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Docket # 8143
94866

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 30 day of April, 1996 (the "Effective Date"), by and between FirstBanc Savings Association of Texas (the "Association"), a state chartered stock association having its main office located at Missouri City, 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., acting through its Midwest Regional Director or his/her designee or subdesignee ("Regional Director").

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

WHEREAS, based on the Report of Examination dated as of September 30, 1995 ("ROE"), the OTS is of the opinion that the Association has engaged in acts and practices 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: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (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 the intent to: (i) comply with all applicable laws and regulations and (ii) 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, REGULATIONS & SAFE AND SOUND PRACTICES

1. Compliance With Regulations

The Association shall take all necessary and appropriate actions to achieve compliance with 12 C.F.R. § 563.160.

CORRECTIVE PROVISIONS

2. Classification of Assets and Reduction of Classified Assets

A. By no later than March 31, 1996, the Association shall adopt, by resolution of its Board, and submit to the Regional Director for review, written, revised policies for identifying and classifying problem assets, which policies shall promptly be amended if and as directed by the Regional Director. The Association shall comply with such policies, as so amended if so amended.

B. Beginning with the calendar quarter ended on March 31, 1996, the Association shall, within 30 days of the end of each calendar quarter, classify its assets as of the end of such calendar quarter in accordance with 12 C.F.R. § 563.160, published guidelines of the OTS, and the Association's policies required by Subparagraph A of this paragraph.

C. By March 31, 1996, the Association shall adopt, by resolution of its Board, and submit to the Regional Director for review, a written plan for the reduction of the Association's level of classified assets, which plan shall, among other things, call for a reduction of the Association's classified assets to less than 50% of its core capital plus its allowances for loan and lease losses ("ALLL") by no later than December 31, 1996.

D. ~~The Association shall use its best efforts to reduce its classified assets, by no later than December 31, 1996, to a level of no more than 50% of its core capital plus its ALLL.~~

E. Within 30 days of the end of each calendar quarter, beginning with the calendar quarter ending on June 30, 1996, the Association shall submit to the Regional Director a written report of its classified assets. At a minimum, such written report shall: (i) disclose the level of the Association's classified assets as a percentage of its core capital and its ALLL; and (ii) disclose efforts made during the quarter to reduce the Association's classified assets to a level below 50% of its core capital plus its ALLL unless such classified assets are already below such level.

3. Controls on Lending

A. By no later than March 31, 1996, the Association shall adopt, through resolution of its Board, and submit to the Regional Director for review, written policies and procedures to provide for the appropriate and timely analysis of financial information on each of its construction loan borrowers. Such written policies and procedures shall be amended if and as directed by the Regional Director. The Association shall comply with such written policies and procedures, as so amended if so amended.

B. In the case of each construction loan borrower of the Association, a written record of the financial analysis of such

borrower, including such analysis as shall be required by the procedures required by Subparagraph A of this paragraph, shall, by March 31, 1996, be maintained in the loan file for such borrower.

C. By no later than March 31, 1996, the Association shall adopt, through resolution of its Board, and submit to the Regional Director for review, written policies and procedures establishing a system of controls on construction lending, which controls shall include, but not be limited to, requirements for adequate staffing. The Association shall amend such written policies and procedures as directed by the Regional Director. The Association shall comply with such policies and procedures, as so amended if so amended.

D. The Association shall make no Speculative Construction Loan except as approved in writing by the Regional Director.

4. Business Plan

By April 30, 1996, the Association shall adopt, by resolution of its Board, and submit to the Regional Director, a written business plan which shall reflect actual operating conditions, establish a strategy for increasing the Association's lending business exclusive of the loan-sale business and the Speculative Construction Loan business, and generally address the concerns outlined in the Management and Earnings sections of the ROE.

5. Growth

Notwithstanding any other provision of this Agreement, the Association shall not, without the prior written approval of the Regional Director, increase either its total assets or its liabilities during any calendar quarter in excess of the amount of net interest credited on deposit liabilities for that calendar quarter.

6. Appointment of Director or Hiring of Senior Executive Officer

Pursuant to 12 U.S.C. § 1831i and the regulations promulgated thereunder, the Board shall notify the Regional Director of the proposed addition, or employment, of any director or senior executive officer or a lateral change or a change in responsibilities of a senior executive officer before such addition, employment or change becomes effective. The Board may not add or employ any director or senior executive officer if the Regional Director issues a notice of disapproval before the end of 30 days from the date on which the notice was deemed complete by the Regional Director.

MISCELLANEOUS

7. Director Responsibility

Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose

of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

8. 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 Board, on a monthly basis, shall adopt a Board resolution (the "Compliance Resolution"), formally resolving that, following a diligent review of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar month, 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 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 30th calendar day of the month following the end of a calendar quarter, beginning with the calendar quarter ending on June 30, 1996, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolutions adopted at the Board meeting of each month in such calendar quarter. The Board, 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.

9. Definitions

A. 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 within this Agreement or 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.

B. For purposes of this Agreement, a "Speculative Construction Loan" is defined as any residential construction loan secured by real estate in which the obligor has not obtained a legally-binding contract for the sale of such real estate with a purchaser who (1) qualifies for a permanent home loan for the purchase of such real estate under industry underwriting standards for permanent home loans; (2) has obtained a permanent loan commitment for a loan to purchase such real estate; and (3) has provided an earnest money deposit equal to no less than five percent of the purchase price of such real estate.

10. 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.

11. 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 or subdesignee thereof).

B. The Regional Director, in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

12. Time Limits

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

13. Effect of Headings

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

14. 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.

15. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted; Relation To State Law

A. 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 the OTS from taking such action(s) that are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

B. As an Association chartered under State law and subject to regulation and supervision by a State regulatory authority, the Association may be subject to various restrictions imposed by the appropriate State regulatory authority. The Association must continue to comply with any such restrictions, notwithstanding the receipt by the Association of authorizations or notices of non-objection of the Regional Director, except to the extent that such restrictions are pre-empted by Federal law.

16. 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 Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.~~

17. 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.

18. Integration Clause; Impact On Other Enforcement Documents

A. 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.

B. The Supervisory Agreement of November 21, 1990, between the OTS and the Association is hereby terminated as of the Effective Date, provided, however, that any violation of the November 21, 1990 Supervisory Agreement that occurred prior to the Effective Date shall continue to be deemed as having been a violation and nothing herein shall be construed to prevent the OTS from taking any action in response to such violation that otherwise would be available.

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of FirstBanc Savings Association of Texas, Missouri City, Texas ("the Association"), hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on April 25, 1996;

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 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 25th day of April, 1996.

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Name: _____
Title: Secretary

(SEAL)

C. Notwithstanding any other provision in this Agreement, the Agreement shall not be deemed to conflict in any manner whatsoever with that order to cease and desist, dated June 21, 1993, issued by the OTS against the Association. Such order remains in full force and effect.

19. 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

THE ASSOCIATION

By:

By:

Name:

Nam

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David E. Bradley
Title: Regional Deputy Director

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David A. Bubier
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

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J. R. Hardin

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Joe A. Hubenak

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David Bubier

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Charles J. Marietta

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Hazel B. Casey

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S. J. Spacek