

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 28th day of FEBRUARY, 1992, by and between Algiers Homestead Association, New Orleans, Louisiana (OTS No. 3667) ("Institution") for itself and any wholly-owned or partly-owned subsidiary, and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), §§ 902 and 907, 103 Stat. 183 (1989) (codified as amended at 12 U.S.C. §§ 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. §§ 563.170(c), 563.172(a), 563.176(a), and 563.233, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with 12 C.F.R. §§ 563.170(c), 563.172(a), 563.176(a), and 563.233 as of October 28, 1991, so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

Financial Records

1. By January 31, 1992, the Institution shall cause its independent auditors to provide to it and to the Regional Deputy Director for the Dallas District, Midwest Region, OTS, or his successor or designee ("Regional Deputy Director"), a report of an analysis, complying with the following conditions:
 - a. The analysis shall cover in detail the Institution's financial records pertaining to transactions during the period of October 1, 1990 to December 31, 1991, inclusive of those dates.
 - b. The independent auditors shall maintain documents used to support the findings.
 - c. The report shall summarize the overall status of the Institution's financial condition.

- d. The report shall include a reconciliation of capital accounts and shall make recommendations as to adjustments that should be made to the Institution's financial records in order to reflect the Institution's true financial condition.
2. Unless otherwise directed by the Regional Deputy Director, the Institution shall, by February 28, 1992, make all adjustments to its financial records in accordance with the recommendations required by Paragraph 1.d. herein.
3. (a) The Institution shall comply with the requirements of 12 C.F.R. § 563.170(c).

(b) In accordance with 12 C.F.R. § 563.180, the Institution shall file its Thrift Financial Reports in a prompt and accurate manner and consistent with the direction provided by the OTS.

Review of Accounting Department

4. (a) By February 28, 1992, the Board of Directors shall undertake a comprehensive review of the Institution's accounting department and shall reflect such review in a written report ("Accounting Department Report"). The Accounting Department Report shall contain:

= (i) An evaluation of the expertise and performance of the staff of the accounting department;

(ii) An evaluation of the need for additions, deletions, or other changes in the accounting department;

(iii) A description of job responsibilities; and

(iv) Recommendations reflecting such evaluations.

(b) Within sixty days of the completion of the Accounting Department Report, the Institution shall submit to the Regional Deputy Director a plan ("Accounting Department Plan") outlining actions to be taken to improve the accounting department and including time-frames for such changes. The Institution shall amend the Accounting Department Plan as directed by the Regional Deputy Director and shall comply with the terms of the Accounting Department Plan as so amended (if so amended).

Management

5. By January 24, 1992, the board of directors of the Institution ("Board of Directors") shall analyze the depth and qualifications of management and the duties of employees and shall provide to the Regional Deputy Director a written report of its findings and of a plan of actions that shall be taken in order to improve the allocation of duties and responsibilities. The Institution shall amend this report with regard to its plan of actions to be taken, as directed by the Regional Deputy Director, and shall comply with this Plan, as so amended (if so amended).

Asset Quality and Classification

6. The Institution shall comply with 12 C.F.R. § 563.172.
7. By February 28, 1992, and thereafter, the Institution shall cause documentation of internal asset reviews to detail adequately the factors considered by the Institution in its asset classification process and shall provide such documentation, or any portion thereof, to the Regional Deputy Director upon request.
8. By February 14, 1992, and thereafter, the Institution shall ensure that loans categorized as troubled debt restructures are given treatment in accordance with the accounting standards of FASB-5 and FASB-15.
9. By February 28, 1992, the Institution shall obtain current valuations and appraisals, as appropriate, for the Institution's loans and REO which lack such data and shall determine, as appropriate, the risk of loss and the proper valuation allowances to be established on such loans.
10. By February 28, 1992, the Board of Directors shall adopt a new asset classification and valuation policy, shall amend it as directed by the Regional Deputy Director, and shall comply with it as so amended (if so amended).

REO Records

11. By January 31, 1992, the Institution shall confirm in writing to the Regional Deputy Director that its REO records are maintained in an organized manner and that the necessary subsidiary ledgers are established in such manner as to detail transactions adequately.

Interest Rate Risk

12. (a) By January 31, 1992, the Institution shall submit to the Regional Deputy Director for approval a plan for the reduction of interest rate risk. This plan shall include, but is not to be limited to:
 - (i) Statements of specific strategies, which, when implemented, will reduce interest rate risk to an acceptable level in accordance with Thrift Bulletins 13, 13-1, and 13-2. Each strategy should include implementation dates and expected conclusion dates.
 - (ii) A statement of quantified targets or goals, starting with the quarter ending March 31, 1992, and for each quarter thereafter through December 31, 1992, which will provide a measurement of the Institution's progress toward reducing its interest rate risk. The goals should be developed in accordance with Thrift Bulletins 13, 13-1, and 13-2.
 - (iii) A description of actions to be taken to augment the present level of management skills as regards the measurement, reporting and control of interest rate risk.

(b) Until such time as the plan to reduce interest rate risk is approved, the Institution shall engage in no speculative transactions.

(c) The Institution shall amend the plan to reduce interest rate risk as directed by the Regional Deputy Director and shall, upon approval by the Regional Deputy Director of this plan, adopt and comply with this plan as so amended (if so amended).

(d) The Institution shall comply with 12 C.F.R. § 563.233.

General Provisions

13. The Board of Directors shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of management reports, during the previous calendar month the Institution and its subsidiaries complied with each condition of this Agreement except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exceptions to any conditions of this Agreement approved by the Regional Deputy Director. Within ten days of each regular Board of Directors' meeting, the Institution shall submit to the Regional Deputy Director a copy of the minutes of each Board of Directors' meeting, the minutes of any subsidiary board of directors' meeting, the minutes of Board of Directors' committee(s) meetings, the aforementioned resolution, and the management report(s) of the Institution. Each director shall at such time either provide the Regional Deputy Director with certification that, to the best of his or her knowledge and belief, and based upon a prudent review, the above-referenced resolution is accurate or provide the Regional Deputy Director with a written statement providing in detail the reason(s) for disagreement with the resolution.

14. (a) As used in this Agreement, the Regional Deputy Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d), 103 Stat. 183 (1989).

(b) As used in this Agreement, the term "subsidiary" or "subsidiaries" shall be as defined in 12 C.F.R. § 567.1(dd).

(c) Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the effective date of this Agreement pursuant to Section 401(h) of the FIRREA, § 401(h), 103 Stat. 183 (1989), and references to successor provisions as they become applicable.

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, HOLA, and Federal Deposit Insurance Act, as amended ("FDIA"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance 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 the Regional Deputy Director.

IN WITNESS WHEREOF, the OTS, acting through the Regional Deputy Director, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

ALGIERS HOMESTEAD ASSOCIATION
New Orleans, Louisiana

By:

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Director

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Director

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Director

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Director

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Director

Director

Director

Director

OFFICE OF THRIFT SUPERVISION

By: <

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Regional Deputy Director