting services and shall be directed and actively monitored by the Audit Committee of the Board, with regular reports to the full Board. The Audit Committee shall obtain copies of all NSAR letters regarding statements of material weaknesses produced in connection with audits of the mutual funds for which the Institution provides services. The Audit Committee shall work with mutual fund company auditors and officers to formalize a process whereby the Board will receive written notice of fund audit issues that relate to services provided to the funds by the Institution. The Board shall review all internal and external audits of the activities of the Institution, all NSAR letters and all service related audit fund issues of which it is notified, and take such corrective action as is necessary and appropriate. The Board's review and corrective actions shall be documented in the minutes of the board meeting at which such matters were discussed. Copies of all Institution audits, NSAR letters, and the Institution's review and corrective actions, including the board's minutes, shall be provided to the OTS within 10 days after consideration by the Board.

17. The Institution shall copy the OTS on any correspondence or periodic reports filed with the Securities and Exchange Commission ("SEC") regarding transfer agent services and any other correspondence with or reports required by the SEC as a result of the Institution providing any other service to affiliated or third party mutual funds.

18. Within 60 days after the Effective Date of this Agreement, the Board shall require management to develop policies and procedures for portfolio accounting, including procedures to verify the accuracy of trades for settlement on the portfolio accounting system.

19. Within 60 days after the Effective Date of this Agreement, The Institution shall amend the FFIEC Annual Report of Trust Assets filed for the years ended 12/31/93 and 12/31/94 to include completed Schedules C and D. Further, the Institution shall amend the TFR filed for the quarter ended 12/31/94 to include completed Schedules CSI and SI, specifically line items SI350, CSI291 and CSI501.

20. Within 60 days after the Effective Date of this Agreement, the Board shall require management to review and update the Trust Policy Manual (the "Policy Manual") consistent with the comments in the 1995 Examinations.

COMPLIANCE WITH AGREEMENT

21. The Board shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.

22. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement.

23. The Board, no later than 30 days following the end of a calendar quarter (including the calendar quarter during which the Effective Date occurs), shall adopt a board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption issued by the Regional Director that were outstanding as of the date of its adoption. Any director dissenting from the adoption of the Compliance resolution shall be identified in the Board minutes along with his reason for dissenting. No later than 10 days following the adoption of the Compliance Resolution, the Institution shall provide to the Regional Director a certified copy of the Compliance Resolution and the Board meeting minutes. The Board, by virtue of the Institution's submission of a certified copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except for dissenting directors.

DEFINITIONS

24. 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, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENTS

25. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

NOTICES

26. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

- a. The OTS by the Institution, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 1475 Peachtree St., N.E., Atlanta, Georgia 30309 or telecopied to (404)888-5634 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
- b. The Institution by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Institution at 4922 Fairmont Avenue, Bethesda, Maryland 20814-6076 or telecopied to (301) 657-1511 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
- c. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

DURATION, TERMINATION OR SUSPENSION OF AGREEMENT

27. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

28. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

TIME LIMITS

29. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of the Agreement, unless otherwise provided for in the Agreement. Such time limitations may be extended by the Regional Director in his sole discretion upon written application by the Institution.

EFFECT OF HEADINGS

30. The Section headings herein are for convenience only and shall not affect the construction hereof.

DIRECTOR RESPONSIBILITY

31. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Regional Director, the Board has the ultimate responsibility for proper and sound management of the Institution.

SEPARABILITY CLAUSE

32. In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

NO VIOLATIONS OF LAW, RULE, REGULATION OR POLICY STATEMENT AUTHORIZED; OTS NOT RESTRICTED; RELATION TO STATE LAW

33. Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

SUCCESSORS IN INTEREST/BENEFIT

34. 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. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Institution, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

RUSHMORE TRUST AND SAVINGS, FSB
Bethesda, Maryland
BY:

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~~Richard M. Riccobono~~
Acting Regional Director

Name:
Title:

DIRECTORS OF THE INSTITUTION

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~~Director Paul A. Sweeney, Jr.~~

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Director Daniel L. O'Connor

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~~Director Michael D. Lange~~

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Director James L. O'Malley

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~~Director Kenneth D. Dezzulla~~

Director

Director

Director

Director

Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Rushmore Trust and Savings, FSB, Bethesda, Maryland, OTS No. 8572 ("Rushmore" or "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 September 6, 1995, 1995, 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:

WHEREAS, based upon the Institution's OTS Safety and Soundness Examination, dated March 27, 1995; Trust Examination, dated February 21, 1995; and Holding Company Examination, dated March 27, 1995 (collectively, the "1995 Examinations"), the officers and directors of the Institution have been advised that 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, 12 U.S.C. 1818(b), as amended; and

WHEREAS, said 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 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 Rushmore Trust and Savings, FSB this 6th day of September, 1995.

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Secretary
Linda R. Paisley

DIRECTORS' WAIVER OF NOTICE

I hereby waive notice of the meeting of the Board of Directors of Rushmore Trust and Savings, FSB, Bethesda, Maryland, OTS No. 8572 ("Rushmore" or "Institution"), held on the 6th day of September, 1995, at which the Board of Directors considered and adopted the attached resolution concerning a Supervisory Agreement between the Institution and the Office of Thrift Supervision.

By: ISI Director Paul A. Sweeney, Jr. By: ISI Director Daniel L. O'Connor

By: ISI Director Michael D. Lange By: ISI Director James L. O'Malley

By: ISI Director Kenneth D. Pezulla By: _____ Director

By: _____ Director By: _____ Director