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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 4th day of September, 1991, by and between Shelby County Savings Association, Center, Texas (OTS No. 7889) ("Institution"), 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. Part 226 and §§ 202.9, 528.6, and 563.99 and 31 C.F.R. Part 103, 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. Part 226 and §§ 202.9, 528.6, and 563.99 and 31 C.F.R. Part 103 as of June 3, 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:

Approval of Executive Officers and Directors

1. Pursuant to § 914 of FIRREA and any regulations promulgated thereunder, the board of directors of the Institution ("Board of Directors") shall notify the Regional Deputy Director of the Dallas District, Midwest Region, OTS, or his successor or designee ("Regional Deputy Director") of the proposed addition or employment of any director or senior executive officer before such addition or employment becomes effective. The Board of Directors may not add or employ any director or senior executive officer if the Regional Deputy Director issues a notice of disapproval before the end of 30 days from the date on which the notice was deemed complete by the Regional Deputy Director, beginning on the date the Regional Deputy Director receives notice of the proposed addition or employment.

Consumer Compliance Program

2. a) Within 90 days after the effective date of this Agreement, the Board of Directors shall establish and adopt a program to ensure compliance ("Compliance Program") with the applicable consumer and public-interest

related laws and regulations including, but not limited to, the Truth in Lending Act, the Equal Credit Opportunity Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act, Equal Employment Opportunity Act, Community Reinvestment Act, and the Bank Secrecy Act, and corresponding regulations.

(b) The Compliance Program shall provide for written policies and procedures that set forth the requirements of the applicable laws and regulations, as well as incorporate the OTS regulatory guidelines, and, at a minimum, shall include:

- (i) a designated individual(s) (compliance officer(s)) to coordinate and monitor the program;
- (ii) internal control;
- (iii) independent testing of compliance;
- (iv) training; and
- (v) any other specific requirements of the applicable laws and regulations.

(c) Within 30 days after the effective date of this Agreement, the Board of Directors shall designate a qualified Consumer Compliance Officer to coordinate and monitor the program.

(d) The Institution shall comply with the Compliance Program and its written policies and procedures.

#### Bank Secrecy Act

3. (a) Within 30 days of the effective date of this Agreement, the Board of Directors shall appoint an on-site Bank Secrecy Act Compliance Officer responsible for coordinating and monitoring compliance by the Institution with the Bank Secrecy Act, implementing regulations, and this paragraph.

(b) Within 60 days of the effective date of this Agreement, the Board of Directors shall establish and provide to the Regional Deputy Director an updated Bank Secrecy Act Policy which shall provide, at a minimum, for the following:

- (i) the proper maintenance and formatting of logs;
- (ii) the schedule and documentation of training of relevant staff of the Institution; and
- (iii) procedures designed to obtain compliance with the Bank Secrecy Act and the implementing regulations.

(c) The Board of Directors shall, on a quarterly basis, review the Bank Secrecy Act Policy to ensure that the Institution is in compliance with the Bank Secrecy Act and the implementing regulations. A resolution setting forth the minutes of those reviews shall be submitted to the Regional Deputy Director by no later than the 20th day after the end of the quarter.

Truth in Lending Act

4. (a) Within 60 days of the effective date of this Agreement, the Institution shall correct Annual Percentage Rate disclosures in the cases of Single-Family Discounts ARM loans 16733, 14186, 17418, and 17731 and Construction Loans 2364503 (two) and shall make restitution to the debtors on those loans accordingly.

(b) Pursuant to the Compliance Program required by Paragraph 2 hereof, the Institution shall provide written policies and practices to require compliance with Regulation Z of the Board of Governors of the Federal Reserve System ("Regulation Z").

(c) The Board of Directors shall cause the Institution to provide internal review of the Institution's practices for the purpose of ensuring compliance with Regulation Z.

Mortgage Regulations

5. (a) The Institution shall, within 90 days of the effective date of this Agreement, adopt written policies and procedures to ensure compliance with 12 C.F.R. § 563.99.

(b) The Institution shall comply with 12 C.F.R. § 563.99.

Nondiscrimination Regulations

6. (a) The Institution shall, within 90 days of the effective date of this Agreement, adopt written policies and procedures to ensure compliance with 12 C.F.R. § 528.6 and, thereafter, shall comply with such written policies and procedures.

(b) The Institution shall comply with 12 C.F.R. § 528.6.

(c) Within 90 days of the effective date of this Agreement, the Institution shall provide each of its loan officers with training with regard to the monitoring of compliance with 12 C.F.R. § 528.6 and shall provide each member of its clerical staff who works with a loan application register with training designed to ensure compliance with 12 C.F.R. § 528.6.

(d) The written policies and procedures required by subparagraph (a) hereof shall require internal review designed to discover and correct violations, if any occur, of this Paragraph 6.

General Provisions

7. 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 10 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.

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

(b) 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.

**SHELBY COUNTY SAVINGS ASSOCIATION**  
Center, Texas

By:

Director

Director

Director

Director

Director

Director

Director

Director

Director

**OFFICE OF THRIFT SUPERVISION**

By:

Regional Deputy Director

**CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly qualified Secretary of Shelby County Savings Association, Center, Texas (OTS No. 7889) ("Institution") 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 August 27, 1991; that 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 directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and that such violations provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the said directors have been informed that the OTS will forebear from the initiation of such proceedings as a result of the Institution's failure to comply with 12 C.F.R. Part 226 and 202.9, 528.6, and 563.99 and 31 C.F.R. Part 103, as of June 3, 1991, to which the Institution is subject, if the attached Supervisory Agreement ("Agreement") is executed by the Institution and if its terms are thereafter carried out by the Institution; and

WHEREAS, the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the board of directors held on August 27, 1991; and

WHEREAS after due consideration, the directors of the Institution have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation: 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 the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Shelby County Savings Association, Center, Texas this 27th day of August, 1991.

/s/  
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Lynn Martt, Secretary