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### SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made this 30<sup>th</sup> day of June, 1998, and shall become effective upon its execution by the Office of Thrift Supervision ("OTS"), through its authorized representative whose name appears below (the date of such execution, "the Effective Date"), by and between Family Savings Bank, FSB ("the Institution"), a federally chartered stock association, having its principal office located at 3683 Crenshaw Boulevard, Los Angeles, California 90016, and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal offices located at 1700 G Street, N.W., Washington, D.C. 20552, acting through its West Regional Director, or his designee ("Regional Director").

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

WHEREAS, based on the findings of the current regular examination, the OTS is of the opinion that the Institution has engaged in acts and practices that (a) are considered by the OTS to be unsafe and unsound and inconsistent with prudent operations, and (b) have resulted in violations of certain laws or regulations to which the Institution is subject, including but not limited to, 12 C.F.R. § 563.170(c) ("*Establishment and Maintenance of Records*") and 12 C.F.R. Part 562 ("*Regulatory Reporting Standards*"), thereby providing grounds for the initiation of administrative enforcement proceedings against the Institution; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative enforcement proceedings against the Institution, but is willing to forbear at this time from the initiation of such proceedings as long as the Institution is in compliance with the provisions of this Agreement and all applicable laws, OTS regulations and guidance; and

WHEREAS, the Institution, acting through its duly elected Board of Directors ("BOD"),

wishes to cooperate with the OTS and to evidence its intent to (i) comply with all applicable laws, regulations and guidance, (ii) engage in safe and sound practices, and (iii) avoid the initiation of administrative enforcement proceedings.

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

## **I. CORRECTIVE PROVISIONS**

### **A. Maintenance of Books and Records**

1. Within thirty (30) days of the Effective Date, the BOD shall develop, approve and submit to the Assistant Regional Director ("ARD") for review, a Maintenance of Books and Records Policy ("Books and Records Policy") that, at a minimum, complies with 12 C.F.R. §§ 563.170(c), 562.1, 562.2 and 552.11. The Institution shall fully implement such policies and procedures, and shall thereafter adhere to same. Further, the Institution shall, within thirty (30) days after receipt of the Report of Examination dated April 6, 1998, correct all deficiencies identified in such Report.

2. The Institution shall at all times maintain accurate books and records (with correct and accurate data contained therein), including but not limited to all supporting documents, Thrift Financial Reports ("TFRs"), TFR Worksheets and Schedules, General Ledger and other Accounts, Financial Statements, Minutes, and all other records.

### **B. Accounting and Reconciliation of Accounts.**

1. Within thirty (30) days of the Effective Date, the Institution shall develop, approve and submit to the ARD for review, appropriate policies and procedures requiring accurate and correct accounting and daily reconciliations of all Cash accounts. The Institution shall fully implement such policies and procedures, and shall thereafter adhere to same.

2. The Institution shall at all times properly maintain, in accordance with the Books and Records Policy (required pursuant to Section A, above), all accounts, including but not limited to, Investor accounts, Cash accounts, and Capital accounts. In addition to the requirement for daily reconciliation of all Cash accounts, the Institution shall reconcile all Investor accounts, Cash accounts, and Capital accounts at the end of each calendar month, beginning with the month of the Effective Date, and provide a written report at the end of each calendar month (due within five business days following the last calendar day of each month) to the BOD, detailing any and all discrepancies, errors, omissions, and variations with the general ledger, audited financial statement, and TFRs. The monthly report to the BOD shall also include an explanation of the cause of any such discrepancy, error, omission or variation, and what, if any, corrective action has been undertaken or proposed with respect to any and all such discrepancies, errors, omissions, or variations.

3. With respect to the Capital accounts, in addition to the requirement of paragraphs B(1) and B(2) of this Section, the Institution shall, within forty five (45) days of the Effective Date, conduct a comprehensive reconciliation of such accounts retroactive to January, 1995, and provide a separate written report to the BOD setting forth: (i) the efforts undertaken by the Institution to provide for a complete and comprehensive reconciliation of the Capital accounts in accordance with this requirement; (ii) all discrepancies, errors, omissions, or variations with the general ledger, audited financial statements, and TFRs, or other documents; (iii) how the Institution has corrected such discrepancies, errors, omissions, or variations; and (iv) a comprehensive and detailed plan to prevent the recurrence of such problems.

4. Each quarter-end (i.e., June 30, September 30, etc.), Investor, cash, and capital account reconciliations required by this Section will be subjected to agreed-upon review

procedures by the Institution's external auditors as would be required by annual audit review procedures.

### **C. Internal Audit Plan.**

1. Within sixty (60) days of the Effective Date, the Institution shall develop, approve, and implement a BOD-approved comprehensive Internal Audit Plan. The Institution shall fully implement the Internal Audit Plan, and shall thereafter adhere to such plan. The Internal Audit Plan shall cover all operations of the Institution, including but not limited to, the Accounting and other departments, adequacy and compliance with internal controls, compliance with the requirements of this Agreement, temporary staffing, and branch operations. The Internal Audit Plan shall, at a minimum, (i) detail each area to be reviewed during the current audit cycle in an Audit Schedule approved by the BOD; (ii) contain an analysis of the Institution's resources to determine whether the Audit Plan's goals can be reached by the current staff or whether the department needs to be expanded to adequately perform the audit function; (iii) require that all responses to Audit Reports include a timely written response and written plan to correct all deficiencies noted in the Audit Report; (iv) require that the minutes of the Audit Committee meetings are comprehensive and include acknowledgment of receipt of Audit Reports, a discussion of Audit Report findings, and ratification of recommendations; and (v) provide for at least quarterly reports by the Audit Committee to the BOD. All Audit Committee findings, conclusions and recommendations shall be fully documented in the minutes of the BOD meetings.

### **D. Regulatory Reporting**

1. Within thirty (30) days of the Effective Date, and beginning with the TFR due for the second quarter of 1998, the Institution shall at all times comply with the regulatory reporting

requirements set forth at 12 C.F.R. § 562.2(b). Compliance herewith shall include but is not limited to (i) preparation of accurate TFR worksheets and schedules, with correct and accurate underlying financial data, in accordance with the OTS Thrift Financial Report Instruction Manual ("TFR Instruction Manual"); and (ii) certification of the TFR in accordance with the TFR Instruction Manual (*see generally* TFR Instruction Manual -- General Instructions, Section 8, by way of illustration and not limitation).

2. Within thirty (30) days of the Effective Date, the BOD shall develop, approve, and implement written policies and procedures which provide for separation and independence of the Internal Audit function from the preparation of regulatory financial reports.

3. Within thirty (30) days of the Effective Date, the BOD shall develop, approve, and implement written policies and procedures establishing a Financial Reporting Committee ("the Committee"), to be comprised entirely of outside directors. The Committee shall submit to the ARD for review a written report at the end of each calendar month (due within five business days following the last calendar day of each month), setting forth (i) the Institution's progress in implementing the Books and Records Policy, (ii) the Institution's progress in implementing the Board Oversight Plan (*see below*), and (iii) the Institution's progress in correcting the deficiencies noted in the most recent Report of Examination and account reconciliation efforts.

4. Within thirty (30) days of the Effective Date, and beginning with the Thrift Financial Report ("TFR") due for the second quarter of 1998, the Institution shall submit, as an appendix to each TFR, a BOD certification, signed by each individual member of the BOD, certifying that, based upon review by the BOD of reports of management, and upon diligent inquiry of management, to the best of each director's knowledge and belief, the TFR submitted contains

accurate and timely information, and meets all regulatory requirements and the requirements outlined in this Agreement.

5. Within thirty (30) days of the Effective Date, the BOD shall cause the Institution to file, in accordance with OTS regulations and procedures, an amended TFR for the first quarter of 1998, utilizing correct and accurate financial and other data. The amended TFR for the first quarter of 1998 shall be subject to the BOD certification requirement of paragraph 4 of this Section.

#### **E. Board Oversight Plan**

1. Within thirty (30) days of the date of receipt of the Report of Examination dated April 6, 1998, the BOD shall develop and implement a plan to correct the BOD oversight deficiencies noted in such Report (the "Board Oversight Plan"), and fulfill the responsibilities outlined in Section 310 of the Thrift Activities Handbook ("BOD oversight"). The Board Oversight Plan shall require that the Institution's regulatory reporting and financial recordkeeping functions are staffed with experienced, qualified personnel with sufficient resources to ensure timely and accurate recordkeeping and reporting. In addition, the Board Oversight Plan shall include a report that addresses the staffing needs of the Institution over the next one to two year period to ensure full compliance with this Agreement and all laws, OTS regulations and guidance.

## **II. MISCELLANEOUS**

### **A. Director Responsibility**

1. Notwithstanding the requirements herein that the Institution submit various matters to the ARD for purpose of review, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The BOD shall have the ultimate responsibility for

overseeing the safe and sound operation of the Institution at all times, including compliance with any and all directives of the OTS.

**B. Compliance with Agreement**

1. The BOD, and senior management of the Institution, shall cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.

2. The BOD, on a quarterly basis, shall adopt a BOD Resolution (“the Compliance Resolution”) formally resolving that, following a diligent review of relevant information (including reports of management and consultants, if any), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has complied with each provision of this Agreement, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist. The Compliance Resolution is in addition to, and not in lieu of, any other requirements of this Agreement for reporting compliance with certain provisions hereof.

3. The minutes of the meeting of the BOD 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 director’s reasoning for such opposition or abstention.

4. No later than the fifth day of the second month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Institution shall provide to the ARD a certified true copy of the Compliance Resolution. The BOD, by virtue of the Institution’s submission of a certified copy of each such Compliance Resolution to the

ARD, shall be deemed to have certified to the accuracy of the statements set forth in the Compliance Resolution, except as provided below. In the event that one or more directors does not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Institution.

**C. Definitions.**

1. All technical words or terms used in this Agreement, for which meanings are not defined or otherwise provided, shall insofar as applicable, have the meaning set forth in Chapter V of Title 12 of the Code of Federal Regulations ("CFR"). Any such technical words or terms used herein and undefined in said CFR shall have the meanings that accord with the best custom and usage in the thrift industry.

**D. Successor Statutes, Regulations, Guidance, Amendments.**

1. Reference in this Agreement to provisions of statutes and regulations 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.

**E. Notices.**

1. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document provided for or permitted by the Agreement to be made upon, given or furnished to, delivered to or filed with the OTS or the Institution shall be in writing and delivered via first class mail, overnight courier, facsimile, or hand-delivered, and addressed as follows:

OTS: OTS-West Region  
Attn: Michael Buting, ARD  
18300 Von Karman Ave.  
Suite 800  
Irvine, CA 92612

Institution: Family Savings, FSB  
Attn: Chief Executive Officer  
3683 Crenshaw Boulevard  
Los Angeles, CA 90016

Any notice shall be deemed duly given when received by the addressee thereof. Any party to this Agreement may from time to time change its address for receiving Notices to the other party in the manner set forth above.

**F. Duration, Termination or Suspension of Agreement.**

1. This Agreement shall 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).

2. The Regional Director, or his designee, in his or her sole discretion, may, by written notice, suspend or waive (temporarily or permanently) any or all provisions of this Agreement.

**G. Time Limits.**

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

**H. Effect of Headings.**

1. The section headings herein are for convenience only and shall not affect the construction of this Agreement.

**I. Separability Clause.**

1. In any case in which any provision of 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 shall not in any way be affected or impaired thereby, unless the Regional Director, or his designee, in his or her sole discretion determines otherwise.

**J. No Violations of Law, Rule, Regulation or Policy Statement Authorized.**

1. Nothing contained herein shall be construed as (i) allowing or requiring the Institution to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting or estopping the OTS from taking any action(s) it deems appropriate in fulfilling its lawful responsibilities.

**K. Successors in Interest/Benefit.**

1. 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 Federal Deposit Insurance Corporation, and their successors, any benefit or any legal or equitable right, remedy or claim under this Agreement.

**L. Signature of Directors.**

1. Each director signing this Agreement attests, by such act, that he or she voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Institution.

**M. Enforceability of Agreement.**

1. The Institution 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 Institution. The Institution acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director, or his designee, and the Institution, in accordance with a duly adopted resolution of its BOD (copy attached hereto), hereby executes this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

FAMILY SAVINGS BANK, FSB

By: 151  
Michael W. Buting  
Assistant Regional Director

By: 151  
Chief Executive Officer

*DIRECTORS OF THE INSTITUTION*

151  
Director

CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS  
FAMILY SAVINGS BANK

I, the undersigned, being the duly appointed and qualified Secretary of Family Savings Bank, FSB., Los Angeles, California (the "Institution"), hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Institution ("BOD") was held on June 26, 1998;
2. At said meeting a quorum was present and voting throughout;
3. The following is a true and correct copy of resolutions duly adopted by the Institution's BOD, which resolutions have not been rescinded or modified and are now in full force and effect;

WHEREAS, the BOD of the Institution wishes to cooperate with the Office of Thrift Supervision ("OTS") and demonstrate its intent to comply with applicable laws and OTS regulations and guidance, and engage in safe and sound practices; and

WHEREAS, the members of the BOD have read and considered the proposed Supervisory Agreement ("the Agreement") which is attached to the minutes of this meeting; and

WHEREAS, after due consideration, the members of the BOD have determined to cause the Institution to enter into the proposed Agreement; and

WHEREAS, the Institution's outside legal counsel has had discussions with the Institution's Assistant Regional Director in which the ARD expressed his intention (i) to schedule a special examination of the Institution to assess compliance with the Supervisory Agreement after a period of time deemed sufficient for the Institution to achieve such compliance, and (ii) if the Institution is determined to be in compliance with the Supervisory

Agreement on the basis of such examination, to terminate the Supervisory Agreement, and those discussions have been reported to the management of the Institution and the BOD.

WHEREAS, the Institution's outside legal counsel and independent public accountants will have an additional discussion with the Assistant Regional Director relative to matters relating to compliance with paragraph I.B.4. of the Agreement.

NOW, THEREFORE, be it RESOLVED that the Institution be and it is hereby authorized to enter into the Agreement in substantially the form attached to the minutes of this meeting; and

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

FURTHER RESOLVED that the directors and officers of the Institution be, and they are hereby 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 Institution to comply in all respects with the terms of the Agreement.

All members of the BOD were present at the meeting, and all members of the BOD voted in favor of the resolution.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Institution on this 30th day of June, 1998.

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Dr. Edna Briggs

Secretary