

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 2nd day of July, 1991, by and between First Gibraltar Bank, FSB, Irving, Texas (OTS No. 8561) ("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 Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), §§ 902 and 907, 103 Stat. 183 (1989) (codified as amended at 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. §§ 563.41, 563.161(a), and 563.170(c), 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, in the opinion of the OTS, to comply with 12 C.F.R. §§ 563.41, 563.161(a), and 563.170(c) as of February 11, 1991, 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, without admitting or denying the allegations herein, 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:

Accounting

1. Within 30 days of the effective date of this Agreement, the Institution and its subsidiaries shall maintain such accounting systems, records, and controls as required by 12 C.F.R. § 563.170(c), to provide a complete record of all business transactions and expenses incurred by the directors, officers, and employees of the Institution and its subsidiaries. Specifically, the Institution and its subsidiaries shall maintain, at a minimum: (i) accurate descriptions of expenses incurred; and (ii) supporting documentation for such expenses, as required by the Travel and Entertainment Policy in accordance with Paragraph 2 hereof.

Travel and Entertainment Policy

2. (a) Within 60 days of the effective date of this Agreement, the Board of Directors shall establish a Travel and Entertainment Policy ("Policy") that imposes appropriate controls on the travel and entertainment expenses of the directors, officers, and employees of the Institution and its subsid-

aries in accordance with 12 C.F.R. § 563.161, and submit such Policy to the Regional Deputy Director for review and notice of no supervisory objection.

(b) The Policy required pursuant to Paragraph 2(a), shall include, but not be limited to the following:

- (i) The expense voucher preparation, review, and approval process, including those items directly billed to the Institution and its subsidiaries;
- (ii) Documentation and record-keeping requirements;
- (iii) A procedure for documenting the business purpose of the expenses incurred;
- (iv) Guidelines for determining reasonable expenses;
- (v) A procedure for obtaining exceptions to those guidelines prior to and/or after incurring the expenses;
- (vi) A procedure for monitoring the reimbursement of expenses; and
- (vii) A procedure for providing variance reports in accordance with the budget required by Paragraph 3(a).

Operating Expenses and Compensation

3. (a) Within 90 days of the effective date of this Agreement, the Board of Directors shall require a review of existing operating (non-interest) expenses of the Institution and its subsidiaries, including, but not limited to, compensation expenses and travel and entertainment expenses, and identify all areas where reductions may be reasonably undertaken and the appropriate time frames for such reductions ("Operating Expenses Report"). As used in this Paragraph, compensation includes, but is not limited to, salary, bonuses, fringe benefits, commissions, and fees of any kind, deferred or otherwise. Such Operating Expenses Report shall examine peer group salaries, the relation of senior management's compensation to the operating performance of the Institution and its subsidiaries, and the factors used in determining the amount of bonuses paid to each director, senior officer, or employee of the Institution and its subsidiaries.

(b) Within 120 days of the effective date of this Agreement, the Board of Directors shall submit to the Regional Deputy Director for review and notice of no supervisory objection the Operating Expenses Report prepared pursuant to Paragraph 3(a). Such report shall state the assumptions used by the Board of Directors in undertaking the review required by Paragraph 3(a).

(c) The Institution and its subsidiaries shall not pay any bonuses or other similar incentive compensation to any senior officer until the Institution has received from the Regional Deputy Director a notice of no supervisory objection to such Operating Expenses Report required by Paragraph 3(a).

Travel and Entertainment Budget

4. (a) Within 150 days of the effective date of this Agreement, the Board of Directors shall prepare and submit to the Regional Deputy Director for review, a detailed written one-year Travel and Entertainment Budget for 1992 ("Budget") for the directors, officers, and employees of the Institution and its subsidiaries.

(b) The Management of the Institution and its subsidiaries shall provide the Board of Directors and the Regional Deputy Director with bimonthly variance reports comparing actual performance to the Budget and detailing any variances from the Budget. Procedures also shall be established to monitor the actual results against the projections in the Budget and to provide for appropriate adjustments to the Budget.

(c) The Institution and its subsidiaries shall update the one-year Budget on a semiannual basis and submit it to the Regional Deputy Director for review by the 30th day after the end of the six-month period.

Strategic Business Plan

5. (a) Within 120 days of the effective date of this Agreement, the Board of Directors of the Institution and its subsidiaries shall incorporate into the business plan for 1992 ("Plan"), overall corporate objectives and measurable goals, strategies for meeting those objectives, and time frames for achieving those objectives. In addition, the Board of Directors shall adopt procedures for monitoring the Plan, including the designation of a senior officer who will be responsible for providing monitoring reports to the Board of Directors, reporting variances to the Board of Directors on a periodic basis, and making modifications to the Plan.

(b) Within 10 days after adoption of the Plan by the Board of Directors, the Plan shall be submitted to the Regional Deputy Director for review and notice of no supervisory objection. The Institution and its subsidiaries shall provide to the Regional Deputy Director, no less than 15 days prior to, or no later than 30 days after, notice of any material deviations to the Plan. A supplemental deviation report may be filed to reflect adjustments required by an annual audit. For purposes of this Paragraph, the term "material deviation" shall include, but not be limited to, the elimination or addition of any corporate objective or goal, a change in the time frame for implementation that is six months greater than the original time frame, or a deviation from any financial projection by more than 10 percent (10%).

Affiliated Person Transactions

6. The Institution and its subsidiaries shall comply with 12 C.F.R. §§ 563.41.

Conflicts of Interest

7. (a) The Board of Directors shall review and familiarize themselves with 12 C.F.R. §§ 215.1-215.4, 215.6- 215.7, 563.40, 563.41, 563.43, 571.7, and 571.9, and OTS Memoranda R-19a and R-62 and 12 U.S.C. §§ 371c, 371c-1, 375b, and 1468.

(b) Within 60 days after the effective date of this Agreement, the Board of Directors shall submit to the Regional Deputy Director for notice of no supervisory objection a revised directors' responsibilities, business ethics and conflicts of interest guidelines for the Institution and its subsidiaries that are compatible with the aforementioned regulations and OTS Memoranda ("Guidelines"), and that specifically provide for procedures for monitoring compliance with such Guidelines and applicable statutes and regulations. The Institution and its subsidiaries shall monitor compliance with such guidelines.

General Provisions

8. The Board of Directors shall submit to the Regional Deputy Director a resolution signed by each director, certifying that, to the best of his or her knowledge and belief, and based on a prudent review, during the previous two calendar months the Institution and its subsidiaries complied with each condition of this Agreement. This resolution shall set forth any exceptions to any conditions of this Agreement that were approved by the Regional Deputy Director. The Institution and its subsidiaries shall make available to the OTS examiners a copy of the minutes of each Board of Directors' meeting, the minutes of any board of directors meeting of any subsidiary, the minutes of Board of Directors' committee(s) meetings, and any management report of the Institution and its subsidiaries.
9. (a) As used in this Agreement, the Regional Deputy Director or his successor is 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), except that the requirements of Paragraphs 4 and 5 of this Agreement shall not be applicable to those subsidiaries as of the date hereof for which loss coverage is afforded to the Institution for its investments therein under the terms of the Assistance Agreement originally entered into between the Institution and the FSLIC.

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

(d) As used in this Agreement, the term "senior officer" or "senior management" shall be defined as executive vice presidents of the Institution and its subsidiaries and officers holding higher positions.

(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.
10. This Agreement may be executed in counterparts and will be effective upon execution by the Regional Deputy Director.
11. Upon submission of the Policy required by Paragraph 2(a), the Operating Expenses Report required by Paragraph 3(a), the Plan required by Paragraph

5(a), and the Conflicts of Interest Guidelines required by Paragraph 7(b) that have been duly approved by the Board of Directors to the Regional Deputy Director, the Institution and its subsidiaries may operate in accordance with such submission until receipt of supervisory objection or no supervisory objection by the Regional Deputy Director without being deemed not in compliance with this Agreement.

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.

FIRST GIBRALTAR BANK, FSB
IRVING, TEXAS

By:

181

Director

OFFICE OF THRIFT SUPERVISION

By: ¹⁸¹_____
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.

FIRST GIBRALTAR BANK, FSB
IRVING, TEXAS

By:

Director

~~Director~~

~~Director~~

~~Director~~ 151

OFFICE OF THRIFT SUPERVISION

By: _____
Regional ~~Deputy~~ Director 151

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IRVING, TEXAS**

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OFFICE OF THRIFT SUPERVISION

By:

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Regional ~~Deputy~~ Director

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FIRST GIBRALTAR BANK, FSB
IRVING, TEXAS

By:

151

~~Director~~ _____

Director _____

OFFICE OF THRIFT SUPERVISION

By:

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Regional ~~Deputy~~ Director _____

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**FIRST GIBRALTAR BANK, FSB
IRVING, TEXAS**

By:

151
Director

OFFICE OF THRIFT SUPERVISION

By: 151
Regional ~~Deputy~~ Director

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**FIRST GIBRALTAR BANK, FSB
IRVING, TEXAS**

By: .

181

Director _____

OFFICE OF THRIFT SUPERVISION

By:

181

Regional Deputy Director _____