

## SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 18<sup>th</sup> day of April, 2011, by and through the Board of Directors (Board) of Hopkins Federal Savings Bank, Baltimore, Maryland, OTS Docket No. 08196 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director);

**WHEREAS**, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

**WHEREAS**, the Association is subject to examination, regulation and supervision by the OTS; and

**WHEREAS**, based on its examination of the Association of the Association, the OTS finds that the Association has engaged in unsafe or unsound practices and/or violations of law or regulation; and

**WHEREAS**, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the September 20, 2010 Report of Examination (2010 ROE), the Association and the OTS have mutually agreed to enter into this Agreement; and

**WHEREAS**, on April 15, 2011, the Association's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

**NOW THEREFORE**, in consideration of the above premises, it is agreed as follows:

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**Concentrations Policy.**

1. By May 31, 2011, the Association shall develop and submit to the Regional Director a written program for identifying, monitoring, and controlling risks associated with concentrations of credit (Credit Concentration Program) that addresses all corrective actions set forth in the 2010 ROE relating to concentrations of credit. The Credit Concentration Program shall comply with all applicable laws, regulations and regulatory guidance and shall:

(a) establish comprehensive concentration limits expressed as a percentage of Tier 1 (Core) Capital plus allowance for loan and lease losses (ALLL), and document the appropriateness of such limits based on the Association's risk profile;

(b) establish stratification categories of the Association's concentrations of credits, such as land loans, construction loans, commercial/non-residential loans, nonconforming single family residential loans, and stated income loans and establish enhanced risk analysis, monitoring, and management for each stratification category; and

(c) establish an aggregate concentration limit for all commercial real estate loans, including all land, construction, multi-family, and commercial/non-residential loans.

2. Management shall prepare and submit for Board review a monthly written report assessing the Association's compliance with the Credit Concentration Program (Concentration Report). The Board's review of the Concentration Report, including any corrective actions adopted by the Board, shall be fully documented in the appropriate Board minutes. A copy of the Concentration Report and any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within twenty (20) days of the Board meeting.

**Loans-to-One-Borrower.**

3. By April 30, 2011, the Association shall revise its lending limitations policies and procedures (LTOB Program) to address all corrective actions set forth in the 2010 ROE relating to loans to one borrower. At a minimum, the LTOB program shall be revised to:

- (a) ensure that all loans to an individual borrower are identified, aggregated and appropriately tracked for the full duration of each such loan; and
- (b) provide for the maintenance of all documentation necessary to demonstrate that loans made to any one borrower are made within the limits set forth in applicable laws and regulations as required by 12 C.F.R. § 560.93(f).

4. By April 30, 2011, the Association shall correct the lending limit violation identified in the 2010 ROE and provide the Regional Director with documentation sufficient to demonstrate the compliance of the resulting lending relationship with applicable lending limits.

**Allowance for Loan and Lease Losses.**

5. By May 31, 2011, the Association shall revise its policies, procedures, and methodology to ensure the timely establishment and maintenance of an adequate ALLL level (ALLL Policy) and to address all corrective actions set forth in the 2010 ROE relating to ALLL. The ALLL Policy shall be revised to:

- (a) require appropriate written supporting documentation of the analysis of the Association's loss history and internal risk ratings of categories of loans used in the determination of the ALLL calculation; and
- (b) ensure that the final ALLL calculation only contain items that are in compliance with applicable laws, regulations, and regulatory guidance and appropriately included in

ALLL under generally accepted accounting principles consistent with 12 C.F.R. § 560.160.

**Appraisals.**

6. By May 31, 2011, the Association shall revise its appraisal policies and procedures (Appraisal Policy) to address all corrective actions set forth in the 2010 ROE relating to appraisals. The Appraisal Policy shall comply with applicable laws, regulations, and regulatory guidance and specifically ensure that the Association secures an appraisal, consistent with the requirements of 12 C.F.R. Part 564 and 12 C.F.R. § 560.172.

**Transaction With Affiliates Restrictions.**

7. Effective immediately, the Association shall not engage in any transaction with an affiliate unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate for which notice is submitted pursuant to this Paragraph complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

**Brokered Deposits.**

8. Effective immediately, the Association is prohibited from increasing the dollar amount of brokered deposits<sup>1</sup> at the Association without receiving the prior written non-objection of the Regional Director. The Association's written request for non-objection shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of acceptance of additional brokered deposits.

**Directorate and Management Changes.**

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<sup>1</sup> The term "brokered deposit" is defined at 12 C.F.R. § 337.6(a)(2).

9. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers<sup>2</sup> set forth in 12 C.F.R. Part 563, Subpart H.

**Golden Parachute and Indemnification Payments.**

10. Effective immediately, the Association shall not make any golden parachute payment<sup>3</sup> or prohibited indemnification payment<sup>4</sup> unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

**Employment Contracts and Compensation Arrangements.**

11. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A,[ and the Interagency Guidance on Sound Incentive Compensation Policies contained in OTS Chief Executive Officer Memorandum No. 354.

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<sup>2</sup> The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

<sup>3</sup> The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

<sup>4</sup> The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

**Dividends and Other Capital Distributions.**

12. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

**Third Party Contracts.**

13. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association<sup>5</sup> or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (b) received written notice of non-objection from the Regional Director.

**Growth.**

14. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director.

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<sup>5</sup> A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

**Violations of Law.**

15. By May 31, 2011, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 ROE are corrected and that adequate policies, procedures, and systems are established or revised and thereafter implemented to prevent future violations.

**Board Oversight of Compliance with Agreement.**

16. Within thirty (30) days, the Board shall designate a committee to monitor and coordinate the Association's compliance with the provisions of this Agreement and the completion of all corrective actions required in the 2010 ROE (Compliance Committee). The Compliance Committee shall review all of management's corrective actions and make an independent determination of the Association's compliance with this Agreement. The Compliance Committee shall be comprised of three (3) or more directors, the majority of whom shall be independent<sup>6</sup> directors.

17. Within thirty (30) days after the end of each quarter, beginning with the quarter ending June 30, 2011, the Compliance Committee shall submit a written compliance progress report to

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<sup>6</sup> For purposes of this Agreement, an individual who is "independent" with respect to the Association shall be any individual who:

- (a) is not employed in any capacity by the Association, its subsidiaries, or its affiliates, other than as a director;
- (b) does not own or control more than ten percent (10%) of the outstanding shares of the Association or any of its affiliates;
- (c) is not related by blood or marriage to any officer or director of the Association or any of its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Association or any of its affiliates, and who does not otherwise share a common financial interest with any such officer, director or shareholder;
- (d) is not indebted, directly or indirectly, to the Association or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest;[, in an amount exceeding ten percent of the Association's total Tier 1 (Core) capital; and
- (e) has not served as a consultant, advisor, underwriter, or legal counsel to the Association or any of its affiliates.

the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Agreement and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

18. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending June 30, 2011, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Agreement. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within twenty (20) days after the Board meeting.

**Effective Date.**

19. This Agreement is effective on the Effective Date as shown on the first page.

**Duration.**

20. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

**Time Calculations.**

21. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

**Submissions and Notices.**

22. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

23. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To the OTS<sup>7</sup>:  
James G. Price, Regional Director  
Attn: Robert A. Mitchell, Assistant Director  
Office of Thrift Supervision, Southeast Region  
1475 Peachtree Street, N.E.  
Atlanta, GA 30309

(b) To the Association:  
Alvin M. Lapidus, Chairman  
Hopkins Federal Savings Bank  
134 Eaton Street  
Baltimore, MD 21224-2425

**No Violations Authorized.**

24. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

**OTS Authority Not Affected.**

25. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

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<sup>7</sup> Following the Transfer Date, *see* Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, § 311, 124 Stat. 1520-21 (2010), all submissions, requests, communications, consents or other documents relating to this Order shall be directed to the Comptroller of the Currency, or to the individual, division, or office designated by the Comptroller of the Currency.

**Other Governmental Actions Not Affected.**

26. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 26 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

**Miscellaneous.**

27. The laws of the United States of America shall govern the construction and validity of this Agreement.

28. If any provision of 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 or her sole discretion determines otherwise.

29. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

30. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

31. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

**Enforceability of Agreement.**

32. This Agreement is a “written agreement” entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

**Signature of Directors/Board Resolution.**

33. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

**WHEREFORE**, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

[Remainder of the Page Intentionally Left Blank]

**HOPKINS FEDERAL SAVINGS BANK  
Baltimore, Maryland**

By: \_\_\_\_\_ /s/  
Alvin M. Lapidus, Chairman

\_\_\_\_\_/s/  
Richard Alter, Director

\_\_\_\_\_/s/  
Richard Azrael, Director

\_\_\_\_\_/s/  
Steven A. Cohen, Director

\_\_\_\_\_/s/  
Melissa Strohman, Director

Accepted by:

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
James G. Price  
Regional Director, Southeast Region

Date: See Effective Date on page 1