

TERMINATED

SUPERVISORY AGREEMENT

Amendment

This Supervisory Agreement ("Agreement") is entered into and made effective this 30th day of September 1992, by and between Cascade Savings Bank, Federal Savings Bank, Everett, Washington (hereinafter "Cascade SB" or the "Institution") and the Office of Thrift Supervision ("OTS"), an office of the United States Department of Treasury. References in this Agreement to the Institution shall be understood to include all wholly owned or majority owned subsidiaries of the Institution unless a contrary meaning is apparent.

WHEREAS, OTS is of the opinion that the Institution is operating in a condition that warrants corrective action, and

WHEREAS, in the interest of regulatory compliance and cooperation, Cascade SB is willing to enter into this Agreement,

NOW THEREFORE, it is agreed that:

1. By October 31, 1992, the Institution shall review and amend its Business Plan and submit the amended Business Plan to the Assistant Regional Director ("ARD") for approval. The Business Plan shall:

a. Specify goals and develop strategies whereby earning assets will be equal to or greater than interest bearing liabilities by June 30, 1993. Except that any of the maturing loans listed below are considered earning assets in the above calculation to allow the Institution negotiation flexibility;

1. Trammel Crow, due March 1993;
2. Westridge, due October 1992;
3. Foreman/Young, due July 1993; and
4. Foley, due December 1992.

- b. Establish a specific plan and schedule to reduce classified assets, that are nonperforming, below 100 percent of capital by December 31, 1993, and 75 percent of capital by December 31, 1994. Except that any of the loans listed below are exempt from inclusion in the above calculation to allow the Institution negotiation flexibility:
 1. Trammel Crow, due March 1993;
 2. Westridge, due October 1992;
 3. Foreman/Young, due July 1993; and
 4. Foley, due December 1992.
- c. Develop alternative strategies other than the retention of income whereby capital levels will be maintained at levels required for safe and sound operations;
- d. Establish acceptable overall exposure limits to loan products in relationship to capital, total loans, and total assets, and establish limitations on new lending by loan type;
- e. Assess the reasonableness of the methodology used in establishing general valuation allowances; and
- f. Establish a specific plan and schedule to reduce concentrations of credit.

The Institution must obtain prior written approval from the ARD for any material deviation from the Business Plan.

2. The Institution shall maintain its capital at 6.0 percent for core and tangible and 10 percent for risk-based capital.

3. The Institution's total assets shall not exceed \$207 million at December 31, 1992, \$225 million at December 31, 1993 and \$245 million at December 31, 1994.

4. The Institution shall not make any new loans other than qualifying mortgage loans, qualifying multifamily mortgage loans, and qualifying residential construction loans, all as defined by 12 C.F.R. 567.1, 1-4 family construction loans not to exceed in aggregate 100 percent of capital, and consumer credit defined by 12 C.F.R. 561.12.

5. The Institution shall submit all agreements for employment and employment contracts for senior executive officers and directors to the ARD for prior review pursuant to Regulatory Bulletin 27.

6. The Institution shall not grant any compensation increase to any senior executive officer or director without prior ARD approval.

7. The institution shall submit all third party contracts outside the normal course of business for prior review pursuant to Thrift Bulletin 50.

8. The Institution shall provide the OTS with a progress report 30 days after the December 31, 1992 quarter, and every calendar quarter thereafter, in the form and content acceptable to the ARD, discussing in detail the Institution's actions and progress in achieving the targets set forth in the approved Business Plan and its compliance with this Agreement.

9. Except as provided for in this Agreement, all plans, policies, procedures, or evidence of corrective of other actions required by this Agreement shall be implemented and maintained by the Institution for review by OTS for compliance with this Agreement.

10. For good cause shown, the ARD may extend the time to complete any act required by this Agreement. Specifically:

- a) If the ARD disapproves any policy, plan or act submitted for approval under the terms of this Agreement, the ARD will provide written notice of the disapproval, with indications of the deficiencies. The Institution will submit a revision of the policy, plan or act, to the ARD within 30 days after it receives written notice of disapproval;
- b) No policy, plan, or act, approved by the ARD may be amended, suspended, or revoked without the prior written approval of the ARD. However, if the Institution has been in substantial compliance with any requirement imposed by this Agreement for a reasonable period of time, the ARD may terminate such requirement upon written request.

11. The OTS does not relinquish any of its rights to take any supervisory or other action whatsoever with respect to the Institution as a result of this Agreement. The Institution acknowledges that it has not received any oral or written representations to the contrary by OTS or any of its agents or employees.

12. References in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include: (a) references to all amendments to such provisions as have been made as of the effective date of this Agreement, and (b) references to successor provisions as they become applicable.

13. All technical words or terms used in this Agreement, for which meanings are not defined or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have the meaning set forth in Chapter V of Title 12 of the Code of Federal Regulations and any such technical words or terms used in this Agreement and undefined in the Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings industry.

14. This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of the Institution and the OTS. It is understood and agreed that this Agreement is a "written agreement" between the depository institution and the OTS, as that term is used in Section 8 of the Federal Deposit Insurance Act (12 U.S.C. Section 1818).

15. This Agreement constitutes the entire agreement between the OTS and the Institution, but does not supersede any prior order, directive or agreement imposed upon, or agreed to, by the Institution other than the Capital Directive issued on November 15, 1991. No amendment or modification of this Agreement shall be valid and binding unless executed in writing by both the OTS and the Institution.

16. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto, their successors in interest, and respective assigns.

17. This Agreement shall remain in effect until terminated by the OTS. All requests for termination of the order shall be submitted to the ARD. The ARD may grant a written request for termination or modification of the Agreement if the ARD is of the opinion that the Institution has satisfactorily complied with the terms of this Agreement for an appropriate period of time. The ARD's grant of such written request shall only be evidenced by the issuance of a written amendment to this Agreement executed by a duly authorized representative of the OTS and the Institution.

18. A certified copy of the Board's resolution authorizing the execution of this Agreement, evidencing its intent to be bound thereby and requiring action to be taken to comply with its terms, shall be attached hereto as Exhibit A and made part thereof.

IN WITNESS WHEREOF, the OTS, acting through the ARD and the Institution, acting through its duly elected directors, have executed this Agreement as of the date first above written.

OFFICE OF THRIFT SUPERVISION /

By: Edwin C. Hedlund
Assistant Regional Director
West Region

CASCADE SAVINGS BANK
BOARD OF DIRECTORS

Handwritten signature
Handwritten initials

OFFICE OF THRIFT SUPERVISION
By: _____

Edwin C. Hedlund
Assistant Regional Director
West Region

CASCADE SAVINGS BANK
BOARD OF DIRECTORS

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OFFICE OF THRIFT SUPERVISION /

By: 15/
Edwin C. Hedlund
Assistant Regional Director
West Region

CASCADE SAVINGS BANK
BOARD OF DIRECTORS

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