

95063

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 29th day of July, 1992, by and between AmWest Savings Association, Bryan, Texas (OTS No. 8539) ("Institution") for itself and 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. §§ 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. § 563.161(a), and has engaged in unsafe or unsound practices in conducting the business of the institution, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with 12 C.F.R. § 563.161(a) in the manner specified in the Report of Examination for the OTS examination of the Institution commenced on March 23, 1992, as of March 23, 1992, and its unsafe or unsound practices as set forth in the Institution's examination report for the OTS examination dated March 23, 1992 so long as the Institution is in compliance with the provisions of this Agreement; 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 cease and desist proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

Business Plan

1. By no later than November 1, 1992, the Institution shall submit to the Regional Deputy Director for the Dallas Area, Midwest Region, OTS, or his successor or designee ("Regional Deputy Director"), for review and notice of no supervisory objection, a Business Plan. The Institution shall amend the Business Plan as directed by the Regional Deputy Director and shall make its best efforts to act in accordance with the Business Plan as so amended (if so amended). The Business Plan shall contain the following components:

(a) a business strategy for the Institution which shall address (i) the goals and objectives for the Institution adopted by the board of directors of the Institution ("Board of Directors") to promote the profitability and capital adequacy of the Institution; (ii) risk management; (iii) operating results; (iv) outstanding issues involving the Resolution Trust Corporation ("RTC"); and (v) the interest-rate scenario assumptions upon which the Business Plan is based;

(b) financial projections for the Institution for the three-year period beginning on the adoption of the Business Plan, prepared on a quarterly basis and containing major balance sheet and income statement components; and

(c) a budget with respect to the overall operations of the Institution for its 1993 fiscal year.

Covered Asset Administration

2. (a) The Board of Directors shall, on a calendar semiannual basis, review the Institution's policies and procedures governing the administration of covered assets in accordance with the Assistance Agreement entered into with the Federal Savings and Loan Insurance Corporation, dated October 14, 1988, and, in the absence of specific operational direction from the RTC to the contrary, shall require commercially prudent practices and direct the implementation of corrective measures if any are appropriate. The results of such review shall be reflected in the minutes of the Board of Directors' meetings and the accompanying Board of Directors' information package for such meetings.

(b) Within 30 days of the effective date of this Agreement, the Board of Directors shall analyze the risk and collectability of assets associated with the "Outstanding RTC Interpretive Issues" identified in Comment II. C. (on pages 8 and 9) of the OTS Report of Examination for the examination of the Institution commenced March 23, 1992, and shall provide a written report of its findings to the Regional Deputy Director.

(c) Beginning in the first full calendar month following the effective date of this Agreement, the Institution shall provide to the Regional Deputy Director a written, monthly report summarizing the balances, and reserves established against, all receivables or claims from or against the Resolution Trust Corporation, as reflected on the books of the Institution.

Uncovered Asset Administration

3. (a) The Board of Directors shall review on a quarterly basis (i) management's progress for such quarter as measured against anticipated resolution targets for such quarter and (ii) any significant changes to the action plans for resolution of the Institution's noncovered classified assets proposed by management of the Institution. The results of such review shall be reflected in the minutes of the Board of Directors' meetings and the accompanying Board of Directors' informational package for such meeting.

(b) The Board of Directors shall review on a quarterly basis its general valuation allowance ("GVA") policy and its level of GVAs and shall, at such time, verify that all at-risk assets are appropriately subject to the establishment of adequate GVAs. The results of such review and verification shall be reflected in the minutes of the Board of Directors' meetings and the accompanying Board of Directors information packages for such meetings.

Audit Committee and Management Restructuring

4. (a) Within 30 days of the effective date of this Agreement, the Board of Directors shall create an audit committee, consisting entirely of all members of the Board of Directors who do not serve as officers of the Institution, and authorize such audit committee to exercise such powers as are necessary to serve an audit function and otherwise satisfy the requirements of this Paragraph.

(b) The staff of the Institution that conducts the following functions shall, with regard to their duties in such functions, report directly to the new audit committee upon its creation:

- (i) internal audit;
- (ii) loan review; and
- (iii) compliance.

(c) Within 90 days of the effective date of this Agreement, the Board of Directors shall review the Institution's management structure, lines of authority, and inter-departmental communications and shall submit to the Regional Deputy Director a written report of its findings and conclusions regarding the Institution's management structure and its potential restructure.

Board of Directors and Management Reports

5. The Board of Directors, its members, and members of senior management of the Institution shall assertively exercise their fiduciary duties to the Institution. Among other actions, in furtherance of this objective, the following actions shall be undertaken:

(a) The Board of Directors and its members shall immediately familiarize themselves with the guidelines of the OTS pamphlet, Director Information Guidelines, and shall act in a manner consistent with such guidelines.

(b) The Board of Directors and management of the Institution shall take actions in an attempt to ensure that management reports are clear, precise, and streamlined without eliminating information needed for the proper functioning of the Board of Directors.

Duplicative Data Processing Systems

6. The Institution, its management, and its Board of Directors shall use their best efforts to identify and eliminate duplicative data processing systems as promptly as is feasible.

Audits of Subsidiaries

7. (a) Within 60 days of the effective date of this Agreement, the Institution shall cause either an internal audit or an external audit to be conducted each of Briarcrest Insurance, Inc. and of Anderson Agency.

(b) In the course of each regular annual audit of the Institution, the Institution shall cause to be audited, in accordance with all applicable standards and requirements, an audit of each of the Institution's operating subsidiaries that is not covered by the 1988 assistance agreement between the Institution and the Federal Savings and Loan Insurance Corporation.

Growth

8. In the absence of prior written approval by the Regional Deputy Director, the Institution shall not increase its consolidated total assets (as is, or should be, reported on its quarterly thrift financial reports) during any calendar quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter.

Provisions Regarding Officers, Directors, and Employees

9. (a) Pursuant to Section 32 of the Federal Deposit Insurance Act ("FDIA"), codified at 12 U.S.C., paragraph 1831i, and OTS Thrift Bulletin 45, the Board of Directors shall notify the Regional Deputy Director of the proposed addition or employment of any director or senior executive officer or transfer of any senior executive officer before such addition, employment, or transfer becomes effective. The Board of Directors may not add or employ any director or senior executive officer or transfer laterally any senior executive officer if the Regional Deputy Director issues a notice of disapproval no later than 30 days after the notice was deemed complete.

(b) Pursuant to the principles of safety and soundness communicated in OTS Regulatory Bulletin 27, the Institution shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director, executive, officer, or other institution-affiliated party of the Institution or any subsidiary or affiliate thereof, unless it first (i) provides a minimum of thirty-days advance, written notice of the proposed transaction to the Regional Director of the Midwest Region, OTS, or his successor or designee ("Regional Director") and (ii) receives a written notice of non-objection from the Regional Director with regard to the transaction.

(c) The Institution shall not make any "golden parachute payment", as that term is defined in Section 18(k) of the FDIA, 12 U.S.C., paragraph 1828 (k) ("Section 18(k)"), and as it may be further defined in regulations adopted by the

Federal Deposit Insurance Corporation ("FDIC") under that authority, or any indemnification payment unless it does so in compliance with Section 18(k) and all regulations (if any) promulgated thereunder.

Third Party Contracts

10. The Institution shall not enter into any contract for the provision of services to the Institution outside of the normal course of the Institution's business without the prior, formal approval of the Board of Directors and the prior, written notice of non-objection by the Regional Director, pursuant to the guidelines of OTS Thrift Bulletin 50.

Termination of Prior Supervisory Agreement

11. Upon execution of this Agreement, it is hereby agreed that the Institution shall not be subject in the future to the requirements of the Supervisory Agreement dated September 25, 1991, executed by the Institution and OTS.
12. The Board of Directors and the officers, employees, and agents of the Institution shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate to cause the Institution to comply with the terms of this Agreement.

General Provisions

13. The Board of Directors shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of management reports, during the previous calendar month the Institution and its subsidiaries complied with each condition of this Agreement except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exceptions to any conditions of this Agreement approved by the Regional Deputy Director. Within forty-five days of each regular Board of Directors' meeting, the Institution shall submit to the Regional Deputy Director a copy of the minutes of each Board of Directors' meeting, the minutes of any subsidiary board of directors' meeting, the minutes of Board of Directors' committee(s) meetings, the aforementioned resolution, and the management report(s) of the Institution. Each director shall at such time either provide the Regional Deputy Director with certification that, to the best of his or her knowledge and belief, and based upon a prudent review, the above-referenced resolution is accurate or provide the Regional Deputy Director with a written statement providing in detail the reason(s) for disagreement with the resolution.
14. Notwithstanding the requirements of this Agreement that the Board of Directors submit various matters to the Regional Director or Regional Deputy Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board of

Directors shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations of the Regional Director and Regional Deputy Director as required by this Agreement.

15. (a) This Agreement shall remain in effect until terminated, modified or suspended in writing by its Director or the Regional Director.

(b) The Regional Director, in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.
16. 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 sole discretion determines otherwise.
17. (a) Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting, in any way, the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

(b) To the extent that any provision of the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102-242, 105 Stat. 2236 (December 19, 1991) ("FDICIA") or any regulation(s) promulgated thereunder imposes more restrictive requirements than any provision contained in this Agreement (either expressly or through OTS interpretive Bulletins or policy statements), such provision(s) of the FDICIA or such regulation(s) shall be controlling.
18. (a) As used in this Agreement, the Regional Deputy Director and the Regional Director are the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d), 103 Stat. 183 (1989).

(b) As used in this Agreement, the term "subsidiary" or "subsidiaries" shall be as defined in 12 C.F.R. § 567.1(dd).

(c) As used in this Agreement, the term "savings association" shall have the meaning as set forth in Section 2(4) of the HOLA, as amended by Section 301 of the FIRREA, § 301, 103 Stat. 183 (1989).

(d) As used in this Agreement, the term "affiliate" shall be as defined in 12 U.S.C. § 371c(b).

(e) 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 of this Agreement pursuant to Section 401(h) of the FIRREA, § 401(h), 103 Stat. 183 (1989), and references to successor provisions as they become applicable.

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, HOLA, and Federal Deposit Insurance Act, as amended ("FDIA"). 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.

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 Deputy Director.

IN WITNESS WHEREOF, the OTS, acting through the Regional Deputy Director, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

AMWEST SAVINGS ASSOCIATION
Ryan, Texas

15/
Director

OFFICE OF THRIFT SUPERVISION

By: 15/
Regional Deputy Director

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

I, the undersigned, being the duly qualified Secretary of AmWest Savings Association, Bryan, Texas (OTS No. 8539) ("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 July 29, 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 directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and that such alleged violations and practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS the said directors have been informed that the OTS will forbear from the initiation of such proceedings as a result of the Institution's alleged failure to comply with 12 C.F.R., paragraph 563.161(a) in the manner specified in the Report of Examination for the OTS examination of the Institution commenced on March 23, 1992, as of March 23, 1992 (the "Examination Report"), to which the Institution is subject, and the Institution's alleged unsafe or unsound practices as set forth in the Examination Report, 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 proposed Agreement attached to the minutes of the meeting of the board of directors held on July 29, 1992; and

WHEREAS after due consideration, the directors of the Institution have determined, without admitting to the validity of any of the allegations contained in the Examination Report, to enter into the proposed Agreement in the interest of regulatory compliance and cooperation.

NOW, THEREFORE BE IT RESOLVED that the proposed Agreement, a copy of which is attached hereto and the provisions of which (to the extent not in conflict with the terms hereof) 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 and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of AmWest Savings Association, Bryan, Texas, this 29th day of July, 1992.

15/

Keith H. Kuttler, Secretary