

**SUPERVISORY AGREEMENT**

This Supervisory Agreement ("Agreement") is made and is effective this 20 day of December, 199<sup>5</sup> (the "Effective Date"), by and between Union Savings Bank, Albuquerque, NM, OTS No. 08150 (the "Association"), a state chartered stock savings and loan association, having its main office located at 1500 Mercantile, Albuquerque, New Mexico 87198 and the Office of Thrift Supervision ("OTS"), an office within 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 Midwest Regional Director or his/her designee ("Regional Director").

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

WHEREAS, based on the Report of Examination dated May 15, 1995, ("ROE"), and the Field Visit of October 16, 1995, the OTS, is of the opinion that the Association has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Association will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (the "Board") [without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices] 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:

**COMPLIANCE WITH LAWS, REGULATIONS & SAFE AND SOUND PRACTICES**

The Association shall take all necessary and appropriate actions to achieve compliance with the following laws, regulations, and safe and sound business practices:

- 1. Compliance With Laws, Regulations & Safe and Sound Practices
  - (A) Section 563.93 of the OTS Regulations, 12 C.F.R. § 563.93 (regarding lending limitations);

- (B) Section 563.160 of the OTS Regulations, 12 C.F.R. § 563.160 (regarding classification of assets);
- (C) Section 563.180(a) of the OTS Regulations, 12 C.F.R. § 563.180(a) (regarding periodic reports);
- (D) Part 564 of the OTS Regulations, 12 C.F.R. § 564.1 et seq. (regarding appraisals).

#### CORRECTIVE PROVISIONS

2. The Association shall not, without the prior approval of the OTS, originate, make, modify, extend, adjust, purchase, acquire, trade, commit to originate, commit to make, commit to modify, commit to extend, commit to adjust, commit to purchase, commit to acquire, or commit to trade any loan or other extension of credit, except for: (a) the origination of loans fully secured by savings accounts of the Association; (b) the origination or refinancing of loans secured by or construction of owner-occupied single-family dwellings, provided the loan amount does not exceed \$500,000; (c) the origination or refinancing of non-owner-occupied single family dwellings, provided the loan amount does not exceed \$250,000; (d) the origination or refinancing of consumer loans, provided the loan does not exceed \$50,000 and (e) such actions that the Association has a legal obligation to perform, provided that the Association promptly, and in no case later than 15 days after the effective date of this Agreement, provides the OTS with documentation supporting such legal obligations, for all such loans.
3. The Association's Board of Directors shall develop and implement an effective and well-documented program of ongoing loan review, credit administration and monitoring by January 31, 1996.
4. The Association shall complete its Thrift Financial Reports and other regulatory reports in accordance with applicable regulations and other written OTS guidance. The Association shall maintain books, records, and schedules that are readily reconcilable to each regulatory report submitted to the OTS.
5. By no later than January 31, 1996, the Association's Board of Directors shall adopt and implement revised policies and practices governing lending, internal review and classification of assets, allowance for loan and lease loss analysis, interest-rate-risk management, and investment, which are current, applicable and relevant to the Association's activities, and consistent with the applicable regulations. The Association's Board of Directors shall implement a program to monitor adherence to established procedures.
6. The Association shall develop a plan of asset disposition by March 31, 1996, for each asset over \$50,000 classified substandard or doubtful in the May 15, 1995 Report of Examination or any asset over \$50,000 classified substandard or doubtful by the Association's internal asset classification program. The plan should identify the

asset, its book value, the value of any collateral, include a description of the remedial action to be taken, a projection of balances over time for each asset, and be updated quarterly to reflect performance.

7. The Association must file a revised business plan and operating budget with the OTS by March 31, 1996.
8. The Association must elect to the Board of Directors at least one outside director with significant previous financial institution experience by December 31, 1996, subject to the requirements of 12 C.F.R. § 574.9
9. The Association must obtain an independent audit as of December 31, 1995.
10. The Association shall take actions to correct the loans-to-one borrower violations described in the May 15, 1995 Report of Examination and any other such violations subsequently discovered, by not later than March 31, 1996.
11. The Association's Board of Directors shall conduct the review of approved appraisers required by 12 C.F.R. Section 564.8 by January 31, 1996.

#### MISCELLANEOUS

12. Director Responsibility.

Notwithstanding the requirements of this Agreement that the Board of Directors submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board of Directors shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

13. Compliance with Agreement.

A. 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.

B. The Board, on a quarterly 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 quarter, 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.

C. 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.

D. No later than the 25th Calendar Day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolution[s] adopted at the Board meeting [of each month in such calendar quarter]. 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.

#### 14. Definitions.

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.

#### 15. Successor Statutes, Regulations, Guidance, Amendments.

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.

#### 16. Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Directive to be made upon, given or furnished to, delivered to, or filed with the OTS or the Association shall be in writing and mailed, first class or overnight courier, or

means of electronic transmission, or physically delivered, and addressed as follows:

OTS: P. O. Box 619027  
Dallas/Fort Worth, TX  
75261-9027

Association: 1500 Mercantile  
Albuquerque, New Mexico  
87198

17. Duration, Termination or Suspension of Agreement.

A. 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).

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

18. Time Limits.

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

19. Effect of Headings.

The Section headings herein are for convenience only and shall not affect the construction hereof.

20. Separability Clause.

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/her sole discretion determines otherwise.

21. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted; Relation To State Law.

A. 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.

B. As an Association chartered under State law and subject to regulation and supervision by a State regulatory authority, the Association may be subject to various restrictions imposed by the appropriate State regulatory authority. The Association must continue to comply with any such restrictions, notwithstanding the

Title:

Chief Executive Officer

**DIRECTORS OF THE ASSOCIATION**

Director	151	Director	51
Director	151	Director	151
Director	151	Director	151
Director	151	Director	151
Director	151	Director	151
Director	151	Director	151

receipt by the Association of authorizations or notices of non-objection of the Regional Director, except to the extent that such restrictions have been deemed to be pre-empted by Federal law.

22. Successors in Interest/Benefit.

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.

23. Signature of Directors.

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

24. Integration Clause; Impact On Other Enforcement Documents.

A. This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

B. Upon the effective date of this Agreement, it will supersede the directive issued to the Association on July 26, 1995, and thereafter the terms of this Agreement shall be controlling.

25. Enforceability of Agreement.

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

THE ASSOCIATION.

By:

By:

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Name:

David E. Bradley  
Regional Deputy Director

FORM OF  
CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Union Savings Bank ("the Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on December 19, 1995;
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 respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except None) and all members of the Board of Directors (except NONE) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 19<sup>th</sup> day of December, 1952.

151  
Name: \_\_\_\_\_ J

Title:

(SEAL)