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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 23rd day of JULY, 1992, by and between Continental Federal Savings Bank, Fairfax, Virginia, OTS Number 3658, for itself and its wholly owned service corporations and subsidiaries ("Continental" or "Institution") 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 Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. § 1818(b) (West 1989 & Supp. 1992); and

WHEREAS, the Institution, without admitting or denying that such grounds exist and 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 Institution to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of the Agreement that pertain to such actions; 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:

Conflicts of Interest and Loans to Affiliated Persons

1. Within 30 days of the effective date of this Agreement, the Board of Directors shall, to the extent not already accomplished, develop, adopt and implement policies and procedures regarding conflicts of interest and loans or extensions of credit to executive officers, directors and principal shareholders, that require that the Institution comply in all respects with the provisions of Section 11 of the Home Owners' Loan Act of 1933 ("HOLA"), 12 U.S.C.A. § 1468 (West Supp. 1992), and Regulation O, 12 C.F.R. Part 512, and all successor laws, regulations and policies, pertaining to transactions with affiliates. These policies and procedures shall specifically provide that the Institution's

loan underwriting analysis and documentation for loans to affiliated persons shall be no less stringent than that required for loans to nonaffiliated persons. The Institution shall fully document and support that the terms given on loans to affiliated persons are comparable to those available to the general public for loans of similar credit quality and amount. Documentation for each such affiliated person loan shall be presented to and approved by the Board of Directors.

The Institution's Conflict of Interest Policy shall specifically incorporate the relevant provisions of Section 140 of the OTS Thrift Activities Handbook, "Oversight by the Board of Directors", particularly with respect to director responsibilities and business ethics and with respect to loans to insiders. The Board of Directors shall also give consideration and effect to the OTS "Director Information Guidelines, (December 1989)". The Board of Directors, officers and employees of the Institution shall comply with the terms of the Conflict of Interest Policy and the Institution's policy on loans to insiders.

Criticized Assets

2. Within 60 days of the effective date of this Agreement, the Institution shall amend its plan to manage and reduce the level of adversely classified and special mention assets ("criticized assets"). The Board of Directors shall adopt and thereafter comply with the revised plan that shall be in writing and include objectives, action plans, specific targets and quarterly time frames for the reduction of the level of criticized assets. The amended plan shall be reviewed and updated on a quarterly basis to include newly criticized assets that are classified subsequent to the effective date of this Agreement, and to reflect changes in circumstances affecting the disposition of each troubled asset. The Board also shall review and assess management's progress in meeting the targets for resolving criticized assets on a quarterly basis, and document its review in the minutes of the board meeting at which it is considered.

3. Within 30 days of each calendar quarter end, the Institution shall submit to the OTS a quarterly loan status report regarding each criticized loan and each loan 30 days or more delinquent with an outstanding principal balance of \$500,000 or more. The report should contain, at a minimum, the following information: (a) dollar balance outstanding, (b) name of borrower, (c) description of security and/or guarantors, (d) number of days delinquent, (e) accrual status, (f) classification, (g) any interest reserve, (h) identification of the expected source(s) of repayment, (i) the appraised value of the collateral and the Institution's lien position, (j) a summary of an analysis of the borrower's financial position, and (k) specific steps to be taken, including appropriate timeframes, for the resolution or disposal of each asset.

4. Within 60 days of the effective date of this Agreement, the Board of Directors shall revise the Institution's written policies and procedures for processing Real Estate Owned in Substance ("REO in Substance") and processing and disposition of Real Estate Owned ("REO"). The policies and procedures as revised shall, at a minimum:

(a) require management to perform a cost/benefit analysis in making any decision to hold or dispose of REO,

(b) require management to consider, at a minimum, the cost/benefit factors identified in Section 251 of the OTS Regulatory Handbook on Thrift Activities in performing the cost/benefit analysis required by Paragraph 6 (a) of this Agreement,

(c) require management to justify all decisions to hold or dispose of REO by documenting the cost/benefit analysis performed and any other factors considered in making the decision,

(d) require the Board to review and update the policies and procedures on a periodic basis, and

(e) with regard to REO in Substance, the Institution shall fully document and support its decision not to initiate foreclosure proceedings against the collateral and such action shall be reviewed and approved by the Board of Directors as being in the best interest of the Institution.

5. With the exception of legally binding commitments in effect as of the effective date of this Agreement, the Institution shall not increase its outstanding balance of: (a) permanent and construction commercial real estate loans, (b) acquisition, development and construction loans, and (c) land loans (including undisbursed loans in process funds) above the level that existed as of June 30, 1992, until it has developed and the Board of Directors have approved policies and procedures that address the deficiencies and concerns noted in the November 25, 1991 OTS Examination Report. The policies and procedures shall, in particular, address the establishment of a system to monitor the Institution's major loans (in excess of \$1,000,000, and shall require support and documentation of the Institution's efforts in this area. The monitoring efforts shall include, but not be limited to, periodic updates and analysis of financial information on borrowers/guarantors and operating properties. The results of the monitoring effort shall be reviewed by the Board of Directors.

6. Within 60 days of the effective date of this Agreement, the Institution shall revise its asset classification policies and procedures to include the use of the monitoring analysis as a basis of determining criticized

assets.

Net Realizable/Fair Value Calculations

7. Within 60 days of the effective date of this Agreement, Continental shall review its classified assets, and shall calculate appropriate fair values and net realizable values for all classified assets. Whenever losses are recognized through the recording of these fair values and net realizable values, the Institution shall immediately make appropriate allowances for these losses, pursuant to 12 C.F.R. § 563.160. Further, Continental shall promptly and accurately calculate fair values and net realizable values for any future classified assets and shall immediately make appropriate allowances for any resulting losses.

Risk Management

8. Within 60 days of the effective date of this Agreement, the Board of Directors shall direct management to revise the Institution's existing Interest Rate Risk Policy to: (a) improve and more clearly and precisely document the Institution's on-going management of its exposure to interest rate risk, (b) comply, to the extent that the existing policy does not do so, with the provisions of 12 C.F.R. § 563.176 and the guidance contained in 12 C.F.R. § 571.3 and OTS Thrift Bulletin Nos. 13, 13-1, and 13-2, (c) provide specific targets and time frames for the management and reduction of interest rate risk, (d) include Board approved defined exposure limits relating to an acceptable level of net interest margin and market value portfolio equity given an identified interest rate scenario, (e) provide prompt notification to the Board if at any time the exposure to interest rate risk exceeds approved limits, and (f) provide for quarterly review by the Board of Directors of the Institution's progress in meeting targets set forth in the revised policy.

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 Institution. 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.A. § 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 Institution, by its duly elected directors, have executed this Agreement.

Continental FSB
Fairfax, Virginia
OTS Number 3658 ,

By: _____
Director

OFFICE OF THRIFT SUPERVISION

By: _____
John E. Ryan
Regional Director

DIRECTORS' WAIVER OF NOTICE

We, the undersigned, hereby waive notice of the meeting of the Board of Directors of Continental Federal Savings Bank, OTS Number 3658, at 9:00 a.m., on the 14th day of July, 1992, at which the Board of Directors considered and adopted the attached resolution concerning a Supervisory Agreement between Continental FSB and the Office of Thrift Supervision.

By: 151
Director

By: _____
Director

By: 151
Director

By: _____
Director

By: 151
Director

By: _____
Director

