

SUPERVISORY AGREEMENT
BETWEEN
GREAT PACIFIC BANK, S.S.B.
AND THE
OFFICE OF THRIFT SUPERVISION

This Supervisory Agreement ("Agreement") is made and is effective this 20th day of June 1991, by and between Great Pacific Bank, S.S.B., Burlingame, California (hereinafter "GPB" or the "Institution") and the Office of Thrift Supervision ("OTS"), a bureau of the Department of the Treasury, an agency of the United States. References in this Agreement to the Institution shall be understood to include all wholly owned or majority owned subsidiaries of the Institution unless a contrary meaning is apparent.

WHEREAS, the OTS is of the opinion that GPB has engaged in practices or failed to take certain actions in operating the business of the Institution that warrant supervisory correction;

WHEREAS, neither the Board of Directors of the Institution nor the Institution does hereby admit or deny that GPB has engaged in practices or failed to take certain actions that warrant supervisory correction, or that such practices or failure to take such actions warrant supervisory correction;

WHEREAS, the OTS acknowledges that GPB has initiated and implemented some supervisory corrections; and

WHEREAS, in the interest of resolving OTS's supervisory concerns in a cooperative manner, GPB and OTS agree as follows:

Board Oversight

1. Within 30 days after the effective date of this Agreement, the Board of Directors of GPB ("Board") shall submit for review and non-objection by the OTS a detailed action plan ("Action Plan") to effect correction of all deficiencies and exceptions, as well as all violations of law, rules, and regulations cited in GPB's Report of Examination dated as of August 22, 1990 ("1990 ROE"); provided, however, in doing so GPB shall not waive its rights to respond or challenge any item contained in the 1990 ROE. The Action Plan shall include, among other things, a description of the additional procedures, internal controls, and follow-up mechanisms developed for implementation to prevent a recurrence of similar deficiencies, exceptions and violations, and a schedule of dates for completion of each corrective step in the Action Plan.
2. Within 30 days after the effective date of this Agreement, the Board shall take such action as may be necessary or appropriate to increase its regularly scheduled meetings from quarterly to monthly. In preparation for these meetings, management shall provide the Board with information sufficiently comprehensive to provide for

informed review of management activities and appropriate direction to management. The minutes of these meetings shall be sufficiently detailed so as to evidence adequate consideration and deliberation by the Board in the exercise of the Board's oversight of the Institution's operations.

3. After the effective date of this Agreement, except for those transactions described in Exhibit A, which is attached hereto and made a part of this Agreement, GPB shall not engage either directly or indirectly in any transaction with an affiliate or an affiliated person without the prior written approval of OTS. Within 30 days after the effective date of this Agreement, the Board shall develop and implement comprehensive conflict of interest policies and procedures for transactions with affiliates and affiliated persons, including, without limitation, loans to directors, officers, and employees, consistent with applicable laws, rules and regulations, and the Board shall take all steps necessary or appropriate to assure adherence to those policies and procedures.
4. Within 30 days after the effective date of this Agreement, the Board shall develop and implement a Management Plan, which shall include but not be limited to the following elements: a) segregating each of the Institution's operational functions so as to avoid potential conflicts (e.g., audit functions separate from all others, appraisals separate from loan originations, etc.); b) specifying details regarding the restructuring of the lending function; and c) using the Board's best efforts to secure a qualified full-time managing officer in light of Michael A. Heren's resignation.

Internal Controls

5. The Board shall use its best efforts: a) to hire an additional internal auditor within 60 days after the effective date of this Agreement, and, b) within 120 days after the effective date, to expand its internal control and audit programs ("Audit Programs") to cover all major functions of the Institution's operations not already covered by such programs, including, without limitation, the lending and secondary marketing functions. The Audit Programs must include, among other things: (i) the ongoing review by the internal auditors of adherence to all Board approved policies and procedures; (ii) an audit review of the correction of all deficiencies noted in the 1990 ROE; and (iii) preparation of an audit schedule covering all major functions of the Institution on at least an annual basis, which the Board shall review and approve, and the Board shall prepare minutes documenting its review of such schedule in sufficient detail as to evidence adequate consideration and deliberation by the Board of its oversight of this function.

Asset Quality

6. Within 60 days after the effective date of this Agreement, the Board shall prepare and implement an asset quality plan ("Asset Quality Plan"), to require the Institution to use its best efforts to reduce the level of the criticized assets set forth in Exhibit A of the 1990 ROE, and any real estate owned and loans not listed in such Exhibit A for which a specific reserve has been established, or will be established, at which time the Asset Quality Plan will be amended to include such real estate owned or loans; provided, however, the Asset Quality Plan need not address the "B" Street Partnership asset unless and until the litigation associated therewith has been resolved by settlement, judgment or otherwise; provided further, that the Institution shall use its best efforts to resolve such litigation as promptly as is economically practicable, and at the time of such resolution amend the Asset Quality Plan to include this asset.
7. At its next Board meeting, the Board shall direct GPB management to adhere to all applicable laws, rules and regulations, generally accepted accounting principles (i.e., GAAP), and GPB's policies regarding reappraisals of property obtained by foreclosure prior to foreclosure, and require that GPB management submit to the Board on a monthly basis a report of property obtained by foreclosure, which report shall include, without limitation, the dates of the required reappraisals and the names, addresses and phone numbers of the appraisers who performed them.

Policies and Procedures

8. Within 60 days after the effective date of this Agreement, the Board shall:
 - (a) correct the internal asset review ("IAR") deficiencies cited in the 1990 ROE and take the steps necessary or appropriate to ensure that the Board and GPB management thereafter immediately implement and adhere to GPB policy with respect to IAR;
 - (b) increase GPB's general valuation allowances ("GVA") to a total of \$750,000 as of December 31, 1990, change the GVA methodology as required by the 1990 ROE, and take the steps necessary or appropriate to ensure that the Board and GPB management thereafter immediately implement and adhere to GPB policy with respect to GVAs;
 - (c) correct the loan underwriting deficiencies cited in the 1990 ROE and take the steps necessary or appropriate to ensure that the Board and GPB

management thereafter immediately implement and adhere to GPB policy regarding this matter;

- (d) correct the construction disbursement and inspection deficiencies cited in the 1990 ROE and take the steps necessary or appropriate to ensure that the Board and GPB management thereafter immediately implement and adhere to GPB policy regarding this matter;
- (e) correct the interest rate risk ("IRR") deficiencies cited in the 1990 ROE and take the steps necessary or appropriate to ensure that the Board and GPB management thereafter immediately implement and adhere to GPB policy with respect to IRR;
- (f) develop policies for secondary marketing operations and take the steps necessary or appropriate to ensure that the Board and GPB management thereafter immediately implement and adhere to those policies; and
- (g) establish accounting procedures for the excess servicing premium that conform to applicable laws, rules and regulations and take the steps necessary or appropriate to ensure that the Board and GPB management thereafter immediately implement and adhere to such accounting procedures.

Appropriate evidence of satisfactory completion of each of the requirements set forth in this Paragraph 8, including but not limited to journal entries, Board minutes, or reports, shall be submitted to the OTS within 45 days after the effective date of this Agreement.

Operations

- 9. Within 60 days after the effective date of this Agreement, the Board shall develop and implement a new business plan or an updated version of its business plan submitted to OTS on December 7, 1990, detailing its strategy and budget to guide and control the Institution's operations from the effective date of this Agreement through December 31, 1992, and thereafter shall review and update such a plan on at least a quarterly basis.

Board Implementation

- 10. Except as to those plans, policies, procedures or evidence of corrective or other actions expressly required by this Agreement to be submitted directly to the OTS, all plans, policies, procedures, and corrective or other actions required by this Agreement that shall be prepared or implemented by GPB management shall be submitted to the Board for review and approval. Upon review and approval by

the Board, the Board shall direct management to implement and adhere to such plan, policy, procedure, or action. The process described in this Paragraph 10 for the plans, policies, procedures and actions required by this Agreement shall be completed within the time specified in this Agreement.

OTS Review

11. All plans, policies, procedures, or evidence of corrective or other actions required by this Agreement shall be maintained by GPB for review by OTS for compliance with this Agreement.
12. The Board shall submit to OTS by the ^{20th} ~~tenth~~ day following each calendar quarter during the duration of this Agreement a report detailing GPB's progress, status and/or adherence to each of the requirements set forth in Paragraphs 1 through 11 of this Agreement. Included in such quarterly report shall be sufficient detail of the evidence the Board reviewed to establish the progress, status and/or adherence to the requirements of Paragraphs 1 through 11.

Agreement Terms

13. The OTS does not relinquish any of its rights to take any supervisory or other action whatsoever with respect to GPB as a result of this Agreement. GPB acknowledges that it has not received any oral or written representations to the contrary by OTS or any of its agents or employees.
14. 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 meanings as defined in the applicable OTS laws, rules or regulations, and any such technical words or terms used in this Agreement and undefined in such laws, rules or regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.
15. This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of GPB and the OTS. It is understood and agreed that this Agreement is a "written agreement" between the depository institution and the OTS, as that term is used in Section 8 of the Federal Deposit Insurance Act (12 U.S.C. Section 1818).
16. This Agreement constitutes the entire agreement between the OTS and the Institution. No amendment or modification of this Agreement shall be valid and binding unless executed in writing by both the OTS and GPB.

17. 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.
18. This Agreement shall remain in effect until terminated by the OTS, acting through the Regional Director of the West Region from its offices in San Francisco, or such Regional Director's duly authorized designee.
19. A certified copy of the Board's resolution authorizing the execution of this Agreement, evidencing its intent to be bound thereby and requiring action to be taken to comply with its terms, is attached hereto as Exhibit B and made part thereof.

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

OFFICE OF THRIFT SUPERVISION

GREAT PACIFIC BANK, S.S.B.

BY:

15/
 EDWIN L. CHOW
 ASSISTANT REGIONAL DIRECTOR

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CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS OF
GREAT PACIFIC BANK, s.s.b.

I, the undersigned, being the duly qualified Secretary of Great Pacific Bank, s.s.b., Burlingame, California ("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 June 28, 1991; 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;

I further certify that all members of the Board of Directors were present and voted in favor of the resolution;

RESOLUTION

WHEREAS, the Institution's Board of Directors understands that the Office of Thrift Supervision ("OTS") believes that the Institution has engaged in practices or failed to take certain actions in operating its business that warrant supervisory correction:

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 June 28, 1991; and

WHEREAS, the Institution submitted a list of corrective actions already taken and has been notified that the OTS acknowledges the corrective actions the Institution has taken which nonetheless still are provided for in the Agreement;

WHEREAS, after due consideration, the directors of the Institution have executed the proposed Agreement and have transmitted the Agreement with a cover letter stating the directors' position with respect to the Agreement, in the interest of resolving the OTS' supervisory concerns in a cooperative manner;

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 steps necessary or appropriate to immediately implement and adhere to the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Great Pacific Bank, s.s.b. this 28th day of June, 1991.

Date: June 28, 1991

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Sandra R. McCambridge
Secretary