

- a. Sections 561.13 and 563.13 of the Rules and Regulations of the Federal Savings and Loan Insurance Corporation ("FSLIC") ("Insurance Regulations"), (12 C.F.R. Section 563.13 (1989));
- b. Section 563.13-1 of the Insurance Regulations (12 C.F.R. Section 563.13-1 (1989));
- c. Section 563.43 of the Insurance Regulations (12 C.F.R. Section 563.43 (1989));
- d. Section 571.7 of the Insurance Regulations (12 C.F.R. Section 571.7 (1989));
- e. Section 408(d)(4) of the National Housing Act ("NHA"), as amended, 12 U.S.C. Section 1730a(d)(4) (1982), as amended), as interpreted by Section 584.3 of the Rules and Regulations for Savings and Loan Holding Companies ("Holding Company Regulations") (12 C.F.R. Section 584.3 (1989)); and
- f. Section 408(g)(1) of the NHA (12 U.S.C. Section 408(g)(1) (1982), as amended), as interpreted by Section 584.6 of the Holding Company Regulations (12 C.F.R. Section 584.6 (1989));

IT IS HEREBY FURTHER ORDERED that:

1. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided for by the provisions of this Order, shall, insofar as applicable, have meaning as defined in Chapter V of Title 12 of the Code of Federal Regulations or as such definition is amended after the execution of this Order, and any such technical words or terms used in this

Order and undefined in said Code of Federal Regulations, shall have meanings that accord with their best custom and usage in the savings and loan industry. However, for the purposes of this Order, except as otherwise indicated, the following definitions shall apply:

a. a "set" is a group of loans, participations, investments, securities, or other assets related, by being sold or pledged to, purchased from, or exchanged with any persons, entities, or institutions acting together in a single transaction;

b. "invest in" means to make, originate, purchase, acquire, guarantee, refinance, modify, extend, renew, or to commit to do any of these;

c. "transfer" means any form of conveyance from one person or entity to another person or entity, including but not limited to selling, assigning, pledging, exchanging, or committing to do any of these;

d. "real estate investment" means the net book value of real estate purchased, acquired by foreclosure or deed in lieu thereof, or owned in any manner, inclusive of any expenditures incurred in connection with holding or improving such real estate and following adjustment for any loss reserves or allowances.

2. Except for existing legally binding commitments and investments that qualify as liquid assets under Section 523.10 of the Regulations for the Federal Home Loan Bank System, 12 C.F.R. Section 523.10 (1989), without prior written approval of the Supervisory Agent for the Office of Thrift Supervision ("Supervisory Agent"), the Institution shall not, and shall not

allow any wholly-owned or majority-owned subsidiary or affiliate of the Institution to:

a. engage in forward commitments, futures transactions, or financial options transactions as defined in Sections 563.17-3, 563.17-4, and 563.17-5 of the Insurance Regulations, 12 C.F.R. Sections 563.17-3, 563.17-4 and 563.17-5 (1989);

b. invest in any loans or contracts secured by real estate or participations therein (including any acquisition, construction and development loans) or any set of such loans or participations, except loans made at current market interest rates and terms which are:

- (1) to finance the bona fide purchase of, or custom construction of pre-sold, 1-4 family residences secured by first liens on such properties that do not exceed Two Hundred Thousand Dollars (\$200,000); or
- (2) to refinance loans on existing 1-4 family residences secured by first liens on such properties that do not exceed Two Hundred Thousand Dollars (\$200,000); or
- (3) to be secured by second liens on existing 1-4 family residences where the loan-to-value-ratio of the first and second liens combined does not exceed 80% and the combined debt does not exceed Two Hundred Thousand Dollars (\$200,000); or

- (4) to finance residential real estate other than 1-4 family residences where the loan-to-value-ratio does not exceed 80% and such loan does not exceed Five Hundred Thousand Dollars (\$500,000); provided, however, loans which exceed the limitations contained in Section 563.9-3 of the Insurance Regulations shall require formal application for waiver of the limitation;
- (5) to refinance residential real estate other than 1-4 family residences if such loan does not exceed Five Hundred Thousand Dollars (\$500,000); provided, however, loans which exceed the limitations contained in Section 563.9-3 of the Insurance Regulations shall require formal application for waiver of the limitation;
- (6) to finance nonresidential real estate where the loan-to-value-ratio does not exceed 80% and such loan does not exceed Five Hundred Thousand Dollars (\$500,000); provided, however, loans which exceed the limitations contained in Section 563.9-3 of the Insurance Regulations shall require formal application for waiver of the limitation;
- (7) to refinance nonresidential real estate if such loan does not exceed Five Hundred

Thousand Dollars (\$500,000); provided,
however, loans which exceed limitations
contained in Section 563.9-3 of the Insurance
Regulations shall require formal application
for waiver of the limitation;

c. invest in any real estate investment or set of such
investments unless such investment or set of investments is made
in compliance with 12 C.F.R. Section 563.9-8 (1989);

d. transfer any real estate investment (i.e., real estate
owned) or set of such investments with a net book value in excess
of Five Hundred Thousand Dollars (\$500,000), or, irrespective of
the foregoing sum, the loss to be recognized upon transfer exceeds
the greater of 15 percent of the net book value or Ten Thousand
Dollars (\$10,000);

e. invest in or transfer any security or set of securities
in excess of Twenty Thousand Dollars (\$20,000); except
mortgage-backed securities issued by the Federal Home Loan
Mortgage Corporation ("FHLMC"), Government National Mortgage
Association ("GNMA"), or the Federal National Mortgage Association
("FNMA");

f. transfer any loan secured by real estate or
participation therein or any set of such loans or participations
if the net book value of any such loan or participation exceeds
Five Hundred Thousand Dollars (\$500,000), except loans made at
current market interest rates and terms to finance bona fide
purchases of, or refinance existing owner-occupied 1-4 family
residences secured by a first lien on such residences; and except

loans secured by 1-4 family residences conforming to FNMA, GNMA and FHLMC guidelines purchased through the secondary market;

g. invest in or transfer commercial loans or letters of credit, whether secured or unsecured, with a book value in excess of One Hundred Thousand Dollars (\$100,000); provided, however, investments which exceed the limitations contained in Section 563.9-3 of the Insurance Regulations shall require formal application for waiver of the limitation;

h. invest in any consumer or education loan in excess of Thirty Thousand Dollars (\$30,000); except loans fully secured by federally-insured certificates of deposit which do not exceed the applicable insurable limitation;

i. borrow any money other than from a Federal Home Loan Bank; except as otherwise authorized by this Order;

j. except for individual merit increases in accordance with its standard personnel policy in effect at the time this Order is presented by the Supervisory Agent for execution, and normal periodic employee salary and wage increases scheduled prior to the effective date of this Order and that comply with Section 563.17 of the Insurance Regulations, 12 C.F.R. Section 563.17 (1989), and FHLBB Memorandum R-42, make any increase in excess of five percent (5%), on an annualized basis, in the rate of compensation to any of its directors, officers, employees, agents, or other representatives, or agree to do so. Notwithstanding any other provision of this subparagraph, the Institution may increase the compensation of non-officer employees if the compensation of such employee before any increase does not exceed Thirty Thousand

Dollars (\$30,000) and the aggregate increase or increases for any employee do(es) not exceed ten percent (10%) during any calendar year;

k. employ or appoint any person to serve as an officer, director, or senior manager who is not so employed or appointed as of the date of this Order; employ any person who is not so employed or appointed as of the date of this Order at a rate of compensation which, on an annualized basis, exceeds Thirty Thousand Dollars (\$30,000) per year; employ any person pursuant to an agreement that is not terminable at the will of the employer and that otherwise does not comply with Section 563.39 of the Insurance Regulations, 12 C.F.R. Section 563.39 (1989); or enter into or amend or renew any collective bargaining agreements, pension or profit sharing, bonus, severance pay, retirement, fringe benefit, or other employee benefit plans, or other employment contracts with any employee, director, or officer;

l. enter into, renew or revise any contractual arrangement with any officer, director, controlling person, affiliate, subsidiary, affiliated person, attorney, consultant, or agent for or of the Institution or any of its subsidiaries; except for services performed by attorneys, consultants, or agents, who are not affiliated persons of the Institution, and if said services do not exceed Twenty-Five Thousand Dollars (\$25,000);

m. invest in or transfer assets to any service corporation or any subsidiary thereof or finance subsidiary. For the purposes of this subparagraph, "invest in" shall include, but is not limited to, the making of investments in securities issued by such

entities, and the extensions of credit to, or the guaranteeing of the debt of, such entities;

n. enter into any purchase or repurchase agreement obligation arising from a transfer of government securities except as may otherwise be permitted by this Order;

o. declare or pay cash or stock dividends on common or preferred stock;

p. enter into any form of a binding letter of intent with a proposed acquirer of the Institution;

q. enter into (or commit to enter into) any transactions involving any securities of which an integral part is a mortgage derivative financial instrument. Such derivatives shall include, but not be limited to, real estate mortgage investment conduits ("REMIC") or collateralized mortgage obligation (CMO) residual investments, and interest-only or principal-only stripped securities;

r. purchase, invest in, commit to invest in, or otherwise deal in securities which are not rated as being BBB by Standard and Poors, or Baa by Moody's (i.e., high yield or "junk" bonds); and

s. enter into any transaction which does not require inclusion on the balance sheet of the Institution under applicable generally accepted accounting principles.

3. Within sixty (60) days after the effective date of this Order, the Institution shall submit to the Supervisory Agent a comprehensive plan detailing projected business strategies, budget assumptions and operations for the Institution and its

subsidiaries through December 31, 1989 ("Operating Plan") in a form acceptable to the Supervisory Agent. The Operating Plan shall be updated and revised as of December 31, 1989, and prepared annually thereafter, and should include pro forma financial statements (with relevant assumptions) for each fiscal year, or part thereof, covered by the plan and should be consistent with providing sound and economical home financing and shall incorporate, as appropriate, the provisions of this Order. In addition, the Operating Plan shall incorporate the following plans, policies and procedures or guidelines:

(a) the interest-rate-risk management policy required by Section 563.17-6 of the Insurance Regulations;

(b) a plan to bring the Institution into full compliance with the provisions of Section 563.13 of the Insurance Regulations on or before June 30, 1990 and to maintain compliance thereafter;

(c) a plan to bring the Institution into full compliance with Section 563.13-1 of the Insurance Regulations, and which addresses the means by which the Institution will continue to limit liability growth as required by paragraph 6 of this Order.

(d) the conflict of interest guidelines required by paragraph 8 of this Order;

The Operating Plan, before implementation, shall be subject to the review and approval of the Supervisory Agent, and any material deviations from the Operating Plan once approved shall require the prior written approval of the Supervisory Agent. The Board of Directors ("Board") of the Institution shall review and approve said Operating Plan and shall monitor this Operating Plan

on a continuing basis. The minutes of the Board's meetings shall disclose the extent of the Board's involvement in this monitoring process. The Board agrees to file with the Supervisory Agent a written report documenting its review of the Institution's year-to-date operating results for the period through the end of the preceding calendar quarter. Such report shall include a comparison of actual results against the projected results in the Operating Plan. If such actual operating results fail to meet the projected results in the Operating Plan in any material aspect, the report shall include an explanation of such deviation and a specific description of the measures that have been implemented or proposed to correct and/or abate any adverse deviations. The Board of the Institution shall review this report each quarter and the minutes of its meetings shall disclose the extent of the Board involvement in the monitoring process. No later than forty-five (45) days subsequent to the last day of each quarter after the Operating Plan is approved, a copy of the written report and a copy of the minutes shall be filed by the Institution with the Supervisory Agent. For purposes of this paragraph, "material deviation" shall mean a deviation from projected results by 10% or more of the projected results, and "adverse deviation" shall mean a negative material deviation.

4. Within thirty (30) days after the execution of this Order, the Institution shall provide to the Supervisory Agent a list of all loans-in-process obligations ("Obligations") and legally binding commitments ("Commitments") that exist as of the

date of this Order and provide a schedule of the monthly estimated disbursements for outstanding commitments and obligations.

The list of commitments or obligations shall include:

- a. the type of commitment or obligation;
- b. the date of commitment or obligation;
- c. the total amount;
- d. the identity of the borrower, if applicable;
- e. the identity of the seller, if applicable;
- f. the effective date;
- g. the date of anticipated funding.

The Institution shall submit with this list a written opinion from independent legal counsel that he/she has reviewed the terms of each unfunded commitment or obligation in excess of Two Hundred Fifty Thousand Dollars (\$250,000) and address whether or not such commitment or obligations constitutes a legally binding commitment or obligation of the Institution that could be enforced in a court of law by the party to whom the commitment or obligation is made. In retaining independent legal counsel to review the terms of the commitment or obligation, the Institution shall only retain counsel licensed in the jurisdiction where any real property which relates to the obligation or commitment is located, or in the state in which the home office of the Institution is located, and said counsel shall not have been retained or employed by the Institution during any part of a period of three (3) years prior to the date of the request for review.

5. The Institution shall use its best efforts to discourage the acceptance or renewal of any uninsured deposit.

6. First America shall cease and desist from violating 12 C.F.R §563.13-1 (1989). Within thirty (30) days after the effective date of this Order, First America shall submit a plan acceptable to the Supervisory Agent to reduce total liabilities to the permissible level of total liabilities as of March 31, 1989, \$103,775,000. This plan should reflect a reduction in total liabilities to the required level within a four-month period from the date of this Order. In accordance with Section 563.13-1 of the Insurance Regulations regarding liability growth, First America shall adopt policies and procedures to ensure compliance with the liability growth regulation and shall submit such policies and procedures to the Supervisory Agent within thirty (30) days of the date of this Order. In any event, the Institution shall not increase its liabilities during any calendar quarter in excess of the amount of interest credited on savings accounts during the quarter (or, in the case of share accounts, earnings credited) and the amount necessary to fund during the quarter any loans in process obligations or legally binding commitments existing as of the effective date of this Order.

7. With respect to business ethics, conflicts of interest and directors' and officers' responsibilities:

(a) The directors and officers of First America shall review and familiarize themselves with Sections 563.41, 563.43, 571.7, and 571.9 of the Insurance Regulations, and FHLBB Memoranda R-19a and R-62.

(b) Within ninety (90) days after the effective date of this Order, the directors shall submit for the Supervisory Agent's

review, and written notice of no objection, comprehensive plans and guidelines for the Institution regarding business ethics, conflicts of interest, and directors' and officers' responsibilities. Such plans and guidelines shall be compatible with the above-referenced and memoranda. The directors and officers shall certify to the Supervisory Agent that they have read such regulations and memoranda. To the extent that the officers and directors have any questions about the meaning of such regulations and memoranda, they shall make specific inquiry thereon to the Supervisory Agent. At a minimum, such plans and guidelines shall:

- (1) list any director or officer whose occupation or business interests may create possible conflicts of interest with the Institution, including therewith a thorough explanation as to the nature and circumstances regarding such occupation and business interest and why they may create possible conflicts of interest;
- (2) to the extent not addressed above, the directors and officers shall make a good faith effort to identify specific areas in which corporate opportunity abuses or conflicts of interest could occur;
- (3) to the extent not otherwise addressed in an existing plan to which the Supervisory Agent has not given notice of objection, First America shall describe specific policies and actions that the

Institution will adopt to avoid potential conflicts of interest and corporate abuses;

- (4) set forth the specific procedures to be utilized to eliminate any conflicts of interest or appearances of such conflicts or corporate opportunity abuses of directors and management officials who violate the Institution's policies and guidelines on such conflicts and abuses;
- (5) provide for quarterly disclosure and review by the board of directors, as well as semi-annual disclosure to the Supervisory Agent, of the remuneration actually received by affiliated entities or individuals in connection with all transactions between First America and such entities or individuals.

(c) Within thirty (30) days of written notice of no objection by the Supervisory Agent of such plans and guidelines, First America shall adopt such plans and guidelines by formal resolution of the board of directors, and the Institution shall ensure that such plans and guidelines are implemented and fully complied with thereafter.

8. The Institution shall comply in all respects with the requirements of Section 563.43 of the Insurance Regulations concerning loans and other investments involving affiliated persons, respectively, and shall avoid all transactions that could give the appearance of noncompliance with this regulation. Moreover, the Board shall immediately take any measures necessary

to bring the Institution into full compliance with Insurance Regulation 563.43. After the effective date of this Order, First America shall not engage in any transaction with an affiliated person, as defined in Insurance Regulation 561.29, without the prior written approval of the Supervisory Agent.

9. First America's directors shall review all transactions with affiliated persons or entities. Within sixty (60) days of the date of this Order, First America shall provide to the Supervisory Agent a written report of all transactions with affiliated persons or entities since April 8, 1985. Said list shall include all such transactions (except demand, savings, and certificate accounts), regardless of whether they are permitted under any regulations to which the Institution is subject. The Board of Directors shall determine whether First America should seek to recover fees, commissions, or other benefits received by affiliated persons or entities with whom First America transacted business, or whether First America should take any other action to correct violations of the Insurance Regulations. The Board of Directors' determination and proposals for action relating to the transactions with affiliated persons or entities described in this paragraph shall be included in the required written report to the Supervisory Agent.

10. First America shall immediately terminate the management services agreement executed between itself and NSB. First America shall demonstrate compliance with this section within fourteen (14) days of the date of this Order by means of an appropriately certified resolution of the Board, a copy of which will be

delivered to the Supervisory Agent within thirty (30) days of the date of this Order. After the effective date of this Order, First America shall not engage in any transaction with an affiliate, as defined in Holding Company Regulation 583.15, without the prior written approval of the Supervisory Agent.

11. First America and NSB shall immediately cease transactions with First America's employee stock option plan ("ESOP") and shall cause its ESOP to cease any and all transactions with NSB. Any future transactions involving the ESOP, regardless of dollar value, shall require the prior approval of the Supervisory Agent.

12. First America will take all reasonable steps to insure that the guaranty of debt on behalf of the ESOP by NSB will not adversely impact First America. First America will obtain, from NSB, an agreement which will hold harmless First America in the event of a default by the ESOP.

13. First America shall, within fourteen (14) days of the effective date of this Order, make written demand on NSB for all funds representing deferred tax losses of First America which have been paid over to NSB. First America shall evidence compliance with this section by forwarding a copy of the demand letter to the Supervisory Agent. If NSB is unable to comply with said demand, the Institution shall retain qualified, independent legal counsel to advise the Board concerning possible avenues of recovery, including, but not limited to, undertaking litigation in a court of competent jurisdiction to recover said funds.

14. Within forty-five (45) days of the date of this Agreement, the Institution shall file with the Agent a plan for the reorganization and/or augmentation of the Institution's management ("Management Plan"). Such Management Plan shall provide for the replacement of senior and middle management, as appropriate, with new officers with experience in, and knowledge of, the savings and loan business or related businesses with the attendant commitment to safe and sound banking practices. The Management Plan shall also contain an organizational chart of the proposed management of the Institution, including the identity of all officers, a description of their respective responsibilities, and the specific qualification of each of the proposed officers. The Management Plan, before being implemented, shall be subject to the review and approval of the Supervisory Agent.

15. The Board shall ensure that the President of First America ("President") prepares a monthly compliance report for review by the directorate at each regularly scheduled Board meeting. This report shall detail the Institution's compliance with the terms of this Order and all rules and regulations under which the Institution operates. The President shall present this report in its entirety to the directorate at each regularly scheduled meeting. The Board shall also ensure that the President's report is entered into the minutes of each meeting, and that the Supervisory Agent is provided with a copy of the subject minutes no later than fifteen (15) business days following the end of each Board meeting.

16. The Institution shall file all financial reports required by the FSLIC including monthly and quarterly reports by the required due date and such other reports requested by the Supervisory Agent by the requested due date.

17. Although First America is required by this Order to submit certain proposed actions, policies, procedures and guidelines for review or approval of the Supervisory Agent, the Board shall at all times continue to have the ultimate responsibility for the proper, safe and sound operation and management of the Institution.

18. The Board shall take steps to ensure full compliance by First America with the requirements of this Order. A summary of such compliance shall be reported in the minutes of the directors' meeting following each calendar quarter for the preceding quarter. It shall summarize the monthly compliance reports presented by the President in the previous quarter, with any additional comments of the full Board. Each official minute book copy of the minutes of the Board's meetings shall be signed and dated by each director.

19. The Institution shall submit a bimonthly operating report in the form required by the Supervisory Procedures Manual. The first such bimonthly report shall be submitted for the two-month period ending September 30, 1989. The bimonthly reports are to be received by the Supervisory Agent within twenty (20) days following the end of the reporting period.

20. Upon the request of the Supervisory Agent, the books and records of the Institution and of any wholly-owned or majority-owned subsidiary of the Institution shall be made

available to the representatives of any qualified institution, person, or entity upon execution of a confidentiality agreement acceptable to the Supervisory Agent and at such times and in a manner which will least interfere with the on-going activities and business of the Institution.

21. All statutory and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Order, or as amended or renumbered thereafter.

22. The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

23. This order shall remain in effect until terminated by the OTS. The OTS, acting by and through the ERC, shall terminate this Order and replace the Order with an Operating Agreement, the terms and conditions of which shall be acceptable to the Principal Supervisory Agent, at such time as the OTS: (i) determines not to disapprove a notice of change in control from an acquiror of the Institution; or, (ii) approves a holding company application from an acquiror of the Institution; and, provided further, in either case, said acquiror complies with all applicable regulatory and legal requirements of the acquisition, including, but not limited to, the infusion of capital sufficient to allow First America to

meet its fully-phased-in capital requirement as of the date of acquisition.

OFFICE OF THRIFT SUPERVISION

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Rosemary Stewart
Secretary, Enforcement Review Committee
and Director of Enforcement

RESOLUTION

WHEREAS, the Board of Directors of First America Savings Bank, Federal Savings Bank, Longmont, Colorado has been required to make certain certifications regarding the activities as outlined in the Order to Cease and Desist dated _____, 1989, and

WHEREAS, the Board of Directors have reviewed certain activities and transactions with the officers of the Institution occurring during the month of _____, 1989;

NOW, THEREFORE, BE IT RESOLVED, that the members of the Board of Directors hereby certify that, to the best of our knowledge and belief, First America Savings Bank, Federal Savings Bank has complied with all conditions of the Order to Cease and Desist during the month of _____, 19__.

DATE: _____