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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is made effective the 27th of ~~July~~^{August} 1991, by and between United Savings Bank, Ogden, Utah ("Bank") and the Office of Thrift Supervision ("OTS").

WHEREAS, OTS is of the opinion that the Bank has violated certain of the laws, rules or regulations to which the Bank is subject and has engaged in certain unsafe or unsound practices in conducting the business of the Bank, and that such violations and practices provide grounds for the initiation of cease-and-desist proceedings against the Bank by the OTS, and

WHEREAS, OTS is of the opinion that the Bank has engaged in certain acts and practices in conducting the business of the Bank, which would provide grounds for the initiation of cease-and-desist proceedings against the Bank by the OTS, and

WHEREAS, the Bank neither admits nor denies by entering into this Agreement that it has violated any laws, rules or regulations or has engaged in unsafe and unsound practices in conducting the business of the Bank, and

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

1. The Bank shall adhere in all material respects to the Bank's specific written loan underwriting and administrative policies and procedures ("lending standards") for all residential Acquisition, Development and Construction ("ADC") loans and

permanent commercial real estate loans. Any material deviation from adherence with the plan by the Bank is prohibited unless such adherence is waived in writing by the OTS.

2. Prior to the Bank's disbursing any funds for new ADC or permanent commercial real estate loans, or later phase of an existing loan, the Bank shall possess documentary evidence complying with each applicable requirement of the Bank's lending standards, this Agreement, the Rules and Regulations Applicable to All Savings Associations (12 C.F.R. parts 561 et seq.), and other applicable law.

The documentary evidence for ADC and commercial real estate loans shall, to the extent applicable to each subject loan, include, but not be limited to:

- a. A written application signed by the borrowers stating the purpose of the loan;
- b. Current sworn financial statements of all borrowers and guarantors;
- c. Current credit reports for all borrowers and guarantors, together with a written narrative report signed by the designated Bank employee, explaining any material outstanding derogatory items contained in any credit report;
- d. A written narrative report, signed by the designated Bank employee, evidencing that material items in each borrower's or guarantor's financial statements have been verified, as appropriate, and analyzed to ensure that the borrower(s) and/or guarantor(s) have

- sufficient assets and cash flow, including without limit the cash flow reasonably expected from the property securing the loan, to retire the loan under the terms of the notice and guarantee;
- e. Written evidence that the borrower has invested cash or another appropriate form of equity in the subject project;
 - f. Written cost estimates and schedules where pertinent for the loan, prepared by a qualified engineer, architect or other qualified person;
 - g. A written market or feasibility study, where appropriate to a proposed ADC or commercial real estate loan, prepared by a qualified professional, which demonstrates that the property securing the loan can be absorbed in a specified time period and at a sufficient price to repay the loan, according to its terms and conditions; and
 - h. An appraisal report and other documentation in compliance with paragraph 3 below.

3. The Bank shall not disburse any new loan funds on an ADC or commercial real estate loan until the Bank has obtained an appraisal report of the security property that has been prepared according to the Bank's appraisal policy which has been approved by the OTS. The board of directors shall ensure that the appraisal report is reviewed and accepted by the designated Bank employee, who shall certify its compliance with the Bank's appraisal policy. The appraisal report shall specifically refer

to the property or segment of the property securing the actual funds disbursed.

4. ADC or commercial real estate loans in excess of \$2,000,000.00 must be approved by the board of directors of the Bank in advance of the disbursement of any loan funds. The board's minutes shall reflect the approval, together with a certification that the loan committee has reviewed the loan file and found that the documentary evidence, required by paragraphs 2 and 3 of this Agreement, is present in the file and supports a decision to grant the loan.

5. The Bank shall maintain an amount of capital sufficient to cause capital as defined by Generally Accepted Accounting Principles (GAAP), plus properly established general valuation allowances, to be at least 9.5 of total consolidated assets. Compliance with this requirement shall be determined as of the end of each calendar quarter subsequent to the initial calculation date. This provision shall not be effective at any time when an otherwise applicable regulatory requirement would cause the Bank to maintain a greater amount of capital.

6. The Bank shall adhere in all material respects to its plan to reduce the concentration of ADC loans in Southern California and Nevada. Any material deviation from adherence with the plan by the Bank is prohibited unless there is a written waiver by the OTS of such adherence.

7. Within 60 calendar days from the effective date of this Agreement the Bank shall (1) develop, in form and content acceptable to the Assistant Regional Director comprehensive asset

classification policies and procedures; (2) submit such policies and procedures to the Assistant Regional Director for approval; and (3) adhere to such policies and procedures. Any material deviation from adherence with the policies and procedures is prohibited unless there is a written waiver by OTS of such adherence.

8. Within 60 calendar days from the effective date of this Agreement the Bank shall (1) develop, in form and content satisfactory to the Assistant Regional Director, a plan for staffing a full time asset review department; (2) submit such plan to the Assistant Regional Director; and (3) adhere to such plan. Such plan at a minimum should require that (1) the asset review department operate within the terms of the Bank's asset classification policies and procedures required by paragraph 8 and (2) such staffing be completed within 60 days from the signing of this Agreement. Any material deviation from adherence with the plan by the Bank is prohibited unless there is a written waiver by the OTS of such adherence.

9. Within 60 calendar days from the effective date of this Agreement, the Bank shall develop a schedule, acceptable in form and content to the Assistant Regional Director, projecting reductions in classified assets. Such schedule at a minimum shall indicate how such reduction is expected to occur and the projected time frame of such reduction. Any material deviation from the schedule shall be reported to the OTS.

10. Within 60 calendar days after the effective date of this agreement the Bank shall (1) develop a plan, acceptable in form

and content to the Assistant Regional Director, for expanding the internal audit department; (2) submit such a plan to the Assistant Regional Director for approval; and (3) adhere to such plan. Any material deviation from adherence with the plan by the Bank is prohibited unless there is a written waiver by the OTS of such adherence.

11. Within 60 calendar days after the effective date of this Agreement, the Bank shall (1) develop a plan, acceptable in form and content to the Assistant Regional Director, for determining and maintaining an adequate level of general valuation allowances; (2) submit such a plan to the Assistant Regional Director for approval; and (3) adhere to such plan. Any material deviation from adherence with the plan by the Bank is prohibited unless there is a written waiver by the OTS of such adherence.

12. No later than December 31, 1991, the Bank shall complete a comprehensive accounting manual acceptable in form and content to the Assistant Regional Director.

13. The institution's total volume of: (1) residential construction loans with principal balances in excess of \$1 million and (2) all non-residential construction loans, shall not in the aggregate exceed an amount equal to 2.5 times capital (GAAP capital plus properly established general valuation allowances).

Whenever the outstanding aggregate balance of such loans exceeds this limitation, the institution shall not make, nor commit to make: (1) any residential construction loan over \$1 million; (2) any loan which when aggregated with other

outstanding borrowings would cause total loans to a single borrower to exceed \$2 million; or (3) any non-residential construction loan. Exceptions shall be made to fund the continuing construction of phased development for projects the Bank had lent funds against prior to January 1, 1991, and loans to facilitate the sale of real estate ~~owned~~ assets, including REO & REI. *PH*

Determining compliance with the overall limitation on residential construction loans above \$1 million and all non-residential construction loans shall include an aggregation of all Loans-in-Process accounts and actual disbursements, less loan participations sold without recourse or other concessionary features.

14. The Assistant Regional Director may require from time to time such written reports from the Bank as, in his opinion, are necessary to assure him of the Bank's compliance with the terms of this Agreement.

15. The directors of the Bank shall take appropriate action so the bank will comply *PH* ~~to insure full compliance by the Bank~~ with the Requirements of this Agreement.

16. The board of directors of the Bank shall assure that all wholly owned subsidiaries of the Bank shall comply with this Agreement, with respect to any loan made by any such subsidiary, and that the board of directors of any such subsidiary shall exercise the same supervision and approval guidelines required by this Agreement with respect to any such loans made by the subsidiary.

17. References in this Agreement to provisions of statutes or regulations shall be deemed to include references to all amendments to such provisions as have been made as of the effective date of this Agreement and reference to successor provisions as they become applicable.

18. All other 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, or the Federal Deposit Insurance Act ("FDIA"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, or FDIA shall have such meanings as would be consistent with the best custom and usage in the savings and loan industry.

19. This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Bank. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA as amended by Title IX of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), 103 Stat. 183, 446-506 and Section 204, 103 Stat. 183, 190-194 (1989).

20. The terms and provisions of the Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

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

I, the Undersigned, being duly qualified Secretary of United Savings Bank, Ogden, Utah, hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting held on August 27, 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 of full force and effect:

RESOLUTION

WHEREAS, the executive officers and directors of United Savings Bank, Ogden, Utah ("Bank") have been advised that Office of Thrift Supervision ("OTS") representatives believe the Bank to have violated laws, rules or regulations to which the Bank is subject and/or to have engaged in unsafe or unsound practices in conducting the business of the Bank, and that such violations and/or practices provide grounds for the initiation of formal enforcement proceedings against the Bank, and

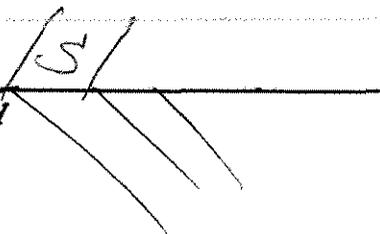
WHEREAS, said executive officers and directors have been informed that the OTS will forbear from initiation against the Bank of formal enforcement proceedings on the subjects covered by the attached Supervisory Agreement if it is executed by the Bank and if its terms are thereafter carried out by the Bank, and

WHEREAS, the directors of the Bank have read and considered the proposed Supervisory Agreement ("Agreement") attached to the minutes of the meeting of the board of directors held on Aug 27,

1991, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter in to the proposed Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby consented to by the board of directors of the Bank. The president of the Bank is authorized to sign and execute the Agreement on behalf of the Bank. The officers and employees of the Bank are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement. By executing the Agreement the executive officers and directors neither admit nor deny that the Bank has violated laws, rules or regulations to which the Bank is subject.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of United Savings Bank, Ogden, Utah, this 27th day of August, 1991.


Secretary

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