

SUPERVISORY AGREEMENT

OTS DOCKET # 3357
95010

This Supervisory Agreement ("Agreement") is made and is effective this 16th day of April, 1992, by and between Reliance Federal Savings and Loan Association of St. Louis County, St. Louis, Missouri, Docket No. 3357 (hereinafter referred to as the "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 and the OTS. 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. Sections 1818(b) and (i), as amended.

WHEREAS, the OTS is of the opinion that the Institution's operating results may provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS, and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such proceedings, and

WHEREAS, the OTS is willing to forbear from the initiation of cease and desist proceedings on the subjects covered by this Agreement for so long as the Institution is in compliance with the provisions of the Agreement that pertain to such subjects,

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

- A. Operating Plan: Within sixty (60) days of the effective date of this Agreement, the board of directors shall develop a comprehensive operating plan. The operating plan shall include specific short-term and long-term goals and strategies for improving the Institution's

operating profits. The plan shall include, but not be limited to, the following:

1. Strategies for reducing the level of classified assets and target dates for resolution. These strategies should contain specific workout plans and time frames for the institution's two major problem assets, which are identified as Eagle American Partners II and Olive 40, on page A-12 of the OTS Report of Examination dated January 13, 1992.
2. A plan for achieving residential loan production objectives.
3. Strategies for increasing the institution's net interest margin and earning-asset to costing-liability ratio.
4. Strategies for increasing the Institution's capital level to at least five (5) percent of assets.
5. Strategies for reducing the level of low-yielding liquid assets;
6. Financial projections prepared on a quarterly basis for 1992, 1993, and 1994 which incorporate the above strategies.

The plan and any subsequent modification thereto shall be submitted to the Regional Deputy Director for review and comment. Within thirty (30) days from receipt of any comment, and after consideration of such comment, the board of directors shall approve such plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution and its directors, officers, and employees shall implement and follow such plan and any modifications thereto.

- B. Bonus/Compensation Policy: Within sixty (60) days of the effective date of this Agreement, the board of directors shall develop a Bonus/Compensation policy that addresses short- and long-term goals and objectives for the association (relating to net worth, earnings, the level of problem assets, expense levels, etc.), performance standards to evaluate how employees and officers will be rewarded for meeting objectives, and maximum bonus amounts. The policy shall provide that no bonuses will be paid in any fiscal year where the Institution sustains either a net operating loss or a net loss without the prior approval of the Regional Deputy Director I.
- C. Contingency Disaster Plan: Within ninety (90) days of the effective date of this Agreement, the board of directors shall develop a Contingency Disaster Plan. The plan shall address each critical system and operation within the institution in accordance with the guidelines established in Thrift Bulletin 30. The plan should provide for annual testing and review and also complement the contingency disaster plan of the institution's data servicer.
- D. Interest Rate Risk Policy/Board Reports: Within sixty (60) days of the effective date of this Agreement, the board of directors shall implement a clear and comprehensive internal reporting system that allows for the timely management and monitoring of interest rate risk and determining compliance with the Institution's Interest Rate Risk Policy. The board of directors shall also review, at least quarterly, the maximum permissible changes in net interest income and market value of portfolio equity and, if necessary, adjust such changes to meaningful and acceptable levels.

- E. Internal Audit: Within sixty (60) days of the effective date of this Agreement, the audit committee shall amend the Institution's internal audit program to include required procedures and the frequency of performance. The program shall also be amended to require audit committee approval for any exceptions to the plan.
- F. Real Estate Owned Costs: Within sixty (60) days of the effective date of this Agreement, the board of directors shall develop a formal policy regarding the accounting for costs associated with real estate owned.
- G. Growth: Without the prior written approval of the Regional Deputy Director, the institution shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities (or earnings credited on share accounts) during the quarter. If on the date this Agreement is executed, the institution has outstanding loans-in-process obligations or legally binding loan commitments that require disbursements during the quarter in excess of an amount equal to net interest credited, the Institution should not engage in any further growth beyond that necessary to fund the loans-in-process and legally binding commitments without the prior written approval of the Regional Deputy Director.
- H. Definitions: For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the terms used in this Agreement have the meanings assigned to them in this Paragraph G; (b) all accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles, except that if such terms are defined in the Rules and Regulations of the OTS, such regulatory definitions shall control; (c) all terms not otherwise defined herein that are defined in

the HOLA, the FDIA, and FIRREA, the Rules and Regulations of the OTS (including, without limitation, 12 C.F.R. §§ 500.1 et seq., 541.1, et seq., and 561.1, et seq. (1991)) or its publicly available Bulletins and Advisory Memoranda shall have the meanings assigned to them in such statutes, rules and regulations, Bulletins, and Advisory Memoranda; and (d) all technical words or terms not subject to a definition in this Agreement shall have the meanings that accord with the best custom and usage in the thrift and banking industries. As used in this Agreement:

- a. "make" means to enter into a binding obligation to provide loan funds.
- b. "HOLA" means the Home Owners' Loan Act, as amended, 12 U.S.C. § 1464, et seq. (Supp. I 1989).
- c. "FDIA" means the Federal Deposit Insurance Act, as amended.
- d. "FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183.
- e. "Total assets" are defined as consolidated total assets as reported on the Institution's quarterly thrift financial report.

H. Termination: The provisions of this Agreement are effective upon its issuance by the OTS, through its authorized representative. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through its Regional Deputy Director or his designee.

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.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officer or designated agent. A certified copy of the

Resolution of the Board of Directors of the Institution authorizing the execution of this Agreement is attached hereto and made part hereof.

RELIANCE FEDERAL SAVINGS AND LOAN
ASSOCIATION OF ST. LOUIS COUNTY
ST. LOUIS, MISSOURI

By: _____

1st

OFFICE OF THRIFT SUPERVISION

By: _____

1st

Donald W. Wente, FTR
Regional Deputy Director I

CERTIFIED COPY OF
RESOLUTION OF
BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Reliance Federal Savings and Loan Association of St. Louis County, St. Louis, Missouri, OTS Docket No. 3357 ("Institution"), do 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 April 16, 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 OTS representatives believe the Institution's level of classified assets and operating results may provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS, and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of cease and desist proceedings on the subjects covered by the attached Agreement if it is executed by the association and its terms are thereafter carried out by the Institution, and

WHEREAS, the directors of the Institution have read and considered the proposed Supervisory Agreement ("Agreement") attached to the minutes of the meeting of the board of directors held on April 16, 1992, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed 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 this 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 the Institution this 16th day of April, 1992.

Secretary

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Jeannette Larson _____