

SUPERVISORY AGREEMENT

This Agreement ("Agreement") is made and is effective this the 14th day of July, 1992, ("Effective Date"), by and between Tri-County Federal Savings Bank, (OTS No. 3068), Covington, Tennessee, ("Tri-County" or "Institution") for itself and any controlled subsidiary and the Office of Thrift Supervision ("OTS"). 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 OTS within the meaning of 12 U.S.C. Sections 1818(b)(1) and (i)(2).

WHEREAS, the OTS is of the opinion that Tri-County has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. Sections 215.4, 563.160, 563.170, 563.172, 571.7, and 12 C.F.R. Part 564, and has engaged in practices judged to be unsafe and unsound in conducting the business of the Institution thereby providing grounds for the initiation of proceedings against Tri-County by the OTS pursuant to 12 U.S.C. Section 1818(b); and,

WHEREAS, the OTS is willing to forbear at this time from the initiation of proceedings pursuant to 12 U.S.C. Section 1818(b) against the Institution for its failure to comply with regulations and unsafe and/or unsound practices as set forth in the Institution's Report of Examination dated February 3, 1992, for so long as the Institution is in compliance with the

provisions of this agreement; and,

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution, by its Board of Directors ("Board"), is willing to enter into this Agreement as follows:

NOW, THEREFORE, in consideration as above stated it is agreed by the parties as follows:

Statutes and Regulations

1. Tri-County and its controlled subsidiary shall correct existing violations cited in this section and the Report of Examination dated February 3, 1992, and shall not knowingly initiate any action which would result in a violation of, or the aiding and abetting of any violation of 12 C.F.R. Sections 215.4, 563.160, 563.170, 563.172, and 12 C.F.R. Part 564.

Lending Restrictions

2. Tri-County shall not make any new commercial loans, loans secured by commercial real estate or loans secured by residential real estate with five or more dwelling units.

3. Tri-County shall not advance additional monies to any borrower whose loan or loans were classified, in whole or in part, by OTS at the February 3, 1992, examination or which become classified.

4. Tri-County shall not advance monies to any borrower to pay principal, interest, or late fees with respect to any delinquent indebtedness owed to Tri-County.

Policies and Procedures

5. Attached hereto are the enhanced lending policies and procedures adopted since the examination of Tri-County. Tri-

County agrees to adhere to these policies and procedures and to be especially cognizant of the enhancements including written verification of sufficient income necessary for applicant(s) to qualify, receipt of credit explanation letters where credit reports reflect adverse items, and placing loans on nonaccrual.

6. Not later than the next regular meeting of the Board following the Effective Date of this Agreement, the Board of Tri-County shall establish a Loan Committee to be comprised of the President and Chief Executive Officer and at least two outside members of the Board. All loan requests, with the exception of consumer loans of \$20,000 or less, including renewals, extensions or restructurings, must be submitted to the Loan Committee for approval prior to submission to the Board for approval as required by the lending policies adopted by the Board in April 1991. An accurate and fully completed Addendum and Loan Review Summary sheet shall accompany each such request submitted to the Loan Committee. The Addendum and Loan Review Summary sheet shall reflect the decision and the date of the decision of the Loan Committee as well as the votes of the individual Loan Committee members. Each Loan Committee member shall certify by signature on the Addendum and Loan review Summary sheet that the request has been underwritten in accordance with the enhanced lending and appraisal policies and procedures required by Paragraph 5 above, with the requirements of 12 C.F.R. Sections 563.170 (c)(1) and (2), and that the applicant(s) has/have documents evidencing sufficient cash flow to meet scheduled interest and debt reduction payments. Prior to OTS approval of the enhanced

lending policies and procedures, the individual Loan Committee members shall certify that the loan has been underwritten in accordance with the lending policies and procedures adopted by the Board in April 1991 and that the applicant(s) has/have documents evidencing sufficient cash flow to meet scheduled interest and debt reduction payments. Authority to approve consumer loans of \$20,000 or less may be delegated to the President and Chief Executive Officer at the main office and to the Branch Manager at each branch, provided that such loans are subsequently reviewed by the Loan Committee for compliance with Tri-County's underwriting standards and this Agreement. When the Branch Manager is absent, each loan under \$20,000 must be approved by the President and Chief Executive Officer. In the absence of the President and Chief Executive Officer, authority to make consumer loans under \$20,000 will be delegated by the Board of Directors. Any exceptions shall be reported to the Regional Deputy Director.

7. From the Effective Date of this Agreement, Tri-County shall adhere to the requirements of 12 C.F.R. Part 564. The Appraisal Policy has been revised and is attached hereto subject to the approval of the Assistant Director, OTS Cincinnati.

8. A revised classification of assets policy in accordance with 12 C.F.R. 563.160 is attached hereto and made a part of this Agreement subject to the approval of the Assistant Director, OTS Cincinnati. The policy includes the establishment of an independent Asset Review Committee, which will perform a detailed review and credit analysis at least quarterly, of all funded and

unfunded borrowing relationships aggregating \$200,000 or more. In its review and analysis, the Asset Review Committee will obtain and utilize current and complete credit information when deemed appropriate by the Committee. Loan files shall evidence written requests to borrowers to provide current financial information. Such request and/or financial documents shall be dated within one year from the date that the review and credit analysis is being performed.

9. From the Effective Date of this Agreement, Tri-County shall adhere to the requirements of 12 C.F.R. Section 563.172 and 12 C.F.R. Section 563.234 with respect to real estate owned.

Overdraft

10. From the Effective Date of this Agreement, Tri-County shall adhere to the requirements of 12 C.F.R. Section 215-4(d). Additionally, overdrafts by all employees shall be subject to the institution's normal overdraft charges, unless such overdrafts are covered by a pre-approved overdraft line of credit underwritten on the same terms available to the institution's customers.

Sale of REO

11. A copy of an appraisal accomplished on the Langley property located in Ripley, Tennessee, is enclosed herewith subject to the review and approval of the Assistant Director, OTS Cincinnati.

Closings

12. Any policies and procedures required by this Agreement shall be strictly adhered to by Tri-County, its directors,

officers, employees, agents, and service corporations.

13. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Regional Deputy director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

(b) It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Agreement shall in any way inhibit, estop, bar or otherwise prevent the OTS from doing so.

(c) Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement. Such time limitations may be extended by the Regional Deputy Director or his/her designee for good cause upon written application by the Board.

(d) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provision of this Agreement, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitations, Chapter V of Title 12 Code

of Federal Regulation). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(e) 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.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application of notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 525 Vine Street, Suite 700, Cincinnati, Ohio 45202, Attn: Assistant Director. All reports and other documents shall be deemed filed when received by the OTS.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

(j) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Regional Deputy Director, and Tri-County, by its Board of Directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

TRI-COUNTY FEDERAL SAVINGS BANK
Covington, Tennessee

BY: 151
Daniel T. McKee
Regional Deputy Director

BY: 151
Director

By: _____
Director