

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 5th day of JULY, 1995 (the "Effective Date"), by and between Franklin Federal Bancorp, A Federal Savings Bank (the "Association"), a federally chartered stock association, having its main office located at Austin, Texas 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 as of November 7, 1994 ("ROE"), the OTS is of the opinion that the Association has engaged in acts and practices that 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 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 its intent to address and correct the practices that the OTS believe to be unsafe and unsound.

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

COMPLIANCE WITH SAFE AND SOUND PRACTICES

CORRECTIVE PROVISIONS

1. (a) Subject to subsection (e) hereof, by no later than December 31, 1995, and thereafter through December 30, 1996, the Association shall, under interest rate risk scenarios reflecting an instantaneous shift in interest rates of each plus and minus 200 basis points (assuming a parallel shift in the yield curve):
 - (i) maintain a net portfolio value ("NPV") ratio of at least 0.4%; and
 - (ii) incur a decrease in NPV of no more than 84%.
- (b) Subject to subsection (e) hereof, by no later than December 31, 1996, and thereafter through December 30, 1997, the Association shall, under interest rate risk scenarios reflecting an instantaneous shift in

interest rates of each plus and minus 200 basis points (assuming a parallel shift in the yield curve):

- (i) maintain an NPV ratio of at least 2.0%; and
 - (ii) incur a decrease in NPV of no more than 51%.
- (c) Subject to subsection (e) hereof, by no later than December 31, 1997, the Association shall, under interest rate risk scenarios reflecting an instantaneous shift in interest rates of each plus and minus 200 basis points (assuming a parallel shift in yield curve):
- (i) maintain an NPV ratio of at least 3.0%; and
 - (ii) incur a decrease in NPV of no more than 40%.
- (d) For purposes of subsections (a), (b), and (c) hereof, calculations shall be made, except as otherwise agreed by the parties in writing, in accordance with the Association's internal system for modeling interest rate risk.
- (e) For purposes of subsections (a), (b), and (c) hereof, the Association shall not be deemed to be in violation of such provisions for failure to meet any of the stated thresholds, provided that:
- (i) the Association does not vary from the stated threshold by more than 10% of such threshold; and
 - (ii) within sixty days (or such longer period approved in writing by the Regional Director in response to a written request by the Association, with such approval not to be unreasonably withheld) of any time in which the Association fails to satisfy the stated threshold, it shall eliminate such variance in order to satisfy the stated threshold.
2. The Association shall comply with the exposure limits for percentage changes in NPV and net interest income, as such limits were adopted by the Association's Board and were in effect as of November 7, 1994, by December 31, 1997.
3. The Association shall, by the 60th calendar day after each calendar quarter, beginning with the first calendar quarter of 1995, submit to the OTS a written report that reports, as of the end of the prior calendar quarter, actual capital levels, earnings, interest rate risk exposure, and sufficient information to indicate how such amounts were calculated.
4. The Association shall comply with all liquidity requirements of 12 C.F.R. Part 566.

MISCELLANEOUS

5. 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 60th calendar day 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 adopted at the Board meeting. The Board, 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. 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, the Home Owners' Loan Act ("HOLA"), the Federal Deposit Insurance Act ("FDIA") or OTS Memoranda. 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.

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Supervisory Agreement
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7. 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.

8. 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.

9. Time Limits

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

10. Effect of Headings

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

11. 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.

12. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

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.

13. 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.

14. 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.

15. Integration Clause

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 with each other, as of the Effective Date, with respect to such subject matter.

16. 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:

151
Name: David Bradley
Title: Regional Deputy Director
For the Regional Director

151
Name: Leonard Huber
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

Director

151

Director

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