

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 13th day of March, 1995 (the "Effective Date"), by and between Silver Queen Financial Services, Inc. (OTS No. H-1748) (the "Holding Company"), 122 West Main Street, Sterling, Colorado, a unitary savings and loan holding company; Colorado Federal Savings Bank (OTS No. 08876) (the "Association"), a federally chartered stock association, having its main office located at 122 West Main Street, Sterling, Colorado; and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C.

WHEREAS, the OTS is the primary federal regulator of the Holding Company and the Association; and

WHEREAS, based on the Report of Examination dated October 18, 1994, the OTS, by and through the Regional Director for the Midwest Region or his designee ("Regional Director") is of the opinion that the Holding Company has engaged in acts and practices in operating the business of the Holding Company that: (i) have resulted in violations of certain of the laws and regulations to which the Holding Company is subject; and/or (ii) are considered to be unsafe and unsound; and;

WHEREAS, based on the Report of Examination dated October 17, 1994, the OTS, by and through the Regional Director is of the opinion that the Association has engaged in acts and practices in operating the business of the Association that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject; and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Holding Company and the Association; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Holding Company and the Association will: (1) comply with all applicable laws and regulations; and (2) engage in safe and sound practices; and

WHEREAS, the Board of Directors of the Holding Company (the "Holding Company Board"), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with the OTS and to evidence their intent to: (1) comply with all applicable laws and regulations; and (2) engage in safe and sound practices; and

WHEREAS, the Board of Directors of the Association (the "Association Board"), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with the OTS and to evidence their intent to: (1) comply with all applicable laws and regulations; and (2) engage in safe and sound practices;

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

COMPLIANCE WITH LAWS AND REGULATIONS

1. The Holding Company shall take all necessary and appropriate actions to achieve compliance with the following laws, regulations, and safe and sound business practices:
 - a. Section 10(b)(4) of the Home Owners' Loan Act of 1933 ("HOLA"), 12 U.S.C. § 1467a(b)(4) (regarding payment of holding company examination fees); and
 - b. Section 584.1(g) of the OTS Regulations, 12 C.F.R. § 584.1(g) (regarding payment of holding company examination fees).
2. The Association shall take all necessary and appropriate actions to achieve compliance with the following laws, regulations, and safe and sound business practices:
 - a. Section 5(v) of the Home Owners' Loan Act, 12 U.S.C. § 1464(v) (regarding reports of condition);
 - b. Section 11 of the HOLA, 12 U.S.C. § 1468 (transactions with affiliates), and Sections 22(g), 22(h), 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 375a, 375b, 371c and 371c-1 (regarding loans and extensions of credit to executive officers, directors, principal shareholders/ banking affiliates/restrictions on transactions with affiliates);
 - c. Section 215.8 of the Federal Reserve Systems Regulations, 12 C.F.R. § 215.8 (regarding records of extensions of credit);
 - d. Section 552.6-1(g) of the OTS Regulations, 12 C.F.R. § 552.6-1(g) (regarding delegation of board authority to executive committees);
 - e. Section 562.4 of the OTS Regulations, 12 C.F.R. § 562.4 (regarding performance and filing of annual audits);
 - f. Section 563.41 of the OTS Regulations, 12 C.F.R. § 563.41 (regarding banking affiliates/restrictions on transactions with affiliates);
 - g. Section 563.42 of the OTS Regulations, 12 C.F.R. § 563.42 (regarding banking affiliates/restrictions on transactions with affiliates); and
 - h. Section 563.43 of the OTS Regulations, 12 C.F.R. § 563.43 (regarding banking affiliates/restrictions on transactions with affiliates).

CORRECTIVE PROVISIONS

3. Asset Growth.

Without the prior written approval of the Regional Deputy Director or his designee, the Association shall not increase its Total Assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter.

4. Holding Company Expenses.

- a. Within thirty (30) days of the Effective Date of this Agreement, the Holding Company Board shall cause the Holding Company to reimburse the Association with a check in the amount of \$4,400.00 (four thousand four hundred dollars), constituting repayment of holding company examination fees previously remitted by the Association for the years 1991 through and including 1993.

The Holding Company Board shall prepare and provide certification in the form of a notarized board resolution to the Regional Deputy Director or his designee that: (i) the Holding Company has reimbursed the Association in the amount of \$4,400 (four thousand four hundred dollars), including a copy of the check; and (ii) the Holding Company will ensure that no future payments of holding company examination fees will be made by the Association.

- b. Within thirty (30) days of the Effective Date of this Agreement, the Holding Company Board shall cause the Holding Company to reimburse the Association in the amount of \$11,400.00 (eleven thousand four hundred dollars), constituting repayment of legal, travel, and entertainment expenses incurred by or for the benefit of the Holding Company as it relates to a stock option agreement entered into by the Holding Company. Full reimbursement shall be made by the Holding Company, unless the Holding Company can provide documentation, in a form acceptable to the Regional Deputy Director or his designee, which specifically supports the position that some or all of the above-referenced expenses are either for the mutual benefit of the Holding Company and the Association, or for the benefit of the Association.

The Holding Company Board shall prepare and provide certification in the form of a notarized board resolution to the Regional Deputy Director or his designee that: (i) the Holding Company has reimbursed the Association in the full amount of \$11,400 (eleven thousand four hundred dollars), including a copy of the check, or if less than the full reimbursement was made; (ii) the amount the Holding Company has determined to reimburse the Association, including a copy of the check and documentation supporting such a position as discussed above.

c. The Association Board shall prepare and provide certification in the form of a notarized board resolution to the Regional Deputy Director or his designee that the Association will cease any and all future payments of expenses for services rendered for the benefit of the Holding Company. If, in the event the Association Board finds that expenses are to the mutual benefit of the Association and the Holding Company, then the Association Board shall determine an appropriate allocation formula and prepare and retain records that clearly demonstrate the formula used, the rationale underlying the formula, and the quantification methodology. The certification shall be submitted to the Regional Deputy Director or his designee no later than April 30, 1995.

5. Board Composition.

The Association Board shall review the composition of the Association Board and develop a written plan, in a form acceptable to the Regional Deputy Director or his designee, to expand the membership of outside directors. The plan shall also specifically address the means by which the Association Board will improve its ability to operate independently of the management team. The written plan shall be submitted to the Regional Deputy Director or his designee no later than April 30, 1995.

6. Annual Audits.

The Association Board shall prepare and provide certification in the form of a notarized board resolution to the Regional Deputy Director or his designee that it has reviewed and considered the requirements of 12 C.F.R. Section 562.4 and Bulletins PA-7a, 7a-4, and 7a-5, or any successor bulletins or guidelines. Furthermore, the Association Board shall provide a written plan to the Regional Deputy Director or his designee which analyzes the alleged internal weaknesses responsible for the alleged repeated violations of the foregoing regulation and Bulletins and specifically addresses the corrective actions to be taken by the Association Board to eliminate those alleged weaknesses and prevent future violations. The certification and written plan shall be submitted to the Regional Deputy Director or his designee no later than April 30, 1995.

7. Management Reorganization Plan.

Within sixty (60) days of the Effective Date of this Agreement, the Association Board shall cause the Association to submit, and the Association shall submit, to the Regional Deputy Director or his designee a plan for the reorganization and/or augmentation of the Association's management ("Management Plan"). The Management Plan shall also include an organizational chart which accurately reflects the revised work flow structure as well as written position descriptions detailing the duties and responsibilities

for all positions. The Management Plan, before being implemented, shall be subject to a review and determination by the Regional Deputy Director or his designee that no supervisory objection exists.

The Association Board shall further prepare and provide certification in the form of a notarized board resolution to the Regional Deputy Director or his designee that all matters related to executive compensation will be reviewed, approved, and documented in its minutes on an annual basis and prepare and retain records for future review by OTS that demonstrate compliance with 12 C.F.R. Section 563.161(b), OTS Regulatory Bulletin 27a ("RB 27a") and Section 310 of the OTS Regulatory Handbook. The certification shall be submitted to the Regional Deputy Director or his designee no later than April 30, 1995.

8. Business Plan.

- a. Within sixty (60) days of the Effective Date of this Agreement, the Association shall submit an annual business plan detailing projected business strategies, budget assumptions, and operations for the Association and its subsidiaries in a form acceptable to the Regional Deputy Director or his designee. The Business Plan shall be updated and revised as of the beginning of each new fiscal year and prepared annually thereafter, and shall clearly delineate the actions that management and the Association Board will take to establish objectives and well-defined goals for increasing earnings and overall profitability, reducing operating expenses, and ensuring that the necessary systems, expertise, and internal controls are in place for each contemplated line of business.
- b. The Business Plan, before implementation, shall be subject to a review and determination by the Regional Deputy Director or his designee that no supervisory objection exists. Once implemented, any material revisions of the Business Plan shall require review and determination by the Regional Deputy Director or his designee that no supervisory objection exists. The Association Board shall review and approve said Business Plan and shall monitor this Business Plan on a continuing basis.
- c. Upon approval of the Business Plan by the Board, the Association will prepare on a quarterly basis written reports containing a comparison of the Association's year-to-date operating results against the projected results in the Business Plan as of the end of each calendar quarter. If the actual operating results fail to meet the projected results of the Business Plan in any respect, the report shall include an explanation of such deviation and a specific description of the measures that have been implemented or proposed to correct and/or abate any adverse deviations. For the purposes of determining material deviations under this

paragraph, any adverse deviation of 10% or more would be material. For income and expense items, the 10% deviation would be on a cumulative year-to-date basis, beginning with the first period in the projections. The Association Board shall review this report each quarter and the minutes of its meetings shall disclose the extent of the Association Board's involvement in the monitoring process. A copy of the minutes and a copy of the written report shall be submitted to the Regional Deputy Director or his designee within thirty (30) days following the end of each quarter.

9. Loans to Executive Officers, Directors, and Principal Shareholders; Annual Survey of Insiders.

The Association Board shall prepare and provide certification in the form of a notarized board resolution to the Regional Deputy Director or his designee that it has reviewed and considered the reporting requirements of Section 215.8 of the Federal Reserve Systems Regulations, 12 C.F.R. § 215.8, as well as the definitions contained in 12 C.F.R. Section 215.2. Furthermore, the Association Board shall provide a written plan to the Regional Deputy Director or his designee which specifically addresses any necessary revisions to be made by the Association Board to the Association's internal procedures for conducting the annual survey of insiders in order to ensure compliance with 12 C.F.R. Section 215.8. Such procedures shall include, but not be limited to, provisions requiring corrective actions to be taken in the event such surveys are not completed by all of the Association's insiders when due. The certification and written plan shall be submitted to the Regional Deputy Director or his designee no later than April 30, 1995.

10. Travel and Entertainment Expense Approvals.

Within sixty (60) days of the Effective Date of this Agreement, the Association Board shall cause the Association to submit, and the Association shall submit, to the Regional Deputy Director or his designee a plan to implement a system of internal controls over Association-owned credit cards. Such a plan shall specifically include, but not be limited to, procedures whereby each and every expense incurred on a card is reconciled with the appropriate billing statement and is reviewed and approved by the Association Board prior to payment.

Furthermore, the Association Board shall cause the Association to revise, and the Association shall revise, any existing policy concerning the approval of travel and entertainment expenses incurred by President Dalrymple and Chairman Scholnik. The revised policy, in a form acceptable to the Regional Deputy Director or his designee, shall require that the disinterested members of the Association Board review and approve all travel and entertainment expenses incurred by Messrs. Dalrymple or Scholnik prior to payment. The Association Board shall ensure that it is provided with sufficient documentation such that only

expenses related to matter and services that benefit the Association are reimbursed and that expenses related to or for the exclusive benefit of the Holding Company are referred to that entity. Expenses found by the Board to relate to or for the mutual benefit of the Association and the Holding Company shall be paid in accordance with a documented allocation formula, as previously discussed in paragraph 4.c. herein. The revised policy shall be submitted to the Regional Deputy Director or his designee no later than April 30, 1995.

All matters related to reimbursement of travel and entertainment expenses incurred by Messrs. Dalrymple or Scholnik shall be documented by the Association Board in its minutes for future review by OTS.

11. Changes in Directors or Executive Officers; Terms of Employment, and Golden Parachute Payments.

a. As required by Section 32 of the FDIA, 12 U.S.C. § 1831i and OTS Thrift Bulletin 45, the Association shall provide at least thirty (30) days prior written notice of any changes to its directorate or executive officer staff to the OTS before the employment becomes effective.

b. Pursuant to OTS Regulatory Bulletin 27a, the Association shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of the Association or any subsidiary thereof, unless it first (i) provides a minimum of thirty (30) days advance notice of a proposed transaction and (ii) receives a written notice of non-objection from the Regional Deputy Director or his designee.

c. The Association shall not make any "golden parachute payment", as that term is defined in Section 18(k) of the FDIA, 12 U.S.C. § 1828(k), and as it may be further defined in regulations adopted by the Federal Deposit Insurance Corporation ("FDIC") under that authority, unless it first (i) provides a minimum of thirty (30) days advance notice of a proposed transaction and (ii) receives a written notice of non-objection from the Regional Deputy Director or his designee.

12. Restrictions on Transactions With Affiliates.

Without first: (i) providing a minimum of thirty (30) days advance notice of the proposed payment; and (ii) receiving a written notice of non-objection from the Regional Director with regard thereto, the Association shall not engage in any transaction with any affiliate, except for transactions that comply with all applicable statutory and regulatory requirements.

13. Third Party Contracts: TB 50 Review

The Association shall not enter into any third party contracts outside the normal course of business pursuant to OTS Thrift Bulletin 50, dated November 19, 1991, unless it first (i) provides a minimum of thirty (30) days advance notice of a proposed transaction and (ii) receives a written notice of non-objection from the Regional Deputy Director or his designee.

BOARD OF DIRECTORS

14. Compliance with Agreement.

- a. The Board and officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.
- b. The Association Board, on a quarterly basis, shall adopt a board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Association has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall:
 - (i) specify in detail how, if at all, full compliance was found not to exist, and
 - (ii) identify all notices of exemption or non-objection issued by the Regional Deputy Director or his designee that were outstanding as of the date of its adoption.
- c. The minutes of the meeting of the Association Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.
- d. No later than the 25th Calendar Day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Association shall provide to the Regional Deputy Director or his designee a certified true copy of the Compliance Resolution[s] adopted at the Association Board meeting. The Association Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Deputy Director or his designee, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided

below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes.

MISCELLANEOUS

15. Definitions.

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, FDIA or OTS Memoranda. Any such technical words or terms used in this Directive 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.

16. Successor Statutes, Regulations, Guidance, Amendments.

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 and references to successor provisions as they become applicable.

17. Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Directive to be made upon, given or furnished to, delivered to, or filed with the OTS or the Association shall be in writing and mailed, first class or overnight courier, or by means of electronic transmission, or physically delivered, and addressed as follows:

OTS:

Regional Deputy Director
Office of Thrift Supervision
8500 West 110th Street
Suite 400
Overland Park, KS 66210

ASSOCIATION:

Board of Directors
Colorado FSB
P.O. Box 1672
122 West Main Street
Sterling, CO 80751-0990

HOLDING COMPANY:

Board of Directors
Silver Queen Financial Services, Inc.
P.O. Box 1672
122 West Main Street
Sterling, CO 80751-0990

18. Duration, Termination or Suspension of Agreement.

- a. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
- b. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

19. Time Limits.

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

20. Effect of Headings.

The Section headings herein are for convenience only and shall not affect the construction hereof.

21. Separability Clause.

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/her sole discretion determines otherwise.

22. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted.

Nothing in this Agreement shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

23. Successors in Interest/Benefit.

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. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

24. Signature of Directors.

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

25. Integration Clause; Modification.

This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

26. Enforceability of Agreement.

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Deputy Director, the Holding Company, and the Association, in accordance with duly adopted resolutions of their respective Boards (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

THE ASSOCIATION

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Harlan G. Halsne
Regional Deputy Director

Patrick R. Dalrymple
President

DIRECTORS OF THE ASSOCIATION

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Director James Redd, MD

Director Louis Scholnik

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Director Geraldine Fox

Director Barry Scholnik

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Director Patrick Dalrymple

Director Daniel Allen

Director

Director

Director

Director

THE HOLDING COMPANY

By:

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Louis N. Scholnik
President

DIRECTORS OF THE HOLDING COMPANY

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Director James Redd Mn

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Director Louis Scholnik

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Director Patrick Dalrymple

Director

Director

Director

Director

Director

Director

Director

FORM OF

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Colorado Federal Savings Bank (OTS No. 08876), Sterling, Colorado ("the Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on March 2, 1995;
2. At said meeting a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that said Board and the Association have the intent and ability to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Directors of the Association have read and considered the proposed Supervisory Agreement ("Agreement") which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Directors of the Association have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Association be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except _____) and all members of the Board of Directors (except _____) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed
the seal of the Association on this 15th day of August, 1995.

C 151 C

Name:
Title:

(SEAL)