

AGREEMENT BY AND BETWEEN
Acacia Federal Savings Bank
Falls Church, Virginia
and
The Comptroller of the Currency

Acacia Federal Savings Bank, Falls Church, Virginia (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found violations of law and regulation and unsafe and unsound banking practices relating to asset quality, less than satisfactory risk management practices, including those relating to internal audit, and continued less than satisfactory earnings.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 163.555. *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within sixty (60) days of the date of this Agreement, the Board shall establish a Compliance Committee comprised of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least quarterly.

(3) The Compliance Committee shall ensure that the Bank conducts periodic audits to ensure compliance with each provision of this Agreement.

(4) Within forty five (45) days of the end of each fiscal quarter after the effective date of this Agreement, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Agreement;

- (b) actions taken to comply with each Article of this Agreement;
- (c) the results and status of those actions; and
- (d) the status of any audits completed and the remedial actions required by any audit evaluating compliance with this Agreement.

(5) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall ensure that the Bank has competent management in place on a full-time basis, including in Credit Administration, to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within one hundred twenty (120) days of the date of this Agreement, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and the Board will determine whether management changes will be made.

(3) For incumbent officers in the positions mentioned in Paragraph (1) of this Article, the Board shall within one hundred twenty (120) days of the date of this Agreement assess each of these officers' experience, other qualifications and performance compared to the position's description, duties and responsibilities.

(4) If the Board determines that an officer will continue in his or her position but that the officer's depth of skills needs improvement, the Board will within thirty (30) days of such determination develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Bank. At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Association's goals and objectives.

(5) The Board shall ensure that the Bank has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Agreement, and that the Bank's management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement.

(6) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) a written notice containing the information set forth in 12 C.F.R. § 163.570 and regulatory guidance related thereto;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. Appointments of senior executive officers, as defined in 12 C.F.R. § 163.555, are subject to the requirements set forth in 12 C.F.R. Part 163, Subpart H – Notice of Change of Director or Senior Executive Officer. For individuals that are not senior executive officers, the requirement to submit information and the prior disapproval provisions of this Paragraph are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and does not require the Comptroller or the Assistant Deputy Comptroller to complete his review and act on any such information or authority within ninety (90) days. The lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

ARTICLE IV

CRITICIZED ASSET REDUCTION PLAN

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall develop a Criticized Asset Reduction Plan that addresses the high level of problem assets and is designed to restore asset quality to a satisfactory condition. At a minimum, the Criticized Asset Reduction Plan must:

- (a) establish quarterly targets for reductions in classified and special mention assets;
- (b) require problem loan reports that are current and include actions to improve the quality of the credit or otherwise resolve the problem asset, including:
 - (i) an identification of the expected sources of repayment;

- (ii) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
 - (iii) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
 - (iv) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;
- (c) identify prudent loan restructuring opportunities and workout efforts to improve the collectability of problem loans and reduce the risk of loss; and
 - (d) provide for diligent and close oversight by the Bank to ensure all workout options are fully considered to improve each problem asset, as well as the aggregate level of problem assets.

(2) Prior to adoption by the Board, a copy of the Criticized Asset Reduction Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Revisions to the Bank's Criticized Asset Reduction Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The Board shall review and update the Bank's Criticized Asset Reduction Plan at least annually, and more frequently if necessary, or as required by the Assistant Deputy Comptroller in writing. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the Criticized Asset Reduction Plan and any amendments and revisions thereto.

(3) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds \$500,00 dollars;
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

A copy of each review and Loan Committee minutes shall be forwarded to the Assistant Deputy Comptroller on a monthly basis.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE V

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days of the date of this Agreement, the Board must ensure that management effectively implements and adheres to its Allowance for Loan and Lease Losses ("ALLL") Policy and methodology, consistent with OCC Bulletin 2006-47 (Interagency Policy Statement on the Allowance for Loan and Lease Losses). At a minimum, the Board must ensure that:

- (a) the Allowance for Loan and Lease Losses ("ALLL") is prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and interagency guidance, including OCC Bulletin 2006-47 (Interagency Policy Statement on the Allowance for Loan and Lease Losses) that

includes analysis under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 450-20 and 310-10;

- (b) an effective loan review systems and controls, including an effective loan classification or credit grading system, are in place to identify, monitor, and address asset quality problems in an accurate and timely manner;
- (c) adequate data capture and reporting systems provide information necessary to support and document estimation of an appropriate ALLL;
- (d) information provides various matrices to identify and trend various risk factors;
- (e) there is a timely and accurate valuation program so that loans, or portions of loans, are promptly charged off when available information confirms them to be uncollectible;
- (f) ALLL methodology is, at a minimum, annually validated by a party, such as the internal audit staff, the Bank’s risk management unit, or an external auditor, subject to applicable auditor independence standards, who is independent of the institution’s (1) credit approval and ALLL estimation processes and (2) ALLL methodology and its application in order to confirm the effectiveness of the methodology; and
- (g) the individual responsible for preparing the quarterly ALLL methodology is knowledgeable about the ALLL Policy, related GAAP and interagency guidance, and their implementation.

(2) The ALLL Policy shall provide for a review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the quarter it is

discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL.

(3) A copy of the Board approved ALLL Policy shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection within ten (10) days of Board approval. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the ALLL Policy.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article.

ARTICLE VI

RISK RATING ACCURACY

(1) Within ninety (90) days of the date of this Agreement, the Board must ensure that management:

- (a) develops and applies an accurate risk rating system consistent with regulatory guidance;
- (b) ensures lenders grade loans accurately and in accordance with regulatory risk definitions;
- (c) timely changes loan grades; and
- (d) timely charges-offs loans.

(2) At minimum, the Board must ensure that the process includes:

- (a) Staff accountability for assigning accurate loan grades which adhere to the *Comptroller's Handbook, Rating Credit Risk*; and
 - (b) Prompt downgrading of credit relationships with potential or well-defined weaknesses.
- (3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article.

ARTICLE VII

INTERNAL LOAN REVIEW

(1) Within ninety (90) days of the date of this Agreement, the Board shall employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases.

(2) Within ninety (90) days of the date of this Agreement, the Board shall establish an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses" booklets of the *Comptroller's Handbook*. Such reports shall include, at a minimum, conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;
- (d) credit and collateral documentation exceptions;

- (e) the identification and status of credit related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of this paragraph;
- (g) concentrations of credit;
- (h) loans and leases to the Bank's executive officers, directors, principal shareholders, and their related interests; and
- (i) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(3) Within ninety (90) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for independent review of problem loans and leases in the Bank's loan and lease portfolios for the purpose of monitoring portfolio trends, on at least a quarterly basis. The program shall require a quarterly report to the Board. At a minimum the program shall provide for an independent reviewer's assessment of the Bank's:

- (a) monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) system for monitoring previously charged-off assets and their recovery potential;

- (d) system for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function; and
- (e) system for monitoring the adequacy of credit and collateral documentation.

(4) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(6) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(7) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE VIII

APPRAISAL AND EVALUATION PROCESS

(1) Within ninety (90) days of the date of this Agreement, the Board must ensure that management updates the Appraisal and Evaluation policies, procedures, and practices to comply with OCC Bulletin 2010-42 (Interagency Appraisal and Evaluation Guidelines). The Appraisal and Evaluation policies and procedures shall be approved by the Board and be reviewed at least annually by the Board. At a minimum, the Board must ensure that the Appraisal and Evaluation policies and procedures address:

- (a) the circumstances under which an updated appraisal or evaluation must be obtained for a problem loan;
- (b) the valuation methods appropriate for determining the collateral value during an impairment analysis, booking of other real estate owned (“OREO”), and ongoing monitoring; and
- (c) the frequency and type of valuation methods that must be obtained for collateral value of impaired loans and OREO properties.

(2) Within ninety (90) days of the date of this Agreement, the Board must ensure that the management obtains or has obtained appraisals and evaluations, as appropriate, for impaired loans and OREO parcels with stale valuations to support fair value calculations. Once the values are obtained, the Board must ensure that management uses them for ALLL impairment and OREO analyses.

(3) A copy of the Bank’s Appraisal and Evaluation policies and procedures, and any revisions thereto, shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection within ten (10) days of Board approval. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall ensure that the Bank implements and adheres to the Appraisal and Evaluation policies and procedures.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IX

INTERNAL AUDIT

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program that comports with the standards for Internal Audit Systems set forth in Section II.B of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 170 and is sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (e) review and provide an opinion regarding whether regulatory reports beginning with the quarter following execution of the Agreement contain "material misstatements" within thirty (30) days of filing; for purposes of this Article, "material misstatements" has the same meaning as the term is used in the SEC's Staff Accounting Bulletin No. 99 – Materiality (August 12, 1999);
- (f) adequately cover all areas; and

(g) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) The Board must ensure that changes to the audit schedule are based on changes in the risk profile of the department or area and is supported by the conclusions contained in a current, Board-approved risk assessment.

(3) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(4) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(5) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(6) The Board shall ensure that services performed by those outside the institution are completed under a current engagement letter, or an equivalent, that details the agreed upon services, scope, timeframes, and costs of the arrangement. This agreement should be reviewed and approved by the Board or a committee thereof and should be updated annually.

(7) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(8) The Board must ensure that audit follow-up includes a review of the Bank's actions to implement corrective actions. The internal auditor must verify corrective actions have been completed and test or sample the adequacy of those actions. Audit issues must only be considered closed or corrected once a subsequent internal audit verifies the desired internal controls have been implemented and are effective.

(9) The audit staff shall have access to any records necessary for the proper conduct of its activities. Examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(10) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller within ten (10) days of Board approval.

(11) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE X

TRANSACTIONS WITH AFFILIATES

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board must ensure that management develops a comprehensive Transactions with Affiliates ("TWA") Policy that is approved by the Board. At minimum, the TWA Policy must comply with applicable laws and regulations and include policies for identification, documentation, monitoring, and recordkeeping of intercompany transactions.

(2) Prior to adoption by the Board, a copy of the TWA Policy shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Revisions to the Bank's TWA Policy shall be submitted to the Assistant Deputy

Comptroller for a prior written determination of no supervisory objection. The Board shall review and update the Bank's TWA Policy at least annually, and more frequently if necessary, or as required by the Assistant Deputy Comptroller in writing. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the TWA Policy and any amendments and revisions thereto.

(3) The Board must ensure that the management documents and reviews all affiliate transactions to ensure they comply with all laws and regulations and the TWA Policy. The Board must ensure that the Bank does not enter into any TWA transactions that do not comply with all laws and regulations or the TWA Policy. Beginning with the date of this Agreement, prior to consummating any TWA, the Board must ensure that the Bank obtains and maintains a copy of a legal opinion provided by counsel experienced in the application of the laws and regulations governing TWAs set forth at 12 U.S.C. § 1468 and 12 C.F.R. Part 223 ("Regulation W") that includes the rationale and precedent supporting the conclusion that the proposed transaction comports with the TWA laws and regulation.

(4) Within one hundred twenty (120) days of the date of this Agreement and annually thereafter, the Board shall ensure that a party independent of the Bank, the Bank's holding company, or any other affiliate with whom the Bank does business completes a review of transactions with affiliates or Regulation W.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the TWA Policy developed pursuant to this Article.

ARTICLE XI

PROFIT PLAN

(1) Within ninety (90) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) deposit pricing strategies;
- (b) loan pricing strategies;
- (c) investment portfolio management;
- (d) mortgage banking strategies;
- (e) action plans and scenario analysis, including scenarios that analyze the impact of strategies on the Bank's capital ratios;
- (f) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (g) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (h) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (i) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The budgets and related documents required in paragraph (1) of this Article for fiscal year 2013 shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in

paragraph (1) of this Article for each year this Agreement remains in effect. The budget for each year shall be submitted on or before November 30 of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis within forty-five (45) days of the end of each of the Bank's fiscal quarters.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE XII

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects or, when technical correction is not feasible, addresses to the satisfaction of the Assistant Deputy Comptroller each violation of law, rule, or regulation cited in the Report of Examination for the examination that began on May 7, 2012 using financial information as of March 31, 2012 ("ROE") and in any subsequent Report of Examination. The quarterly progress reports required by Article II of this Agreement shall include the date and manner in which each violation has been corrected or addressed during that reporting period.

(2) Within ninety (90) days of the date of this Agreement, the Board shall adopt and ensure that the Bank implements and thereafter adheres to (i) specific procedures to prevent future violations as cited in the ROE and (ii) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt and ensure that the Bank implements and thereafter adheres to (i) specific procedures to prevent future violations as cited in the ROE and (ii) general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE XIII

CLOSING

(1) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller, and the following restrictions apply:

- (a) The Bank is required to notify the OCC of the proposed addition of any individual to the board of directors or the employment of any individual as a senior executive officer at least thirty (30) days before such addition or employment becomes effective, as required by the 12 C.F.R. § 163.560 and 12 U.S.C. § 1831i.
- (b) The Bank is restricted from making any “golden parachute payment” (including severance payments and agreements relating thereto), within the meaning and subject to the restrictions of 12 U.S.C. § 1828(k) and 12

C.F.R. Part 359, except as may be permitted under the above-mentioned statute and regulation.

(c) The Bank will not qualify for expedited treatment for applications and notices filed with the OCC. *See* 12 C.F.R. § 116.5.

(2) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Richard S. Mattison, Assistant Deputy Comptroller
District of Columbia Field Office
250 E Street SW, MS DCFO-1
Washington, DC 20219

(3) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for the review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

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

(5) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(6) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(7) Reference in this Agreement to provisions of statutes, regulations and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the date hereof and references to successor provisions as they become applicable.

(8) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(9) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither

the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/ Richard S. Mattison
Richard S. Mattison
Assistant Deputy Comptroller
District of Columbia Field Office

12/19/12
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/ James Barber
James Barber

12/19/12
Date

/s/ David P. Johnson
David P. Johnson

12/19/12
Date

/s/ Louis C. Kiessling, III
Louis C. Kiessling, III

12/19/12
Date

/s/ M. Charito Kruvant
M. Charito Kruvant

12/19/12
Date

/s/ William Lester
William Lester

12/18/12
Date

/s/ Robert John H. Sands
Robert John H. Sands

12/19/12
Date

/s/ Carol A. Ward
Carol A. Ward

12/19/12
Date

/s/ Jon Weinberg
Jon Weinberg

12/18/12
Date