

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 1st day of October, 1991, by and between First Federal Savings and Loan Association, Littlefield, Texas (OTS No. 5117) ("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 (1)(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. § 563.161(a), in that as of April 8, 1991, the Institution was not pursuing certain financial policies considered safe and consistent with economical home financing and the purposes of federal savings associations, and considered appropriate to the Institution's type of operations, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS. These certain policies included an acceptable written plan for reduction of classified assets, an acceptable plan for the reduction of interest-rate-risk, and an acceptable written operating plan; 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 fully comply with 12 C.F.R. § 563.161(a) as of April 8, 1991, as set forth in the Institution's examination report dated April 8, 1991, so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, without admitting ~~XXXXXXXXXX~~ any allegations set forth herein, but 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 shall notify the Deputy Regional 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 Deputy Regional Director issues a notice of disapproval before the end of 30 days from the date on which the notice was deemed complete by the Deputy Regional Director, beginning on the date the Deputy Regional Director receives notice of the proposed addition or employment.

Operating Budget

2. (a) The Board of Directors hereby agree to comply with the Operating Budget, adopted on or about July 9, 1991, and provide a copy of

any material revisions to the Dallas District Office of OTS, subject to prior written review and notice of no supervisory objection by the Deputy Regional Director.

- (b) Beginning with the end of the quarter following the submission of the Operating Budget, the Institution shall provide to the Deputy Regional Director, quarterly progress reports comparing the actual performance to the projections set forth in the Operating Budget detailing all material variances.
- (c) The Institution shall update and adopt the two-year Operating Budget on a semiannual basis, and provide evidence of such by 25 days after the end of the six-month period.

#### Interest-Rate-Risk

- 3. The Board of Directors hereby agrees to make all revisions to the Interest-Rate-Risk Plan adopted on or about July 9, 1991, that are reasonably requested by the Deputy Regional Director and to comply with the Interest-Rate-Risk Plan, provided that any material revisions be subject to prior written review and notice of no supervisory objection by the Deputy Regional Director.

#### Reduction in Classified Assets

- 4. The Institution shall maintain documentation to support its compliance with the Reduction in Classified Assets Plan, as adopted on or about July 9, 1991.

#### General Provisions

- 5. The Board of Directors shall submit to the Deputy Regional 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 month, the Institution complied with each condition of this Agreement. This resolution shall set forth any exceptions to any conditions of this Agreement that were approved by the Deputy Regional Director. Within 25 days after each Board of Directors' meeting, the Institution shall submit to the Deputy Regional Director a copy of the minutes of each Board of Directors' meeting, and the minutes of Board of Directors' committee(s) meetings, the aforementioned resolution, and any management report of the Institution.
- 6. (a) As used in this Agreement, the Deputy Regional 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 "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).
- (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

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 Deputy Regional Director.

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

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION  
LITTLEFIELD, TEXAS

By:

*JSJ*

~~Director~~

*JSJ*

~~Director~~

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~~Director~~

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~~Director~~

~~Director~~

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OFFICE OF THRIFT SUPERVISION

By:

*JSJ*

*Regional* Deputy Regional Director

CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of First Federal Savings and Loan Association, Littlefield, Texas (OTS No. 5117) ("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 October 1, 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 certain 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 as the directors have repeatedly requested from the OTS to give the Institution what such cease and desist demands were so they could change what they are doing wrong according to the opinion of the OTS; and

WHEREAS the OTS has been unable to come up with any certain laws or violations that the institution has violated other than the very general 12 C.F.R. 563.161(a); and

WHEREAS the directors have been informed that the OTS will forbear from the initiation of such proceedings as a result of the request of the Institution's alleged failures to comply with the 12 C.F.R. 563.161 (a) (The very general safety and soundness regulation) as of April 8, 1991 to which the institution is subject; if the attached Supervisory Agreement is executed by the Institution and if its terms are thereafter carried out by the institution; and

WHEREAS it is of the opinion of the directors of the institution that an agreement should be called an agreement only if both parties agree to the accusations and term of the document; and

WHEREAS the directors deny fully any wrong doing or violations of any regulation particularly C.F.R. 563.161(a), and in fact do specifically state they have fully complied with all regulations and are agreeing to the demands of the OTS only in the spirit of compromise; and

WHEREAS the directors of the Institution have read and considered the proposed Supervisory Agreement attached to the minutes of the meeting of the board of directors held October 1, 1991; and

WHEREAS after due considerations, the directors of the Institution deny any and all the allegations, have determined to enter into the proposed Supervisory Agreement in the interest of cooperation;

NOW THEREFORE, BE IT RESOLVED, that the proposed Supervisor 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 Supervisory Agreement-and to comply with such terms.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of First Federal Savings and Loan Association, Littlefield, Texas, the 1st day of October, 1991.

*LS*

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SECRETARY