

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 25th day of September, 1991, by and between AmWest Savings Association, Bryan, Texas (OTS No. 8539) ("Institution") for itself and each noncovered 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 Institution has entered into that certain Agreement for Operating Policies, dated October 14, 1988 (the "Operating Agreement") with the Federal Savings and Loan Insurance Corporation ("FSLIC"); and

WHEREAS, the OTS is the successor to all of the FSLIC's rights and interests under the Operating Agreement; and

WHEREAS, by executing this Agreement, the Institution and the OTS desire to terminate the Operating Agreement; and

WHEREAS, the OTS is of the opinion that the Institution has not complied with a certain regulation to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. § 563.161(a) as of June 10, 1991 examination report, 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. § 563.161(a), as of June 10, 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 and without admitting or denying the cited regulatory violation, 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:

Business Plan

1. On or before October 31, 1991, the Board of Directors shall cause to be prepared and shall adopt and submit to the Regional Deputy Director for the Dallas Area Office of the

Midwest Region of the OTS ("Regional Deputy Director") for review and notice of no supervisory objection a Business Plan with the following components:

- (a) a business strategy for the Institution which shall address (i) the goals and objectives for the Institution adopted by the Board of Directors to promote the profitability and capital adequacy of the Institution and (ii) the interest-rate scenario assumptions upon which the Business Plan is based;
- (b) financial projections for the Institution for the three (3) year period ended September 30, 1994 prepared on a quarterly basis and containing major balance sheet and income statement components; and
- (c) a budget with respect to the overall operations of the Institution for its 1992 fiscal year.

Covered Asset Administration

- 2. (a) On or before October 31, 1991, the Board of Directors shall review policies and procedures previously adopted by management of the Institution for addressing the loan collection and the real estate appraisal deficiencies discussed in the June 10, 1991 Report of Examination and noted by the Resolution Trust Corporation. Upon completion of its review, the Board of Directors shall cause a report with respect of such policies and procedures and its findings as to the adequacy of such policies and procedures to be filed with the Regional Deputy Director.
- (b) The Board of Directors shall review on a semiannual basis the policies and procedures governing the administration of covered assets in accordance with the Assistance Agreement entered into with the FSLIC, dated October 14, 1988, and in the absence of specific operational direction from the RTC, commercially prudent practices and shall direct the implementation of corrective measures if any are required. The results of such review shall be reflected in the minutes of the Board of Directors' meetings and the accompanying Board of Directors' information package for such meetings.

Uncovered Asset Administration

- 3. (a) On or before October 31, 1991, the Board of Directors, through its Loan Committee, shall review the action plans for reduction of all noncovered classified assets with a net book value in excess of \$250,000 and a consolidated review of all noncovered loans with a net book value of less than \$250,000. Upon completion of its review, the Board of Directors shall cause a report with respect to the results of the Board's review of such action plans to be filed with the Regional Deputy Director.

- (b) The Board of Directors, through its Loan Committee, shall review on a quarterly basis (i) management's progress for such quarter as measured against anticipated resolution targets for such quarter and (ii) any significant changes to the action plans for resolution of the Institution's noncovered classified assets proposed by management of the Institution. The results of such review shall be reflected in the minutes of the Board of Directors' meetings and the accompanying Board of Directors' informational package for such meeting.

Internal Audit

4. On or before November 30, 1991, the Board of Directors through its Audit and Compliance Committee shall (a) review, or cause to be reviewed by an outside independent entity, the independence of the Internal Audit Department and (b) the risk assessment procedures being utilized by the Internal Audit Department to formulate the 1992 Audit Plan. Upon completion of such review, the Board shall cause a report of its finding and recommended actions to be filed with the Regional Deputy Director for review and notice of no supervisory objection.

Termination of Agreement for Operating Policies

5. The Agreement for Operating Policies, entered into by the Institution and the Federal Savings and Loan Insurance Corporation, dated October 14, 1988, is hereby terminated.

General Provisions

6. As soon as possible following the Board of Directors' meeting at which the quarterly reviews are conducted, the Board of Directors shall submit to the Regional Deputy Director a resolution signed by each Director, certifying that, to the best of his or her knowledge and belief, and based on a prudent review during the previous calendar quarter, the Institution and its noncovered subsidiaries complied with each provision of this Agreement requiring a quarterly review by the Board of Directors or any of its Committees and with Paragraph 2. This resolution shall set forth any exceptions to any provisions of this Agreement requiring a quarterly review and with respect to Paragraph 2 by the Board of Directors or any of its Committees that were approved by the Regional Deputy Director. Within ten (10) days after each Board of Directors' Meeting at which minutes for the previous meeting are approved, the Institution shall submit to the Regional Deputy Director a copy of the approved minutes of the Board of Directors' meeting, the minutes of any board of directors' meeting of any noncovered subsidiary, and the minutes of Board of Directors' committee(s) meetings, the aforementioned resolution when appropriate, and the Board of Directors' information package with respect to the Board of Directors' meeting to which such approved minutes relate.
7. (a) As used in this Agreement, the term "Regional Director" means the Regional Director for the Midwest Region of the OTS.

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

(c) As used in this Agreement, the term "savings association" shall have the meaning as set forth in Section 2(4) of the HOLA, as amended by Section 301 of the FIRREA, § 301, 103 Stat. 183 (1989).

(d) As used in this Agreement, the term "noncovered" shall refer to any asset of the Institution that is not subject to the Assistance Agreement entered into by the Institution and the FSLIC, dated October 14, 1988.

(e) 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 word 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 Director. The Regional Director shall consider requests for termination upon completion of an examination indicating that the Institution is in full compliance with this Agreement or if the Institution receives a MACRO rating of "2" or better by the OTS acting through the Regional Director.

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

**AMWEST SAVINGS ASSOCIATION
BRYAN, TEXAS**

By: JSJ
Director
JSJ
Director
JSJ
Director
JSJ
Director
JSJ
Director
JSJ
Director
JSJ
Director

OFFICE OF THRIFT SUPERVISION

By: JSJ
Regional Director

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

I, the undersigned, being the duly qualified Secretary of AmWest Savings Association, Bryan, Texas (OTS No. 8539) ("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 September 25, 1991; that at said meeting a quorum was present and voting throughout; and that said resolution has 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 a regulation to which the Institution is subject and that such violation provides 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 forbear from the initiation of such proceedings as a result of the Institution's failure to comply with 12 C.F.R. § 563.161(a), as of June 10, 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 September 25, 1991; and

WHEREAS after due consideration and without admitting or denying the cited regulatory violation, 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 THEREOF, I have hereto subscribed my name and affixed the seal of AmWest Savings Association, Bryan, Texas, this 25th day of September, 1991.



Secretary