

Greater South Texas Bank, F. S. B
SUPERVISORY AGREEMENT

7433
This Supervisory Agreement ("Agreement") is made and is effective this 16th day of November, 1993 (the "Effective Date"), by and between Greater South Texas Bank, F.S.B. (the "Association"), a federally chartered stock association, having its main office located at Falfurrias, Texas, 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 Association; and

WHEREAS, based on the Report of Examination dated June 21, 1993 ("ROE"), the OTS, by and through the Regional Director for the Midwest Region or his designee ("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 Association; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that 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 Association (the "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 Association shall take all necessary and appropriate actions to achieve compliance with the following laws, regulations, and safe and sound business practices:
 - (a) Section 563.39 of the OTS Regulations, 12 C.F.R. §563.39 (regarding employment contracts);
 - (b) Section 563.40 of the OTS Regulations, 12 C.F.R. § 563.40 (regarding loan procurement fees);
 - (c) Section 563.101 of the OTS Regulations, 12 C.F.R. § 563.101 (regarding real estate lending standards);
 - (d) Sections 563.160 and 571.26 of the OTS Regulations, 12 C.F.R. §§563.160 and 571.26 (regarding classification of assets);

- (e) Section 563.161 of the OTS Regulations, 12 C.F.R. §563.161 (regarding management and financial policies/compensation);
- (f) Section 563.170(c) of the OTS Regulations, 12 C.F.R. §563.170(c) (regarding establishment and maintenance of records); and
- (g) Section 563.172 of the OTS Regulations, 12 C.F.R. §563.172 (regarding re-evaluation of assets; adjustment of book value; adjustment charges).

CORRECTIVE PROVISIONS

2. Management

Pursuant to § 38(e) of the FDIA, 12 U.S.C. § 1831o(e), the Association shall employ qualified and competent lending and other personnel to operate the Association in conformity with OTS rules and regulations and in a safe and sound manner.

3. Internal Controls

Pursuant to § 38(e) of the FDIA, 12 U.S.C. § 1831o(e), the Association shall implement and adhere to a system of internal controls which will ensure compliance with OTS rules and regulations, and ensure the Association is operating in a safe and sound manner.

4. Business Plan

The Association shall be operating under a business plan that reasonably reflects the Association's goals and strategies. The Association shall make any changes to the business plan required by the Regional Director of the OTS.

BOARD OF DIRECTORS

5. Compliance with Agreement.

- a. The board of directors 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 board of directors, 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 Director

that were outstanding as of the date of its adoption.

- c. The minutes of the meeting of the board of directors 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 Director a certified true copy of the Compliance Resolution[s] adopted at the Board meeting of each month in such calendar quarter. The board of directors, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, 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 of the Association.

MISCELLANEOUS

6. 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.

7. 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.

8. 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.

9. Time Limits.

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

10. Effect of Headings.

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

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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 Director and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By:

/s/

Name: Frederick R. Casteel
Title: Regional Director

THE ASSOCIATION

By:

/s/

Name: F. D. Stokes
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

/s/

Director Bill E. Talley

/s/

Director A. A. Osby, Jr.

/s/

Director Oscar Galindo

/s/

Director Abraham Garcia

/s/

Director F. D. Stokes

Director Glenn B. Davis

Director

Director

Director

Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Greater South Texas Bank, F. S. B., Falfurrias, Texas ("the Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on November 16, 1993;
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 16th day of November, 1993.

15/

Oscar Galindo
Secretary