

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 28th day of August, 1992, by and between Pacific Southwest Bank, FSB, Corpus Christi, Texas (OTS No. 8559) ("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 (i)(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. § 563.177 and 31 C.F.R. Part 103, 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. § 563.177 and 31 C.F.R. Part 103, as of, or before, March 23, 1992, so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, without admitting or denying any violations and 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:

Bank Secrecy Act

1. (a) Within 30 days of the effective date of this Agreement, the board of directors of the Institution ("Board of Directors") shall appoint or reaffirm the appointment of an on-site Bank Secrecy Act Compliance Officer responsible for coordinating and monitoring compliance by the Institution with the Bank Secrecy Act, implementing regulations, and this paragraph.

(b) Notwithstanding that the OTS Report of Compliance Examination, dated March 23, 1992, found that "[a]cceptable Bank Secrecy Act policies, procedures and programs have been approved by the Board", within 60 days of the effective date of this Agreement, the Board of Directors shall adopt (if not already adopted), provide to the Regional Deputy Director for Support, Midwest Region, OTS, or his successor or designee ("Regional Deputy Director"), and the Institution shall thereafter comply with, a Bank Secrecy Act Policy, updated, if necessary, to provide, at a minimum, for the following:

- (i) the proper creation, maintenance, and formatting of Currency Transaction Reports, logs, and an updated exemption list;

- (ii) the schedule and documentation of training of relevant staff of the Institution; and
- (iii) procedures designed to obtain compliance with the Bank Secrecy Act and the implementing regulations.

(c) The Institution shall thereafter comply with its Bank Secrecy Act Policy, amend the Bank Secrecy Act Policy if and as directed by the Regional Deputy Director, and comply with the Bank Secrecy Act Policy if and as so amended.

(d) The Board of Directors shall, on a monthly basis (at each regular meeting or otherwise), receive a written statement from the Institution's Bank Secrecy Act Compliance Officer, stating:

- (i) the actions taken to monitor compliance with the Bank Secrecy Act, its implementing regulations, and the Bank Secrecy Act Policy;
- (ii) that the Bank Secrecy Act Compliance Officer has no knowledge or reason to believe that the Bank Secrecy Act Policy is not in compliance with the Bank Secrecy Act and its implementing regulations except as specifically stated in the written statement;
- (iii) that such Bank Secrecy Act Compliance Officer has no knowledge or reason to believe that the Institution is not in compliance with the Bank Secrecy Act, its implementing regulations, and the Bank Secrecy Act Policy, except as is set forth in detail in the written statement;
- (iv) the actions, if any, that have been, or should be, taken by the Institution to correct the exceptions, if any, set forth in the written statement; and
- (v) the status of the correction of the exceptions, if any, noted in prior written statements submitted to the Board of Directors by the Bank Secrecy Act Compliance Officer and not previously reported as corrected.

(e) The Board of Directors shall, on a monthly basis (at each regular meeting or otherwise), review the written statement required by subparagraph 1(d), and other of the Institution's records, if any, which it should review under the circumstances then in existence in the case that the statement required by subparagraph 1(d) notes any violations of, or exceptions to, this Agreement or in the case that there is an indication that such statement may be inaccurate, to attempt reasonably and in good faith to ensure that the Institution is in compliance with the Bank Secrecy Act, its implementing regulations, and the Bank Secrecy Act Policy. For purposes of this subparagraph (e), the Board of Directors may rely upon the statement required by subparagraph 1(d) to the extent that such reliance is reasonable under the circumstances.

2. In any case in which the Institution suffers a financial loss, in the form of a penalty assessment or otherwise, as a result of any past violation of

the Bank Secrecy Act or its implementing regulations, that can be thought to have been caused by Bruce Y. Chang or Yang-Mei ("Shirley") Yu, the Institution shall promptly consult with counsel to determine whether an action to obtain restitution from either or both of such individuals, given the cost and uncertainties involved in such an action, is economically justifiable and feasible. Counsel to the Institution shall promptly provide a detailed, written statement to the Board of Directors setting forth the reasons that such action should or should not be brought and, if it should be brought, a suggested plan to do so. Within 60 days of submission of such report from counsel, the Board of Directors shall make, by resolution duly adopted, a determination as to what, if any, action should be taken and a thorough explanation therefor, provided that such explanation may incorporate the counsel's report by reference.

### General Provisions

3. The Board of Directors shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of the information reviewed pursuant to subparagraph 1(e), since the adjournment of the immediately prior regular meeting, the Institution complied with each condition of this Agreement except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exceptions to any conditions of this Agreement approved by the Regional Deputy Director. Within fifteen days of each regular Board of Directors' meeting, the Institution shall submit to the Regional Deputy Director a copy of the minutes of each Board of Directors' meeting, the aforementioned resolution, and the statement referenced in Paragraph 1(d). Each director who does not vote affirmatively for the resolution shall at such time provide the Regional Deputy Director with a written statement providing in detail the reason(s) for disagreement with the resolution or other reason for the failure to vote therefor. For purposes of this Paragraph 3, members of the Board of Directors may rely upon the statement required by subparagraph 1(d) and/or other reports from the officers and directors of the Institution to the extent that such reliance is reasonable under the circumstances.
4. (a) As used in this Agreement, the Regional Deputy 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) 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 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, Home Owners' Loan Act ("HOLA"), and Federal Deposit

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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 Deputy Director.



**SECRETARY'S CERTIFICATE**

1. I hereby certify that I am the duly authorized Corporate Secretary of Pacific Southwest Bank, F.S.B. (the "Bank") as of the date written below.

2. I hereby certify that at a meeting of the Board of Directors of the Bank, duly called and convened on August 28, 1992, the following resolution was unanimously adopted:

WHEREAS, the directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated 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, 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. §563.177 and 31 C.F.R. Part 103, as of, or before, March 23, 1992, 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 August 28, 1992; and

WHEREAS, without admitting or denying any violations and after due consideration, 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.

WITNESS MY HAND AND SEAL OF OFFICE this the 31st day of August, 1992.

*Handwritten initials: A A A A*  
*Handwritten signature: /S/*  
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Cathryn L. Porter, Secretary

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