

AGREEMENT BY AND BETWEEN
Slavie Federal Savings Bank
Bel Air, MD
and
The Comptroller of the Currency

Slavie Federal Savings Bank, Bel Air, Maryland (“Association”), 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 Association, and, toward that end, wish the Association to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe or unsound banking practices relating to capital, asset quality, management, earnings and credit risk management.

In consideration of the above premises, it is agreed, between the Association, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Association 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. § 163.555.¹ 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).

(5) This Agreement shall cause the Association to not be eligible for “expedited treatment” pursuant to 12 C.F.R. § 116.5, unless otherwise informed in writing by the Comptroller. Among other things, this means that the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 163.141, without first filing an application pursuant to 12 C.F.R. § 163.143(a) and receiving the prior written approval of the OCC.

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

Linda F. Nichols, Assistant Deputy Comptroller
Washington DC Field Office
250 E Street, SW, Suite 850
Mail Stop DCFO-1
Washington, DC 20219

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an

¹ In order to facilitate the Office of the Comptroller of the Currency’s (OCC) enforcement and administration of former Office of Thrift Supervision (OTS) rules and to make appropriate changes to these rules to reflect OCC supervision of federal savings associations as of the transfer date, the OCC republished, with nomenclature and other technical changes, the OTS regulations formerly found in Chapter V of Title 12 of the Code of Federal Regulations. The republished regulations are codified with the OCC’s regulations in Chapter I at parts 100 through 197 (“Republished Regulations”), effective on July 21, 2011. The Republished Regulations supersede the OTS regulations in Chapter V for purposes of OCC supervision and regulation of federal savings associations. OTS Integration Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act; Interim Final Rule, 76 Fed.Reg. 48,950 (Aug. 9, 2011). References in this document are to the Republished Regulations at 12 C.F.R. Chapter I.

employee or controlling shareholder of the Association 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 Association’s adherence to the provisions of this Agreement.

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

(3) Within sixty (60) days of the date of this Agreement and within ten (10) days of the end of each fiscal quarter thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(4) 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

ENSURE COMPETENT BOARD AND MANAGEMENT

(1) Within one hundred and twenty (120) days, the Board shall review and assess the qualifications of each senior executive officer (as the term “senior executive officer” is defined in 12 C.F.R. § 163.555(4)) and ensure that the Association has competent management in place on a full-time basis in all senior executive officer positions, including in its President, Chief

Lending Officer, and Chief Credit Officer, 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 Association in a safe and sound manner. The Board shall:

- (a) review the capabilities of the Association's senior executive officers to perform present and anticipated duties and the Board will determine whether management changes will be made;
- (b) assess each of these officers' experience, other qualifications and performance compared to the position's description, duties and responsibilities; and
- (c) address whether all critical managerial responsibilities and risk areas are covered by the current senior executive officers' job descriptions and adjust the job descriptions as necessary.

(2) If the Board determines that an officer subject to assessment under Paragraph (1) of this Article will continue in his/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 Association. 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.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(3) Within one hundred and twenty (120) days, the Board shall review and assess the qualifications of each director and ensure that the Association has a competent Board of Directors in place.

(4) If a position referenced in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position referenced in Paragraph (1) of this Article becomes vacant, the Board shall within sixty (60) days of such vacancy appoint (subject to the receipt of prior regulatory non-objection under Paragraph (5) of this Article) a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Association's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(5) 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) the information sought in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" in Section 720 of the OTS Applications Handbook, together with a legible fingerprint card for the proposed individual;
- (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.

(6) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

ARTICLE IV

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Association shall achieve and maintain by September 30, 2012, a Tier 1 (Core) Capital Ratio equal to or greater than nine percent (9%) and a Total Risk-Based Capital Ratio equal to or greater than fourteen percent (14%), each as defined in 12 C.F.R. Part 165.

(2) The requirement in this Agreement to maintain a specific capital level means that the Association may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165, pursuant to 12 C.F.R. § 165.4(b)(1)(iv) and, among other things, is subject to the restrictions on brokered deposits set forth 12 C.F.R. § 337.6.

(3) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Association adherence to a three year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital in relation to the Association’s risk profile that may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements based upon a detailed analysis of the Association’s assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Association's current and future needs;

- (d) the primary source(s) from which the Association will strengthen its capital structure to meet the Association's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Association is in compliance with its approved capital plan; and
 - (ii) in conformance with the requirements set forth at 12 C.F.R Part 163 Subpart E – Capital Distributions.

(4) Upon completion, the Association's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Association shall implement and adhere to the capital program. The Board shall review and update the Association's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

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

ARTICLE V

BUDGET/BUSINESS PLAN

(1) Within ninety (90) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Association adherence to a written three-year business plan that shall include a projection of major balance sheet and income statement components. The

business plan shall also include a written profit plan and a detailed budget. Specifically, the business plan shall describe:

- (a) the Board's general business philosophy, strategic goals and objectives for the three-year period, and the means by which the Association will achieve those goals and objectives together with specific time frames;
- (b) a detailed description of all material activities and related risks that the Association intends to engage in during the term of the business plan;
- (c) a budget that corresponds to the business plan's goals and objectives, and a system to monitor the Association's performance in comparison to the budget.

(2) The Association shall submit a copy of the business plan to the Assistant Deputy Comptroller for review and written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Association shall implement and adhere to the business plan.

(3) The Association shall submit to the Assistant Deputy Comptroller for its review and prior determination of no supervisory objection, with at least sixty (60) days advance, written notice, its intent to deviate significantly from the business plan.

- (a) For purposes of this Article, changes that may constitute a significant deviation from the business plan include, but are not limited to, any significant deviations from the Association's business plan relating to: (i) marketing strategies, marketing partners, acquisition channels; (ii) underwriting practices and standards, account management strategies and test programs; (iii) collection strategies, partners or operations; (iv)

accounting processes and practices; (v) funding strategy; or (vi) any other changes in personnel, operations or external factors that may have a material impact on the Association's operations or financial performance.

- (b) Prior to making any changes that significantly deviate from the Association's business plan, the Board shall perform an evaluation of the adequacy of the Association's organizational structure, staffing, management information systems, internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service. The evaluation shall include an assessment of the impact of such change on the Association's condition, including a profitability analysis.

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

ARTICLE VI

LIQUIDITY RISK MANAGEMENT / CONTINGENCY FUNDING PLAN

(1) Within ninety (90) days, the Board shall review and revise as necessary, and thereafter maintain a comprehensive liquidity risk management program, consistent with guidance set forth in OCC Bulletin 2010-13 and the Interagency Policy Statement on Funding and Liquidity Risk Management (May 21, 2010), which assesses, on an ongoing basis, the Association's current and projected funding needs, and ensures that sufficient funds or access to funds exist to meet those needs.

(2) Within ninety (90) days, the Board shall review and revise the Association's Contingency Funding Plan (CFP). The Board shall refer to the OTS Examination Handbook Section 530 (Liquidity) as well as other current regulatory materials for guidance. The CFP shall be expanded, at a minimum, to address:

- (a) defining responsibilities and decision-making authority for all personnel in a crisis situation;
- (b) defining and quantifying a liquidity crisis, including early warning indicators to monitor large changes in sources and uses of funds;
- (c) developing early warning liquidity triggers applicable to the Association. Examples of warning triggers include but are not limited to: reduced ability to access wholesale funding, a run on deposits, credit deterioration, or a decline in your composite CAMELS ratings; and
- (d) documenting and analyzing the amount, availability and timeliness of obtaining funding sources available to the Association (i.e., Federal Home Loan Bank borrowings, Fed discount window, and holding company capacity) in relation to the various levels of a liquidity crisis.

(3) Upon adoption, a copy of the enhanced CFP shall be forwarded to the Assistant Deputy Comptroller for review.

ARTICLE VII

LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days, the Board shall establish credit risk management practices that ensure effective credit administration, portfolio management and monitoring, and risk mitigation. In doing so, the Board shall adopt and the Association (subject to Board review and

ongoing monitoring) shall implement and thereafter ensure adherence to a written credit policy to improve the Association's loan portfolio management. The credit policy shall include (but not be limited to):

- (a) revision and/or development of the Association's procedures to ensure accuracy of risk ratings and proper and timely problem loan identification, including non-accrual loans;
- (b) procedures that require ongoing monitoring of borrower ability to repay the loan through receipt and documented review of current borrower, principal and guarantor financial information;
- (c) procedures and controls to periodically verify the existence and lien position of collateral;
- (d) credit risk rating definitions consistent with applicable regulatory guidance;
- (e) procedures for early problem loan identification, to ensure that credits are accurately risk rated at least quarterly;
- (f) written reports, regularly submitted to the Board, identifying the aggregate loans and leases not in conformance with the Association's lending and leasing policies, and exceptions to the Association's lending and leasing policies;
- (g) a system to effectively monitor previously charged-off assets and their recovery potential;

- (h) a requirement to identify, track and report all loans approved as exceptions to the lending policy, including real estate loans that exceed the supervisory loan-to-value limits; and
- (i) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Association's loan and lease portfolios.

(2) The Board shall ensure that Association personnel performing credit analyses are adequately trained in cash flow analysis, particularly analysis using information from tax returns, and that processes are in place to ensure that additional training is provided as needed.

(3) Within sixty (60) days the Board shall engage a third-party loan review entity to:

- (a) review the Association's non-owner occupied residential/investor loan portfolio to identify areas to strengthen credit administration, which shall be implemented by the Board; and
- (b) perform a re-evaluation on all non-owner occupied residential/investor loan credits, in accordance with 12 C.F.R. Part 164.

(4) Within ninety (90) days the Board shall adopt, implement and ensure Association adherence to a written portfolio stress testing policy that considers changes in interest rates, concentration risks and appropriate economic factors.

(5) A written report of the stress test results shall be provided to the Board by Association management at least quarterly.

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

ARTICLE VIII

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Association adherence to a written asset diversification program consistent with guidance set forth in OCC Bulletin 2006-46 (Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices) and the “Concentrations of Credit” booklet of the *Comptrollers’ Handbook* (December 13, 2011). The program shall include, but not necessarily be limited to, the following:

- (a) a review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit, including policies and procedures to control and monitor concentrations of credit including comprehensive and reasonable loan concentration limits expressed as a percentage of total risk-based capital for all commercial real estate (CRE) loans in the aggregate and for each primary and identifiable sub-category of CRE loans (i.e., construction, multi-family, hotel, land, nonresidential, and nonmortgage commercial loans), such as such as the Association’s non-owner occupied residential/investor loan portfolio;
- (d) specific review procedures and reporting requirements, including written reports to the Board, to identify, monitor, and control the risks associated

with concentrations of credit and periodic market analysis for the various property types and geographic markets represented in the portfolio; and

- (e) a written action plan, including specific time frames, to reduce the risk of any concentration deemed imprudent in the analysis conducted pursuant to paragraph (1)(b) of this Article and to bring the Association into compliance with its concentration of credit limits established pursuant to paragraph (1)(c) of this Article.

(2) For purposes of this Article, a concentration of credit is as defined in the “Loan Portfolio Management” booklet of the Comptroller's Handbook.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph (1)(b) and that the analysis demonstrate that the concentration will not subject the Association to undue credit or interest rate risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller immediately following the review.

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

ARTICLE IX

CRITICIZED ASSETS

(1) The Association shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure the Association's adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful", "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Association's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets, with greater detail for larger assets and borrower relationships, shall be forwarded to the Assistant Deputy Comptroller.

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

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

- (a) the status of each criticized asset or criticized portion thereof;
- (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.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(7) The Association may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Association and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Association; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Association's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the "Allowance for Loan and Lease Losses" booklet of the Comptroller's Handbook, and shall focus particular attention on the following factors:

- (a) results of the Association's internal loan review;
- (b) results of the Association's external loan review;
- (c) an estimate of inherent loss exposure on each criticized asset or criticized portion thereof;
- (d) loan loss experience;
- (e) trends of delinquent and nonaccrual loans;
- (f) concentrations of credit in the Association;
- (g) present and prospective economic conditions; and
- (h) appropriate treatment of classified loans pursuant to the Interagency Policy Statement on the Allowance for Loan and Lease Losses (December 2006), ASC 450-20 (FAS 5), and ASC 310-10 (FAS 114).

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Report of Condition and Income (Call Report), 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 Allowance.

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

ARTICLE XI

APPRAISALS OF REAL PROPERTY

(1) Within sixty (60) days, the Board shall engage the services of an independent, professionally certified, or licensed appraiser(s) to provide:

- (a) a written or updated appraisal, in accordance with 12 C.F.R. § 160.172 and 12 C.F.R. Part 164, for each parcel of real property that represents primary collateral behind any extension of credit where:
 - (i) the loan was criticized in the ROE or by the Association's internal loan review, and the most recent independent appraisal is more than twelve (12) months old; or
 - (ii) accrued interest or loan fees have been or will be added to the outstanding principal balance, and the most recent independent appraisal is more than twelve (12) months old.
- (b) a written appraisal on each parcel of Other Real Estate Owned where it is needed to bring the Association into conformity with the provisions of 12 C.F.R. § 160.172 and 12 C.F.R. Part 164.

The Board shall specifically instruct the appraiser(s) to comply with the requirements of 12 C.F.R. § 160.172 and 12 C.F.R. Part 164. The details surrounding any and all other instructions given to the appraiser(s) by the Association, whether written or oral, shall be provided to the Assistant Deputy Comptroller for review prior to the appraiser(s) undertaking the actual appraisals.

(2) All such appraisals shall be completed within ninety (90) days, and certification by the Board attesting to the completion of the appraisals shall be forwarded to the Assistant Deputy Comptroller within one hundred and five (105) days.

(3) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Association adherence to a policy to ensure that Other Real Estate Owned (“OREO”) is managed in accordance with OTS Examination Handbook Section 251 (Real Estate Owned and Repossessed Assets), the Interagency Guidance on Accounting for Dispositions of Other Real Estate Owned (July 16, 1993), and 12 C.F.R. Part 160. The policy shall include, but not be limited to, procedures to require timely appraisals pursuant to 12 C.F.R. § 160.172 and 12 C.F.R. Part 164.

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

ARTICLE XII

INTERNAL AUDIT

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Association adherence to an independent, internal audit program sufficient to:

(a) detect irregularities and weak practices in the Association’s operations;

- (b) determine the Association'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 Association's adherence to established policies and procedures, with particular emphasis directed to the Association'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 ending September 30, 2012, 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 on Materiality ("SAB 99").
- (f) adequately cover all areas; and
- (g) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

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

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

(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) 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.

(7) The audit staff shall have access to any records necessary for the proper conduct of its activities. The Comptroller, through his authorized representatives, shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(8) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

ARTICLE XIII

GOVERNANCE OF INFORMATION TECHNOLOGY

(1) The Board shall require the Association to promptly take all reasonable steps necessary to improve the Management of the Association's Information Technology ("IT") activities and to correct each deficiency cited in the October 17, 2011 Report of Examination and any future written supervisory communication.

(2) Within one hundred twenty (120) days, the Board and management shall receive training designed to ensure that they have the requisite knowledge to appropriately identify, measure, monitor, and control technology risks relevant to their responsibilities.

(3) Within ninety (90) days, the Board shall require the Association to complete, implement, and thereafter adhere to a written program to oversee and manage risks associated with outsourcing technology services to third party servicers, including technology service providers and vendors. This third party management program shall be consistent with OCC Bulletin 2001-47 (Third-Party Relationships: Risk Management Principles). At a minimum, the program should include:

- (a) designation of responsibility and accountability for the vendor management program to a person with the necessary expertise;
- (b) identification of mission critical vendors and a reasonable analysis of their financial condition at the inception of the engagement and on an ongoing basis; and
- (c) the review and testing of critical third-party business continuity plans to ensure that they are compatible with the Association's business continuity plans and that services can be restored within acceptable timeframes if such an event occurs.

(4) Within ninety (90) days, the Board shall require the Association to complete, implement, and thereafter ensure adherence to a comprehensive, documented, corporate-wide, risk assessment process concerning the Association's information technology program. The assessment shall incorporate, but not necessarily be limited to, the following:

- (a) a survey of the Association's IT operations environment and the inventory of technology resources to identify threats and vulnerabilities to IT operations;
- (b) the identification of reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems;
- (c) an assessment of the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information;
- (d) identification of the financial consequences of a threat both prior to mitigation and after the control is in place;
- (e) an assessment of the importance and criticality of the data that may be impacted;
- (f) an assessment of risk remaining after controls are in place and identification of any additional controls needed to mitigate the remaining risk; and
- (g) an assessment of the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks.

(5) Upon completion, a copy of the assessment shall be forwarded to the Assistant Deputy Comptroller.

(6) The risk assessment shall be updated and approved by the Board on an annual basis or whenever there have been significant changes to the technology risk profile.

(7) Within sixty (60) days, the Board shall require the Association to complete its development and implementation of, and thereafter ensure adherence to, a comprehensive,

written, information security program designed to ensure compliance with 12 C.F.R. Part 170, Appendix B, Information Security Standards. The information security program shall be consistent with the security process described in the “Information Security” booklet of the FFIEC Information Technology Examination Handbook. At a minimum, the information security program to be completed includes:

- (a) an information security risk assessment that is compliant with paragraph (4) of this Article and addresses internal and external threats, the potential impact of these threats and the sufficiency of policies, procedures, and systems to control these risks;
- (b) an enhanced information security monitoring system that detects actual and attempted attacks on or intrusions into customer information systems; and
- (c) a vendor management program that is compliant with paragraph (3) of this Article and designates a party responsible for the vendor management program, identifies and evaluates critical vendors, and ensures that critical vendors’ business continuity plans are reliable and compatible with Association’s operations.

(8) Within sixty (60) days, the Board shall designate a qualified individual or committee to ensure that the information security program is monitored and periodically tested, at least annually.

(9) A copy of the Association’s information security program should be forwarded to the Assistant Deputy Comptroller.

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

ARTICLE XIV

CLOSING

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

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

(3) 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.

(4) 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.

(5) 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.

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

- (a) authorize and adopt such actions on behalf of the Association as may be necessary for the Association to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Association 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.

(7) 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 Association under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Association expressly acknowledges that neither the Association nor the Comptroller has any intention to enter into a contract. The Association 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 as his representative, has hereunto set her hand on behalf of the Comptroller.

/s/

Linda F. Nichols
Assistant Deputy Comptroller
Washington, DC Field Office

7/17/2012

Date

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

/s/

Martin Blair

7/17/2012

Date

/s/

J. Benson Brown

7/17/2012

Date

/s/

Thomas Drechsler

7/17/2012

Date

/s/

Phil Logan

7/17/2012

Date

/s/

Eric McLauchlin

7/17/2012

Date

/s/

Robert Stahl

7/17/2012

Date

/s/

Charles Wagner, Jr.

7/17/2012

Date