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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 22nd day of June, 1992, by and between Imperial Savings and Loan Association, Inc., Martinsville, Virginia, OTS No. 7270, for itself and its wholly owned service corporations and subsidiaries ("Imperial" or "Institution") and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

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WHEREAS, the OTS is of the opinion that the grounds exist to initiate administrative proceedings against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 and Supp. I 1989); and

and without admitting or denying that grounds exist to initiate such administrative proceedings, RAW

WHEREAS, the Institution, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement to avoid the initiation of such administrative proceedings on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceedings against the Institution to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of the Agreement that pertain to such actions; and

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures on matters not specifically covered by this Agreement that the OTS considers appropriate under the circumstances.

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

MANAGEMENT

1. The Board of Directors of Imperial (the "Board") shall develop and submit a detailed written plan to the Regional Director by no later than July 31, 1992, which sets forth the Institution's strategy for obtaining a successor to President Muse. The Institution shall employ a successor to President Muse by no later than September 30, 1992. *The Regional Director may, upon receiving a written request from the Institution, extend the RAR September 30, 1992, deadline, provided the Institution demonstrates that substantial efforts have been made to employ a successor in accordance with this Paragraph.*

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VALUATION ALLOWANCES

2. The Institution shall establish prudent general and specific valuation allowances in accordance with the provisions of 12 C.F.R. § 563.160. The Board shall document its quarterly review of the adequacy of Imperial's general valuation allowances ("GVAs"), and make such documentation available to OTS examiners immediately upon their request.

3. The Board shall revise Imperial's GVA policy to enumerate the specific procedures followed by the Board to determine whether GVA allowances are adequate. The revised policy shall be adopted by no later than July 31, 1992.

UNDERWRITING

4. Within sixty (60) days of the effective date of this Agreement, the Board shall revise Imperial's loan underwriting policy to correct the deficiencies noted in the Report of Examination (ROE) dated February 3, 1992. The Board shall ensure that management implements the revisions immediately thereafter.

5. The Board also shall take steps to ensure that all real estate loans are underwritten in accordance with 12 C.F.R. § 563.170(c)(1) and that no funds are disbursed on such loans unless and until Imperial has received a title opinion and an appraisal report that satisfies the requirements of 12 C.F.R. Part 564.

REAL ESTATE OWNED

6. The Board shall ensure that Imperial obtains appraisal reports on all real estate owned (REO) upon acquisition by Imperial of such REO. Imperial shall record the REO at the lower of cost or fair market value.

7. The Board shall ensure that Imperial lists all of its REO with real estate brokers and/or agents for disposal.

INTEREST RATE RISK

8. The Board shall require that Imperial's management submits to the Board quarterly analyses of the interest rates Imperial pays on deposits and the interest rates Imperial receives on its investments. The Board shall use such analyses to monitor Imperial's ongoing interest rate risk, and ~~to require a reduction by management of the number of jumbo certificates of deposit (over \$95,000) maintained by Imperial.~~

Handwritten notes:
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*offshore
sale W.H.
W.B.I.*

LOANS INVOLVING CONFLICTS

9. Imperial shall cease and desist from extending any additional credit to Michael Muse unless and until his present obligations to Imperial are paid in full. *or accepting any checks or other payment instruments (other than cashier's checks) from USA or PAW*

10. The members of the Board and President Muse shall recuse themselves and not participate in any way (approval, refinance, rollover, ratification, etc.) in the consideration of any future loans to any of their family members.

11. Within thirty (30) days of the effective date of this Agreement, the Board shall develop and submit to the Regional Director a plan to reduce Imperial's exposure to loans made to Michael Muse. Each quarter thereafter, the Board shall submit to the Regional Director a progress report detailing the progress made in reducing Imperial's exposure to loans made to Michael Muse. Such reports shall continue until such time as Michael Muse's indebtedness to Imperial is paid in full or until Imperial is notified by the Regional Director that such reports are no longer necessary.

12. Imperial shall record any indicated losses resulting from the loans made to Michael Muse and shall identify in the plan and/or the reports submitted pursuant to Paragraph Eleven above specific steps to be taken by Imperial to recover amounts that are written off on such loans.

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, and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Agreement, references to regulations, bulletins, memoranda, and publications shall include any successor regulations, bulletins, memoranda, and publications.

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 agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. § 1818(b)(1).

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 Director. The Regional Director may suspend, in his sole discretion, any or all provisions of this Agreement.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Institution, by its duly elected directors, have executed this Agreement.

Imperial Savings and Loan Association
Martinsville, Virginia
OTS No. 7270

By: /s/
~~Director~~

By: /s/
Director

By: _____

Director

By: _____
Director

By: _____
Director

OFFICE OF THRIFT SUPERVISION

By: /s/
John E. Ryan
Regional Director

DIRECTORS' WAIVER OF NOTICE

I hereby waive notice of the meeting of the Board of Directors of Imperial Savings and Loan Association, Martinsville, Virginia, OTS No. 7270, at 1:30 PM, on the 18th day of June, 1992, at which the Board of Directors considered and adopted the attached resolution concerning a Supervisory Agreement between Imperial Savings and Loan Association and the Office of Thrift Supervision.

By: 151
Director

By: 151
Director

By: 151
Director

By: _____
Director

**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly qualified Secretary of Imperial Savings and Loan Association, Martinsville, Virginia, OTS No. 7270, ("Imperial" or "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 the 18 day of June, 1992, and 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 Imperial have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the grounds exist to initiate administrative proceedings against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989); and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of such administrative proceedings in connection with the matters referred to in the attached Supervisory Agreement ("Agreement") if the Agreement is executed by the Institution and if its terms are thereafter complied with 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 the 18 day of June, 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 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.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Imperial this 18 day of June, 1992.

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Secretary