

**SUPERVISORY AGREEMENT**

This Supervisory Agreement ("Agreement") is made and is effective this 31st day of December, 1991, by and between Essex Financial Group, Inc., Virginia Beach, Virginia, OTS No. H-0883, Essex Financial Partners, Limited Partnership, Virginia Beach, Virginia, OTS No. H-1473, and Essex Bancorp, Inc., Virginia Beach, Virginia, OTS No. H-1339, for themselves and each noninsured subsidiary under their control (as defined in 12 C.F.R. § 574.4), which parties are sometimes referred to in this Agreement as "the Holding Company Group" or "the Group", and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

**WHEREAS**, the OTS is of the opinion that the grounds exist to initiate administrative proceedings against the the Holding Company Group pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 and Supp. I 1989); and

**WHEREAS**, the Holding Company Group, without admitting or denying that such grounds exist, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement to avoid the initiation of such administrative proceedings on the matters covered by this Agreement; and

**WHEREAS**, the OTS is willing to forebear from the initiation of such administrative proceedings against the the Holding Company Group to require the actions specifically covered by this Agreement for so long as the Group is in compliance with the provisions of the Agreement; and

**WHEREAS**, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures on matters not specifically covered by this Agreement that the OTS considers appropriate under the circumstances.

**NOW, THEREFORE**, in consideration of the above-stated forbearance, it is agreed between the parties hereto as follows:

**REGULATORY COMPLIANCE**

- 1. The Holding Company Group shall file annual/current reports as required by 12 C.F.R. § 584.1(a).

HOLDING COMPANY ACTIVITIES

2. Between the effective date of this Agreement and December 31, 1991, the Holding Company Group may purchase loans and/or loan participations from Mortgage Centers, Inc., Virginia Beach, Virginia ("MCI") provided that each entity in the Group purchasing such assets shall charge to expense, in the period actually paid, any premium paid directly or indirectly to MCI in connection with the purchase that exceeds the premium expense incurred by MCI in obtaining the loans and/or participations.
3. Between the effective date of this Agreement and December 31, 1991, the Holding Company Group shall obtain the prior written approval of the Regional Director for any activity or transaction between any entity in the Group and MCI, other than the purchase from MCI of loans and/or loan participations.
4. By December 31, 1991, the Holding Company Group shall cease the purchase of loans and/or loan participations from, and any and all other transactions with, MCI.
5. Prior to the purchase of loans and/or loan participations from any entity, and prior to the payment of any referral fee to any entity in connection with the purchase or sale of loans and/or loan participations, the Holding Company Group shall document in writing that the amount of the purchase price, including any premium, and the existence and amount of any referral fee, are supported by data from comparable markets and are justified and reasonable under the circumstances.
6. Within 30 days of the effective date of this Agreement, Essex Bancorp, Inc. shall reimburse Essex Savings Bank, Inc., Elizabeth City, North Carolina, OTS No. 8201, the amount of \$80,935, and Essex Savings Bank, F.S.B., Lake Worth, Florida, OTS No. 8878, the amount of \$38,087, for overpayment of 1990 management fees.
7. (a) By February 28, 1991, for calendar year 1992, and by each December 31 thereafter, the Holding Company Group shall furnish the Regional Director written notice of any plans to assess any insured subsidiary management fees and/or other administrative fees during the next calendar year. Said notice shall document that said fees are reasonable and commensurate with the services to be provided and that they comply with the projections concerning such fees in the Business Plan required by Paragraph 8 of this Agreement.

- (b) Without the prior written approval of the Regional Director, the Holding Company Group shall not assess any insured subsidiary management fees and/or other administrative fees other than those disclosed in the notice required by this Paragraph 7.
8. (a) By February 28, 1991, the Holding Company Group shall prepare, adopt, and submit to the Regional Director for his approval a Business Plan ("Plan") for calendar year 1992.

The Plan shall set forth the Holding Company Group's overall goals and objectives and shall accurately describe the current operations of each entity in the Group, as well as operations projected for the term of the Plan. The Plan shall discuss the operating expenses of each entity in the Group and the effects of such expenses on the Group's insured subsidiaries, any and all management fees and/or other administrative fees any entity in the Group plans to charge its insured subsidiaries, and a detailed description of the services to be provided in exchange for said fees. The Plan also shall demonstrate compliance with the provisions of this Agreement, and shall comply with applicable statutory and regulatory requirements and restrictions.

The Plan shall include quarterly pro forma financial statements for each entity in the Group and a statement of the significant assumptions on which the pro forma financial statements are based.

- (b) No later than 30 calendar days prior to the expiration of the Plan then in effect, the Holding Company Group shall submit to the Regional Director for his approval a Plan in the form described in this Paragraph 8 for calendar year 1993 and, following that, calendar year 1994.
- (c) The Holding Company Group shall not deviate substantially from the Plan approved and in effect, including the pro forma financial projections contained therein, without the prior written approval of the Regional Director for such deviations. The Regional Director shall determine whether the Group, or any entity in the Group, has deviated substantially from the Plan.
- (d) Within 45 days of the end of each calendar quarter, the Holding Company Group shall submit to the Regional Director a variance report comparing

actual and budgeted operations, and explaining any significant variations.

9. Essex Bancorp, Inc. shall make no capital distribution, as that term is defined for savings associations at 12 C.F.R. § 563.134(a)(1), to Essex Financial Partners, Limited Partnership without the prior written approval of the Regional Director and unless and until:
- (a) the Holding Company Group is operating in compliance with a Business Plan approved by the Regional Director, as required by Paragraph 8 of this Agreement, and
  - (b) each of the Group's insured subsidiaries complies with the minimum capital requirements of 12 C.F.R. Part 567.

#### MANAGEMENT QUALITY

10. Within 60 days of the effective date of this Agreement, the Holding Company Group shall submit to the Regional Director a plan to establish and maintain such accounting and other records as will provide an accurate and complete record of all business transactions. Such plan shall include timeframes for the establishment of such records and shall correct the deficiencies concerning recordkeeping and accounting systems described in the Group's March 18, 1991 OTS Report of Examination.

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, and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Agreement, references to regulations, bulletins, memoranda, and publications shall include any successor regulations, bulletins, memoranda, and publications.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Holding Company Group. It is understood and agreed that this Agreement is a "written agreement entered into with the agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. § 1818(b)(1).

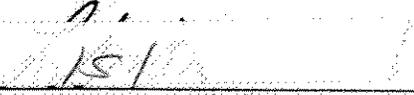
The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto

and their successors in interest.

This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director. The Regional Director may suspend, in his sole discretion, any or all provisions of this Agreement.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Holding Company Group, by their duly authorized representatives, have executed this Agreement.

Essex Financial Group, Inc.  
Virginia Beach, Virginia  
OTS No. H-0883

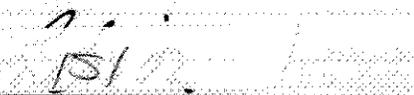
By:   
Lawrence N. Smith  
Chief Executive Officer

Essex Financial Partners, Limited Partnership  
Virginia Beach, Virginia  
OTS No. H-1473

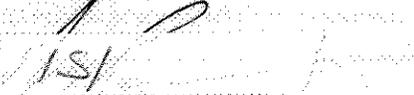
By: Essex Financial Group, Inc.,  
Virginia Beach, Virginia,  
General Partner

By:   
Lawrence N. Smith  
Chief Executive Officer

Essex Bancorp, Inc.  
Virginia Beach, Virginia  
OTS No. H-1339

By:   
Lawrence N. Smith  
Chief Executive Officer

OFFICE OF THRIFT SUPERVISION

By:   
John E. Ryan  
Regional Director

CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Essex Bancorp, Inc., Virginia Beach, Virginia, OTS No. H-1339 ("the Holding Company") hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on the 19th day of December, 1991, and at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

**WHEREAS**, the officers and directors of Essex Bancorp, Inc. have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the grounds exist to initiate administrative proceedings against the Holding Company pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989); and

**WHEREAS**, said officers and directors have been informed that the OTS will forbear from the initiation of such administrative proceedings in connection with the matters referred to in the attached Supervisory Agreement ("Agreement") if the Agreement is executed by certain parties, including the Holding Company, and if the terms of the Agreement are thereafter complied with by certain parties, including the Holding Company; and

**WHEREAS**, the directors of Essex Bancorp, Inc. have read and considered the proposed Agreement attached to the minutes of the meeting of the Board of Directors held on the 19th day of December, 1991, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed Agreement:

**NOW, THEREFORE, BE IT RESOLVED**, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors of Essex Bancorp, Inc. and that Lawrence N. Smith, Chief Executive Officer of Essex Bancorp, Inc., be and is hereby authorized to execute the Agreement on behalf of the Holding Company. The officers and employees of the Holding Company are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

**IN WITNESS WHEREOF**, I have hereto subscribed my name and affixed the seal of Essex Bancorp, Inc. this 26th day of December, 1991.

LSI  
\_\_\_\_\_  
Secretary