

SUPERVISORY AGREEMENT
BETWEEN THE
OFFICE OF THRIFT SUPERVISION
AND
CONTINENTAL SAVINGS of AMERICA

94851
11/23/93

OFFICE OF THRIFT SUPERVISION
WASHINGTON, D.C.

This Supervisory Agreement ("Agreement") is made and is effective this twenty-third day of November 1993, ("Effective Date") by and between Continental Savings of America, a Federal Savings and Loan Association, a federally chartered stock association, having its main office located at San Francisco, California, ("Association") and the Office of Thrift Supervision ("OTS"), an office of the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W. Washington, D.C., acting through its West Region Regional Director, or his designee ("Regional Director".)

WHEREAS, the OTS is the primary federal regulator of the Association; and

WHEREAS, based on the field visit as of July 26, 1993, the OTS is of the opinion that it is appropriate to take formal measures intended to assure that the Association will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the OTS acknowledges the correspondence from the Association dated September 17 and 23, October 4, and November 12, 1993, which detail and document certain corrective actions initiated and implemented by the Board of Directors of the Association ("Board"), which corrective actions in part address Paragraph 1 of this Agreement; and

WHEREAS, the Association, acting through the Board wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

1. Within 60 days of this Agreement, the Board of Directors of the Association ("Board") shall:

- a. assure that Association's internal asset review procedures and practices are enhanced and effectively monitored by Board in accordance with Paragraph 3, so that: 1) all assets are appropriately monitored and classified, 2) timely and adequate

valuation analyses are performed, and 3) adequate staff, with appropriate experience, skill and knowledge, is provided to perform this function;

- b. assure that the Association's loan modification policies, procedures, and practices are enhanced and effectively monitored by Board in accordance with Paragraph 3, so that:
 - 1) analyses support and document modification decisions, and 2) modified loans are accurately and timely monitored and reported to the Board;
- c. formulate, implement and monitor in accordance with Paragraph 3 an effective income property appraisal function with established internal controls to assure proper 1) appraiser selection, 2) appraiser evaluation, and 3) appraisal review; and
- d. assess the Association's general valuation allowance ("GVA") policies, procedures and practices to assure support for the Association's level of GVAs. The Board shall document and utilize this assessment to assure that the Association's GVA policies, procedures, and practices are enhanced and effectively monitored by Board in accordance with Paragraph 3, so that GVA levels commensurate with the level of risk exposure of the Association's portfolio, and to document consideration of all reserve factors and peer group data.

2. The Board and officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.

3. The Board, on a monthly basis, shall adopt a board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of this Agreement currently in

effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.

4. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.

5. No later than the 25th calendar day of the month following the end of a calendar month, beginning with the end of the first calendar month following the Effective Date, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolution adopted at the Board meeting of that month. The board of directors, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Association.

6. The Association shall maintain all plans, policies, procedures, or evidence of corrective or other actions required by this Agreement for review by OTS.

7. 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, FDIA or OTS Memoranda. Any such technical words or terms used in this Directive 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.

8. 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 and references to successor provisions as they become applicable.

9. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

10. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

11. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

12. In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

13. Nothing in this Agreement shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting the OTS from taking such action(s) that are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

14. 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. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Assistant Secretary of Continental Savings of America ("The Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on November 23, 1993;

2. At said meeting a quorum was present and voting throughout;

3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that said Board and the Association have the intent to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Directors of the Association have read and considered the proposed Supervisory Agreement ("Agreement"), which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Directors of the Association have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Association be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in all respect with the terms of the Agreement.

4. All members of the Board of Directors except Stanley Hebert, who was in the hospital, were present and voted at the meeting and all members of the Board of Directors present voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 23rd day of November, 1993.

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Name: Mary Gorjestani
Title: Assistant Secretary