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AGREEMENT

This Agreement is made and is effective this 1 day of October, 1991, by and between Security Federal Savings and Loan Association, McMinnville, Tennessee ("Security"), and the Office of Thrift Supervision ("OTS"), through its Deputy Regional Director for the Cincinnati District Office.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Security, its directors, officers, employees, agents and service corporations. It is understood and agreed that this Agreement is a "written agreement" entered into with the Office of Thrift Supervision within the meaning of Section 8(b) and (i) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b) and (i) (Supp. I 1989).

Without admitting or denying any alleged violations of law or regulation, Security, nevertheless, in the interest of regulatory cooperation, is willing to enter into this Agreement.

NOW THEREFORE, IT IS AGREED:

1. Within 60 days from the date of this Agreement, Security shall submit for approval to the Deputy Regional Director of the Cincinnati Office of the OTS or his designee ("Deputy Regional Director"), a plan for strengthening the board of directors and management ("Management Plan"). Such Management Plan shall, at a minimum, include the following:

(a) Replacement and/or supplementation of the existing board of directors and management with individuals experienced in and knowledgeable of the financial institutions industry or related businesses;

(b) Establishment of a mandatory retirement age or age at which directors must become advisory directors. Any board member currently older than such age may be permitted to complete their current elected term as director; and

(c) Establishment of goals and objectives for strengthening and enhancing the board and management, particularly regarding strategic planning and policy formulation, asset quality, and operating results.

2. Within 30 days from the date of this Agreement, Security shall submit for approval to the Deputy Regional Director policies and procedures governing loan underwriting. Such policies and procedures shall, at a minimum, address deficiencies noted in Comment 1.c. on pages 5-6 of the July 8, 1991 OTS Report of Examination.

3. Prior to receiving OTS approval of the loan underwriting policies and procedures pursuant to paragraph 2 above, Security shall not grant, commit to grant, renew, or manually extend any additional loans, except single-family residential mortgage loans with loan-to-value ratios of 80 percent or less, or 95 percent or less if private mortgage insurance or government insurance is obtained, and loans fully secured by deposits, including interest accrual.

4. Prior to granting, committing to grant, renewing, or manually extending any loan, Security shall have in its possession documentary evidence that its loan underwriting policies and procedures have been complied with in all respects. Such evidence shall include, but not be limited to:

(a) A written application, signed and dated by the borrowers and guarantors stating the purpose of the loan;

(b) Financial statements of borrowers and guarantors certified by such borrowers and guarantors as true and correct. Where total loans to the borrowers exceed \$250,000, financial statements shall be prepared in accordance with guidelines published by the American Institute of Certified Public Accountants;

(c) Current outside credit reports for all borrowers and guarantors, in conjunction with a written report signed by the responsible Security employee evaluating and justifying any negative items contained in any such report;

(d) A document signed by the responsible Security employee stating that material items in the borrowers' and guarantors' financial statements have been verified and analyzed to ensure that the borrower and guarantor have sufficient assets and cash flow to repay the loan under the terms of the note and/or guarantee; and

(e) For loans secured by real estate, an appraisal report which complies with the requirements of 12 C.F.R. Sections 563.170(c)(1)(iv) and 564.

5. Within 60 days from the date of this Agreement, Security's board shall adopt policies and management shall implement procedures to enhance and strengthen the following areas of operations: internal loan review and asset classification; investment policy and strategies so as to comply with the requirements of 12 C.F.R. Section 571.19; the methodology for determining adequate general valuation allowances; and collections, so as to reduce the level of nonperforming loans.

6. Without the prior written approval of the Deputy Regional Director, directors fees shall not exceed \$400 per month for each director.

7. As of the date of this Agreement, Security shall cease paying directors' health and hospitalization insurance premiums and the directors' and their spouses' expenses to the Tennessee League of Savings Institutions annual conference or any comparable conferences.

8. Within 30 days from the date of this Agreement, each director shall reimburse the institution the \$1,000 bonus received for 1990.

9. Security shall prohibit the consumption of alcoholic beverages on the institution's premises during business hours or during board or committee meetings. Violations of such policy shall result in dismissal from employment for any officers, directors, advisory directors, or employees.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act, Federal Deposit Insurance Act or OTS Memoranda, as amended, and all such technical words or terms used in this Agreement, and undefined by the statutes, rules and regulations, shall have meanings that accord with the best custom and usage in the savings and loan industry.

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through its Deputy Regional Director.

IN WITNESS WHEREOF, the parties have executed this Agreement by their Board of Directors or designated agent. A certified copy of the resolution of the Board of Directors of Security authorizing the execution of this Agreement is attached hereto and made a part hereof.

OFFICE OF THRIFT SUPERVISION

By:

/S/
Jerry M. Benham
Deputy Regional Director
Cincinnati District Office

SECURITY FEDERAL SAVINGS
AND LOAN ASSOCIATION
McMinnville, Tennessee
by a majority of its directors

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