

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 5th day of March 1992, by and between American Federal Savings Bank, Rockville, Maryland, OTS No. 8149, for itself and its wholly owned service corporations and subsidiaries ("American Federal" or "Institution") and the Office of Thrift Supervision ("OTS" or "Agency"), 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 the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. Section 1818(b) (1988 & Supp. I 1989); and

WHEREAS, the Institution, without admitting or denying that grounds exist to initiate administrative proceedings against the Institution, 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 referred to in this Agreement, for so long as the Institution is in compliance with the provisions of the Agreement; 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 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. Within 60 days of the effective date of this Agreement, the Institution shall develop, and the Board shall adopt, implement, and thereafter comply with a written plan to reduce the level of adversely classified and special mention assets ("criticized assets"). The plan shall include specific targets and quarterly time frames for the reduction of the level of criticized assets. The plan shall be periodically updated to include newly criticized assets subsequent to the Effective Date of this Agreement and to reflect changes in circumstances effecting troubled asset disposition. At a minimum, the Board shall review management's progress in meeting the targets on a quarterly basis. The Institution shall continue to submit quarterly loan status reports regarding each criticized loan and each loan 30 days or more delinquent with an outstanding principal balance of \$500,000 or more. The report should contain the following information: (1) dollar balance outstanding, (2) name of borrower, (3) description of security and/or guarantors, (4) number of days delinquent, (5) accrual status, (6) classification, (7) any interest reserve, and (8) actions being taken to correct loan deficiencies. The report shall be submitted to the OTS within 30 days of each quarter end.
2. Within 60 days of the effective date of this Agreement, the Institution shall develop, and the Board shall adopt, implement, and thereafter comply with a written plan to reduce the Institution's cost of funds and to increase the Institution's level of core deposits. The plan shall include specific targets and quarterly time frames for the implementation of aforementioned goals. At a minimum, the Board shall review management's progress in meeting the targets on a quarterly basis.
3. Within 60 days of the effective date of this Agreement, the Institution shall develop, and the Board shall adopt, implement, and thereafter comply with appraisal review policies and procedures for real estate owned. At a minimum, said policies and procedures shall ensure (a) that subject appraisals comply with the requirements of 12 C.F.R. Part 564, (b) that appraisals are reviewed and analyzed to ensure the safety and soundness of the Institution, and (c) that the aforementioned review and analysis is documented.

4. Within 60 days of the Effective Date of this Agreement, the Board shall review 12 C.F.R. Section 563.93 (loans to one borrower) and shall adopt a resolution affirming the Institution's intent to comply with that regulation. The Institution also shall, on a quarterly basis, inform the Regional Director in writing of the steps taken to reduce outstanding principal to a level below its loans to one borrower limit for any loan in violation of said regulation.
5. Within 60 days of the Effective Date of this Agreement, the Board shall review 12 C.F.R. Section 563.96 (investment limitations) and shall adopt a resolution affirming the Institution's intent to comply with said regulation.
6. In accordance with Regulatory Bulletin 27, the Institution shall, prior to execution, submit all proposed employment contracts for senior executive officers and directors to the Regional Director for approval.
7. The Board shall review the sufficiency of general and specific valuation allowances on at least a quarterly basis.

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. 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. 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. Any time limitations in this Agreement shall begin with the effective date hereof and may be extended by the Regional Director.

This Agreement shall remain in effect until terminated, modified or suspended by mutual agreement of the OTS, acting through the Regional Director, and the Institution. The Regional Director may suspend, in his sole discretion, any or all of the 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.

By: 151
Director Samuel Lehrman

By: 151
Director Harry L. Leavy

By: 151
Director Stuart A. Kaufman

By: 151
Director Robert D. Lerner

By: 151
Director Mark S. Goldstein

By: 151
Director Michelle S. Leavy

OFFICE OF THRIFT SUPERVISION

By: 151
John E. Ryan
Regional Director

DIRECTORS' WAIVER OF NOTICE

I hereby waive notice of the meeting of the Board of Directors of American Federal Savings Bank, Rockville, Maryland, OTS No. 8149, at _____, 1992, held at Rockville, Maryland, at which the Board of Directors considered and adopted the attached resolution concerning a Supervisory Agreement between American Federal Savings Bank and the Office of Thrift Supervision.

<u>1/5/92</u>	Harry L. Leavy
<u>1/5/92</u>	Robert D. Lerner
<u>1/5/92</u>	Mark S. Goldstein
<u>1/5/92</u>	Stuart A. Kaufman
<u>1/5/92</u>	Samuel Lehrman
<u>March 5, 1992</u> (Name)	(Date) Michelle S. Leavy

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of American Federal Savings Bank, Rockville, Maryland, OTS No. 8149, ("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 1992, 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 American Federal Savings Bank pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C 1818(b); and

WHEREAS, said officers and directors have been informed that the OTS will forebear 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 1992, 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 American Federal Savings Bank this day
of 1992.

151
Secretary