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SUPERVISORY AGREEMENT AMONG  
WESTERN FEDERAL SAVINGS AND LOAN ASSOCIATION,  
WESTERN SAVERS CORPORATION  
AND  
THE OFFICE OF THRIFT SUPERVISION

This Supervisory Agreement ("Agreement") is made and is effective this 20<sup>th</sup> day of July 1992, by and among Western Federal Savings and Loan Association, Marina del Rey, California (hereinafter "WF" or the "Institution"), Western Savers Corporation (hereinafter "WSC"), its wholly-owned subsidiary, and the Office of Thrift Supervision ("OTS"), a bureau of the Department of Treasury, an agency of the United States.

WHEREAS, the OTS is of the opinion that the condition of WF and WSC warrant improvement, and

WHEREAS, WF and WSC would like to resolve OTS's supervisory concerns in a cooperative manner, and

WHEREAS, in signing this Agreement, WF and WSC are not admitting that they have violated any law, rule or regulation,

NOW THEREFORE, WF, WSC, and OTS agree as follows:

1. MANAGEMENT AND BOARD OF DIRECTORS

WF and WSC shall endeavor to have and retain competent and qualified management and Boards of Directors (jointly the "Board") that are acceptable to the OTS.

- (a) Each member of management and the Board shall have qualifications and experience commensurate with his or her duties at WF and WSC.
- (b) The qualifications of management and the Board shall be assessed by the OTS on the ability of each member of management or director to:
  - i) comply with the requirements of this Agreement;
  - ii) operate WF/WSC in a safe and sound manner;
  - iii) comply with the policies of the OTS and applicable laws and regulations; and
  - iv) correct the deficiencies noted in the report of examination for the examination concluded April 9, 1992.

(c) Within 60 days after the date of this Agreement, the Board shall develop and oversee the implementation of and adherence to policies and procedures for the annual performance review of all executive management personnel of WF holding the office of Executive Vice President and above. Such policies and procedures shall include, but not be limited to, a review by the Board of those annual performance reviews to evaluate, to the extent of the information reasonably available to it, that such executive management is properly performing its duties and operating in accordance with WF's policies and procedures and OTS regulations and guidelines.

2. CONFLICTS OF INTEREST

The Board shall oversee the compliance of all employees, management, and members of the Board with OTS conflict of interest rules and regulations and shall adopt or revise, within 60 days after the date of this Agreement, conflict of interest policies and procedures consistent with applicable federal rules and regulations including, but not limited to, 12 C.F.R §§ 563.41, 563.42, 563.43 and 571.5. Said policies and procedures shall be treated as a "Plan" under this Agreement and shall be submitted to the OTS for its approval or non-objection pursuant to Paragraph 12 of this Agreement. Additionally, each member of the Board shall certify, on an annual basis, that to the best of his or her knowledge no

actual or potential conflict of interest exists, or has occurred or been engaged in during that year, by that Board member and the Institution.

3. STAFFING

WF shall maintain adequate and well qualified staff in the internal audit department, the internal asset review department, the special assets department, and the finance division, and a training coordinator who is available to train loan underwriters at loan centers.

4. CONSULTANTS

The Board shall develop and oversee the implementation and adherence to policies and procedures that provide for assessing the reasonableness of hiring business consultants. Such assessments shall include the conducting and reviewing of cost/benefit studies. The Board shall consider the reasonableness of retaining any such consultants currently used by the Institution, including, but not limited to, consultants hired to manage and workout troubled assets within the special assets division.

5. SEPARATION OF FUNCTIONS

The Board shall develop and oversee the implementation of and

adherence to policies and procedures that (i) establish cost allocation, pricing and a basis for determining profitability for each of the mortgage banking and portfolio lending functions and (ii) govern the operations of each function. In addition, a profitability analysis shall be developed and used to evaluate the performance of these business lines. Pursuant to Paragraph 12 of this Agreement, the Board shall submit to the OTS within 90 days these policies and procedures and a schedule to implement them, all of which shall constitute a "Plan" under this Agreement. Once said Plan is approved or not objected to, the Board shall submit a status report to the OTS on a quarterly basis.

6. RESOLUTION OF PROBLEM ASSETS

- (a) The Board shall require management to develop asset disposition schedules to reduce the amount of WF's classified and/or nonperforming assets and the Institution's related loss exposure. The Board shall review management's performance with respect to these schedules on at least a quarterly basis and shall document such review as well as any resulting revisions to the schedules in its minutes.
  
- (b) All loan workouts shall be based on applicable laws, rules and regulations, not overly compensate the related borrowers, and be appropriately documented thereunder.

Relevant policies and procedures shall be developed and/or revised within 60 days after the date of this Agreement.

7. INTERNAL ASSET REVIEW

(a) WF shall improve its internal asset review system by systematically analyzing its current system and immediately preparing a corrective action plan for all internal asset review deficiencies noted in the Regular Federal Examination Report of WF concluded April 9, 1992 (the "Examination Report"). Pursuant to Paragraph 12 of this Agreement, the Board shall submit such Plan to the OTS within 60 days after the date of this Agreement. At minimum, the IAR system should identify problem assets in a timely manner, provide reliable information for establishing and maintaining adequate specific and general valuation allowances, and establish methodologies by which an asset will be selected for review. In addition, the IAR system shall cover all assets and should specify the frequency with which assets are reviewed.

(b) The Board has heretofore established written policies and procedures related to general valuation allowances. The Board shall confirm to the OTS in writing its belief

that as of March 31, 1992, WF's level of specific and general valuation allowances at such date was adequate, based on information available at such date. Thereafter, the Board shall at all times endeavor to maintain adequate reserves. The Board shall review the adequacy of such valuation allowances on at least a quarterly basis and shall document such review in its minutes.

8. UNDERWRITING

The Board shall develop and oversee implementation of and adherence to policies and procedures to provide adequate training on safe and sound lending practices to WF's underwriters. Such policies and procedures shall include, but not be limited to, generally uniform credit underwriting standards for loans originated for WF's portfolio and loan originated for sale, with the exception for the Institution's need to fulfill its obligations under the Community Reinvestment Act and its implementing regulations.

9. OTHER POLICIES AND PROCEDURES

The Board has approved the adoption of written policies and procedures dealing with the Funds Acquisition Department. The Investment Committee of the Board, acting upon the recommendation of the Institution's Asset Liability Committee, has approved the adoption of written policies and procedures concerning purchases and sales of mortgage-backed securities. In addition, the Board shall cause management and/or staff to update the secondary marketing policy. The Institution's hedging policies and investment policies have been revised in accordance with recommendations contained in the Examination Report and such revised policies have been approved by the Investment Committee and the Board. The Board shall oversee the timely review and amendment of all such policies as appropriate.

10. BOOK AND RECORDS

All books and records of WSC shall be complete and adequately maintained. Among other things, the Board shall require that all real estate investment projects be segregated in WSC's accounting system and that each project be assigned a general ledger account number. It shall further require that all of WSC's general ledger accounts are adequately supported by source documentation.

11. CORE DEPOSIT PREMIUM

The Board has heretofore submitted documentation evidencing both the market valuation and the separability of its core deposit premium (CDP) as of April 30, 1992. Also, the Board shall ensure the adoption of policies and procedures for the annual valuation of the CDP.

12. SUBMISSION OF PLANS TO THE OTS

The Plans required to be prepared under this Agreement shall be submitted to the OTS for its review and nonobjection. Such nonobjection shall not be unreasonably withheld. If the OTS indicates its written approval of, or nonobjection to, any Plan submitted, such Plan shall be incorporated by reference as part of this Agreement, and WF and WSC shall be required to implement and adhere to any such Plan as though it were fully set forth herein. The Board shall promote the immediate implementation of Plans submitted to the OTS by expressly authorizing management to execute the provisions of any Plan submitted upon OTS's approval or nonobjection. Unless otherwise specified in this Agreement, any Plan required to be prepared hereunder shall be submitted to the OTS within 90 days after the date of this Agreement.

13. CORRECTIVE ACTION PLANS

The Board shall submit a detailed plan of action, including time frames, for the correction of all deficiencies cited in the Examination Report, to the extent that a Plan for corrective action is not expressly required by this Agreement. This detailed action plan shall include a description of the additional procedures, internal controls and follow-up mechanisms developed to prevent a recurrence of similar issues.

14. OPERATING RESOLUTION

While this Agreement is in effect, management shall submit to the Board for its review a written report prepared by the last day of each month following the applicable calendar quarter which, in good faith, and to the best of management's knowledge and belief, indicates that the Institution has been in compliance with all obligations under this Agreement during the preceding calendar quarter, unless otherwise noted therein. This report shall be delivered to the Assistant Regional Director ("ARD") for the West Region of the OTS within 10 days after such review, along with a Board Resolution duly certified by the Institution's corporate secretary, which either (a) states that to the best of the Board's knowledge and belief, and based upon the Board's prudent review of the report provided by management, the Institution (including its Board) was in compliance with each and every obligation under this

Agreement at all times during the preceding calendar quarter, or (b) indicates any instance of noncompliance with any of such obligations and specifies the measures taken to cure such noncompliance.

15. NO WAIVERS BY OTS

The OTS does not relinquish any of its rights to take any supervisory or other action whatsoever as a result of this Agreement. The Board, WF, and WSC acknowledge that none of them has received any representations inconsistent with or contrary to the requirements of this Agreement by OTS or any of its agents or employees. Any forbearance, failure or delay by the OTS in exercising or partially exercising any right, power, or remedy shall not preclude its further exercise.

16. FIDUCIARY OBLIGATIONS OF THE BOARD AND MANAGEMENT

Notwithstanding anything to the contrary contained in this Agreement or the Plans mentioned in Section 12 hereof, in performing or adhering to the terms of this Agreement or the Plans referred to in said Section 12, neither the Board of the Institution nor the officers of the Institution, either individually or collectively, shall be obligated or required to take any action that would violate any fiduciary obligation or law, rule or regulation.

17. WORDS AND PHRASES

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 have the meanings as defined in the pertinent regulations of the OTS in effect as of the date of this Agreement, and any such technical words or terms used in this Agreement and undefined in said regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.

18. AUTHORIZATION TO EXECUTE; BINDING AGREEMENT; ENFORCEMENT OF AGREEMENT

This Agreement has been duly authorized, executed, and delivered, and constitutes in accordance with its terms, a valid and binding agreement between WF, WSC and OTS. The Board hereby agrees to provide management with appropriate written authority to implement each of the provisions of this Agreement. The Board further understands and agrees that this Agreement is a "written agreement" between the depository institution and the agency, as that term is used in Section 8 of the Federal Deposit Insurance Act (12 U.S.C. Section 1818).

19. ENTIRE AGREEMENT; AMENDMENT OF AGREEMENT

This Agreement constitutes the entire agreement between the

parties and supersedes any prior agreements, representations, and understanding, either oral or written, relating to the subject matter hereof. No amendment or modification of this Agreement shall be valid and binding unless executed in writing by the OTS, WSC and WF. The ARD for the West Region of the OTS shall only grant a modification of this Agreement if such modification is deemed necessary or desirable, in his or her sole discretion.

20. SUCCESSORS AND ASSIGNS

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.

21. TERMINATION OF AGREEMENT

The OTS, acting through an ARD, shall have the power to terminate this Agreement at any time. The ARD shall grant written requests for termination of this Agreement, if, in his or her opinion, WF and WSC have satisfactorily complied with the terms of this Agreement for a period of time deemed appropriate by the ARD.

22. BOARD RESOLUTION

A certified copy of the resolutions of the Board of WF and of WSC evidencing their respective willingness to enter into this

Agreement, their authorization to execute same, their intent to be bound thereby and requiring action to be taken to comply with its terms, is attached hereto as Exhibit A and made a part hereof.

Approved:

OFFICE OF THRIFT SUPERVISION

By: 151  
Marianne D. Wright

WESTERN FEDERAL SAVINGS  
AND LOAN ASSOCIATION, by its  
Board of Directors

By: 151  
Hugh Evans, Jr., Chairman of  
the Board

By: 151  
C. Earla Cokett

By: 151  
Richard S. Crowley

151  
James L. Loper

By: \_\_\_\_\_  
Preston Martin

By: 151  
Mark S. Nussbaum

By: 151  
Larry B. Thrall

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Approved:

OFFICE OF THRIFT SUPERVISION

WESTERN FEDERAL SAVINGS  
AND LOAN ASSOCIATION, by its  
Board of Directors

By: LS/  
Marianne D. Wright

By: \_\_\_\_\_  
Hugh Evans, Jr., Chairman of  
the Board

By: \_\_\_\_\_  
C. Earl Corkett

By: \_\_\_\_\_  
Richard S. Crowley

By: \_\_\_\_\_  
James L. Lober

By: LS/  
Preston Martin

By: \_\_\_\_\_  
Mark S. Nussbaum

By: \_\_\_\_\_  
Larry B. Thrall

WESTERN SAVERS CORPORATION  
by its Board of Directors

By: 15/  
Hugh Evans, Jr., Chairman of  
the Board

By: 15/  
C. Earl Corkett

By: 15/  
Richard S. Crowley

By: 15/  
James L. Loper

By: 15/  
Dreston Martin

By: 15/  
Mark S. Nussbaum

By: 15/  
Larry B. Thrall

WESTERN SAVERS CORPORATION  
by its Board of Directors

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Richard S. Crowley

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James L. Lopez

By: 151 \_\_\_\_\_  
Preston Martin

By: \_\_\_\_\_  
Mark S. Nussbaum

By: \_\_\_\_\_  
Larry B. Thrall