

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 6th day of February, 1992, by and between Salida Building and Loan Association, Salida, Colorado, Docket No. 04082 ("Institution" or "Association"), for itself and for any wholly-owned or partly-owned subsidiary 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 12 U.S.C.S. Sections 1818(b)(1) and (i)(2) (Law. Co-op. Supp. 1991),

WHEREAS, the Board of Directors of the Institution has reviewed the operations and financial condition of the Institution and finds that the present condition of the Institution justifies and requires reasonable and necessary action by the Directors of the Institution for the benefit of the Institution and its depositors, other creditors, and borrowers; and

WHEREAS, the Institution's Board of Directors acknowledges the supervisory rights, powers, and authority of the OTS, with respect to the Institution, under the statutes and regulations that govern the operations of the Institution; and

WHEREAS, the OTS is of the opinion that the Institution has violated 12 C.F.R. Sections 563.43, 563.170, 563.172, 563.173, 563.176, 563.181, 563.183, and 564.8, and Section 22(h) of the Federal Reserve Act, as such violations are detailed in the November 4, 1991 examination by OTS of the Institution, thereby providing grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS, pursuant to 12 U.S.C.S. Section 1818(b) (Law. Co-op. Supp. 1991); and

WHEREAS, without admitting or denying the aforesaid alleged violations, and in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement in order to avoid the initiation of such cease-and-desist proceedings; and

WHEREAS, the OTS is willing to forbear from the initiation of cease-and-desist proceedings as to the matters alleged above, as long as the Institution is in compliance with this Agreement;

NOW, THEREFORE, in consideration of the OTS's above-stated forbearance, it is agreed between the parties hereto as follows:

1. Within ninety (90) days of the date of this Agreement, the Board of Directors shall cause to be formulated a business plan ("Business Plan") designed to maintain the adequacy of the Institution's capital at all times from the effective date of this Agreement through December 31, 1994, as measured against applicable regulatory capital requirements.

- a. The Business Plan shall describe the Institution's capital augmentation efforts, shall contain specific capital ratio targets, and detail projected business

strategies, budget assumptions and operations for the Institution. The Business Plan should include pro forma financial statements (with adequate disclosure of material assumptions) for the period covered by the Business Plan, should be consistent with providing sound and economical home financing and shall incorporate, as appropriate, the provisions of this Agreement.

- b. The Business Plan shall be submitted for review and written approval by the OTS, and shall be immediately implemented after the OTS issues its written approval of the Business Plan. The OTS's failure to issue written approval to any Business Plan so submitted, or the first or second amendment to said Business Plan, shall not be deemed a breach of this Agreement. Any amendment to the Business Plan submission shall be made within thirty (30) days of an objection by the OTS.
- c. Any material deviations from the Business Plan, once approved, shall require the prior written approval of the OTS. The Board of Directors of the Institution shall review and approve the Business Plan and shall monitor the Business Plan on a continuing basis. The minutes of the Board of Directors' meetings shall disclose the extent of the Board's involvement in this monitoring process.

d. No later than thirty (30) days subsequent to the last day of each full calendar quarter, commencing with the first full calendar quarter after the Business Plan is approved, the Board of Directors agrees to file with the OTS a written report documenting its review of the Association's year-to-date operating results for the period through the end of the preceding calendar quarter. Such report shall include a comparison of actual results against the projected results in the Business Plan. If such actual operating results fail to meet the projected results in the Business Plan in any material aspect, the report shall include an explanation of such variance and a specific description of the measures that have been implemented or proposed to correct and/or abate any adverse variances. For the purpose of determining material variance under this provision, any variance of fifteen (15) percent or more would be material. For income and expense items, the fifteen (15) percent variance would be on a cumulative year to date basis, beginning with the first period in the projections. Within forty-five (45) days subsequent to the end of the fiscal year, the Board of Directors shall review and update the Business Plan and submit it to the OTS for approval.

2. Within sixty (60) days after the effective date of this Agreement, the board of directors shall approve a board resolution certifying that all internal policy deficiencies, identified in the November 4, 1991 Report of Examination (ROE), have, to the best knowledge of the board of directors, been corrected through policy formulation or amendments approved by the directorate. Such board resolution shall be transmitted to OTS within seven (7) days after this action by the directorate.

3. Within thirty (30) days after the effective date of this Agreement, management shall submit to the OTS documentation evidencing those corrective actions taken to eliminate the violations of law and/or regulation identified in the ROE.

4. Without the prior written approval of the Regional Deputy Director for the Topeka District or his designee, and except for legally binding commitments, the Institution shall make no investments other than investments that qualify as liquid assets under 12 C.F.R. Section 566.1.

5. Beginning January 31, 1992 and continuing on the last day of the month following each six-month period, the Institution shall submit to the OTS, a report disclosing in detail all transactions with affiliates. The report shall contain, but shall not be limited to, the information described in 56 Fed. Reg. 34005 (1991) to be codified in 12 C.F.R. Section 563.41(e)(1)(i) through (vi).

6. No later than the last day of the month following each calendar quarter, the Board of Directors shall file with the OTS a resolution, similar to the attached resolution, signed by each Director, certifying that the Institution has complied with all conditions of this Agreement for the immediately preceding quarter.

7. All technical words or terms used in this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, or the Federal Deposit Insurance Act ("FDIC"), and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, or FDIA shall have meanings that accord with the best custom and usage in the savings and loan industry.

8. All statutory and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Agreement, or as amended or renumbered thereafter.

9. 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.

10. Nothing in this Agreement shall be construed as allowing the Institution to violate any law or regulation to which it is subject.

11. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through its Regional Deputy Director for the Topeka District Office. Such Regional Deputy Director may suspend, in his/her sole discretion, any or all provisions of this Agreement during the term of this Agreement. The Regional Deputy Director will entertain, in good faith, written

requests for termination of the Agreement, if, upon the completion of a comprehensive safety and soundness examination the Institution has achieved a composite "MACRO" rating of "2" or better, the Institution has complied with all the terms of this Agreement, and the Institution has maintained regulatory capital compliance for four (4) consecutive quarters.

IN WITNESS WHEREOF, the parties have executed this Agreement individually or by their duly designated agent. A certified copy of the resolution of the Board of Directors of Salida Building and Loan Association authorizing the execution of this Agreement is attached hereto and made a part hereof.

OFFICE OF THRIFT SUPERVISION

By: 151
Regional Deputy Director

SALIDA BUILDING AND LOAN
ASSOCIATION
SALIDA, COLORADO

By: 151
Its: 151

CERTIFIED COPY OF

RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Salida Building and Loan Association, Salida, Colorado, ("the Institution"), hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on February 4, 1992, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

WHEREAS, the officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") representatives believe the Institution to have violated 12 C.F.R. Sections 563.43, 563.170, 563.172, 563.173, 563.176, 563.181, 563.183, and 564.8, and Section 22(h) of the Federal Reserve Act, to which the Institution is subject, thereby providing grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS, pursuant to 12 U.S.C.S. Section 1818(b)(Law. Co-op. Supp. 1991), and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of cease-and-desist proceedings as a result of the Institution's violations noted above 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 Agreement attached to the minutes of the meeting of the Board of Directors held on February 4, 1992 and after due consideration, and without admitting or denying the alleged violations set forth therein, in the interest of regulatory compliance and cooperation, have determined to enter into the Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of the Institution. The president of the Institution is authorized to sign and execute the Agreement on behalf 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.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Salida Building & Loan this 4th day of February, 1992.


Secretary