

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 16<sup>th</sup> day of DECEMBER, 1992, by and between Century Savings and Loan Association, Trinidad, Colorado, Docket No. 02505- ("Institution"), for itself and for any wholly 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 12 U.S.C.S. §§ 1818(b)(1) and (i)(2)(Law. Co-op. Supp. 1992).

WHEREAS, the Board of Directors of the Institution has reviewed the operations and financial condition of the Institution and finds that the present condition of the Institution justifies and requires extraordinary action by the Board of Directors of the Institution for the benefit of the Institution and its depositors, other creditors, and borrowers; and

WHEREAS, the Institution's Board of Directors acknowledges the supervisory rights, powers, and authority of the OTS, with respect to the Institution under the statutes and regulations that govern the operations of the Institution; and

WHEREAS, the OTS is of the opinion that the Institution has engaged in unsafe and unsound practices as documented in the Report of Examination as of October 22, 1990, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings as the result of the Institution's unsafe and unsound practices as documented in the Report of Examination as of October 22, 1990, as long as the Institution is in compliance with this Agreement;

NOW, THEREFORE, in consideration of the OTS's above-stated forbearance, it is agreed between the parties hereto as follows:

#### I. DEFINITIONS

1. For the purposes of this Agreement, except as otherwise indicated, the following definitions shall apply:

- a. a "set" is a group of loans, participations, investments, securities, or other assets related, by being sold or pledged to, purchased from, or exchanged with any persons, entities, or institutions acting together in a single transaction;

- b. "invest in" means to make, originate, purchase, acquire, guarantee, refinance, modify, extend, renew, or to commit to do any of these;
- c. "transfer" means to sell, assign, pledge, exchange, or to commit to do any of these;
- d. "real estate investment" means the net book value of real estate purchased, acquired by foreclosure or deed in lieu thereof, or owned in any manner, inclusive of any expenditures incurred in connection with holding or improving such real estate and following adjustment for any loss reserves or allowances.

## II. OPERATING RESTRICTIONS

2. Except for existing legally binding commitments and investments that qualify as liquid assets under 12 C.F.R. Section 566.1 (1992), without prior written approval of the Regional Deputy Director for the Midwest Region, OTS, or his designee ("Regional Deputy Director" or "Assistant Director I - Operations"), the Institution shall not, and shall not allow any wholly or partly-owned subsidiary to:

- a. engage in forward commitments, futures transactions, or financial options transactions as defined in 12 C.F.R. Sections 563.173, 563.174 and 563.175 (1992);
- b. invest in any loans or contracts secured by real

estate or participations therein (including any acquisition, construction, and development loans) or any set of such loans or participations, except loans made at current market interest rates and terms which are:

- (1) to finance the bona fide purchase of, or custom construction of pre-sold, one-to-four-family residences secured by first liens on such properties that do not exceed in each case One Hundred Thousand Dollars (\$100,000); or to finance construction loans to builders on non-custom construction of one-to-four-family residences secured by first liens on such properties not to exceed One Hundred Thousand Dollars (\$100,000);
- (2) to refinance loans on existing one-to-four-family residences secured by first liens on such properties where the loan-to-value ratio does not exceed 80% and such loan does not exceed One Hundred Thousand Dollars (\$100,000); or
- (3) to be secured by second liens on existing one-to-four-family residences where the loan-to-value ratio of the first and second liens combined does not exceed 80% and the combined debt does not exceed One

- Hundred Thousand Dollars (\$100,000); or
- (4) to finance residential real estate other than one-to-four-family residences where the loan-to-value ratio does not exceed 80% and such loan does not exceed One Hundred Thousand Dollars (\$100,000); or
- (5) to refinance residential real estate other than one-to-four-family residences where the loan-to-value ratio does not exceed 80% and such loan does not exceed One Hundred Thousand Dollars (\$100,000); or
- or
- (6) to finance nonresidential real estate where the loan-to-value ratio does not exceed 80% and such loan does not exceed One Hundred Thousand Dollars (\$100,000); or
- or
- (7) to refinance nonresidential real estate where the loan-to-value ratio does not exceed 80% and such loan does not exceed One Hundred Thousand Dollars (\$100,000).

Any loan which is allowed under this section (Section II, paragraph 2, subparagraph b), shall not exceed the limitations contained in Sections 5(c)(2) and (u) of the Home Owners' Loan Act, 12 U.S.C.S. Section 1464(c) and (u) (Law. Co-op. 1992)).

- c. invest in any real estate investment or set of such investments. For purposes of this subparagraph, real estate investment shall not include real estate acquired through deed-in-lieu or foreclosure and shall not include ad valorem real estate taxes, special assessments, insurance premiums, cost of maintenance and repair not exceeding Ten Thousand Dollars (\$10,000), or similar expenditures required by city, county, or state authorities as a result of real estate ownership;
- d. invest in or transfer any security or set of securities in excess of Twenty Thousand Dollars (\$20,000);
- e. invest in or transfer except, for transfers on nonrecourse basis at fair market value, commercial loans or letters of credit, whether secured or unsecured, with a book value in each case in excess of Twenty Five Thousand Dollars (\$25,000); provided, however, such investments shall not exceed the limitations contained in Sections 5(c)(2) and (u) of the HOLA, 12 U.S.C.S. Section 1464(c) and (u) (Law. Co-op. 1992);
- f. invest in any consumer, education, or home improvement loan if the principal amount of such loan exceeds Twenty Five Thousand Dollars (\$25,000);

- g. invest in or increase its investment in any service corporation or any subsidiary thereof or finance subsidiary. For the purpose of this subparagraph, "invest in" shall include, but is not limited to, the making of investments in securities issued by such entities, and the extensions of credit to, or the guaranteeing of the debt of, such entities;
- h. enter into any joint venture agreements;
- i. notwithstanding any other provision within this Agreement, invest in or transfer any mortgage derivative financial instrument, stripped interest certificate, collateralized mortgage obligation, Real Estate Mortgage Investment Conduit ("REMIC"), REMIC Regular Interest, REMIC Residual Interest, or any below investment grade security (i.e., high-yield or "junk" bonds).
- j. transfer any real estate investment (i.e., real estate owned) or set of such investments if the net book value is in excess of One Hundred Thousand Dollars (\$100,000), or, irrespective of the foregoing sum, if the loss to be recognized upon transfer exceeds the greater of either 15% of the real estate investment's net book value or Twenty Thousand Dollars (\$20,000);
- k. (a) Pursuant to Section 32 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.S. § 1831i, (Law. Co-op. Supp. 1992) and OTS Thrift Bulletin 45, the

Board of Directors shall notify the Regional Deputy Director by written notice of the proposed addition or employment of any director or senior executive officer or transfer of any senior executive officer before such addition, employment, or transfer becomes effective. The Board of Directors may not add or employ any director or senior executive officer or transfer laterally any senior executive officer if the Regional Deputy Director issues a notice of disapproval no later than 30 days after the notice was deemed complete.

(b) Pursuant to the principles of safety and soundness communicated in OTS Regulatory Bulletin 27, the Institution shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director, executive, officer, or other institution-affiliated party of the Institution or any subsidiary or affiliate thereof, unless it first (i) provides a minimum of thirty-days advance, written notice of the proposed transaction to the Regional Director of the Midwest Region, OTS, or his successor or designee and (ii) receives a written notice of non-objection from the Regional Director with regard to the transaction.

(c) The Institution shall not make any "golden parachute payment", as that term is defined in

Section 18(k) of the FDIA, 12 U.S.C.S. § 1828(k) (Law. Co-op. Supp. 1992) ("Section 18(k)"), and as it may be further defined in regulations adopted by the Federal Deposit Insurance Corporation ("FDIC") under that authority, or any indemnification payment unless it does so in compliance with Section 18(k) and all regulations (if any) promulgated thereunder.

1. make any material change in accounting method;

### III. BUSINESS PLAN

3. The Institution shall continue to operate in accordance with the projected business strategies, budget assumptions and operations contained in its approved business plan ("Business Plan"). Any proposed modifications or material adverse deviations from the Business Plan shall be approved by the Board of Directors of the Institution and shall require the prior written approval of the Assistant Director I - Operations, which approval shall not be unreasonably withheld. The Board of Directors of the Institution shall monitor the Business Plan on a continuing basis. The minutes of the Institution's Board of Directors' meetings shall disclose the extent of the Board's involvement in this monitoring process.

No later than forty-five (45) days after the last day of each calendar quarter, the Board of Directors shall see that a written

report documenting its review of the Institution's year-to-date operating results for the period through the end of the preceding calendar quarter shall be submitted to the Assistant Director I - Operations. Such report shall include a comparison of actual results against the projected results in the Business Plan. If such actual operating results fail in any material adverse way to meet the projected results in the Business Plan, the report shall include an explanation of such material adverse deviation and a specific description of the measures that have been implemented or proposed to correct and/or abate such adverse deviation. For the purpose of determining an adverse material deviation under this provision, any deviation of fifteen percent (15%) or more shall be deemed to be a material adverse deviation. For income and expense items, the fifteen percent (15%) deviation shall be on a cumulative year to date basis, beginning with the first period set forth in the Business Plan. Within thirty (30) days prior to the end of the fiscal year, the Institution's Board of Directors shall review and update the Business Plan and submit it to the Assistant Director I - Operations for approval. The OTS shall not unreasonably withhold its approval of matters submitted pursuant to this paragraph.

#### IV. INTEREST RATE RISK MANAGEMENT

4. Within sixty (60) days of the effective date of this Agreement, the Board of Directors shall submit to the Assistant Director I - Operations for approval, a plan for the reduction of

the Institution's exposure to interest rate risk (IRR Plan). The IRR Plan is to be developed in conjunction with the Institution's business plan, interest rate risk policy, investment policy and Thrift Bulletin No. 13, dated January 26, 1992. The IRR Plan shall establish specific targets measured in terms of the maximum acceptable reduction in market value of portfolio equity (MVPE) following an immediate 200 basis point increase or decrease in interest rates. The IRR Plan is to describe the specific strategies and actions that will be taken to achieve the established targets and sets forth a timetable with quarterly interim targets.

#### V. LIABILITY GROWTH

5. The Institution shall comply with Regulatory Bulletin 3a-1, dated January 9, 1990.

#### V. REPORTING REQUIREMENTS

6. The Institution shall file timely and accurate OTS Thrift Financial Reports (TFRs) with the Midwest Region, Dallas, Texas. The Board of Directors of the Institution shall develop and implement such procedures as are necessary to ensure that the TFRs are accurate and complete in accordance with generally accepted accounting principles (GAAP).

7. The Institution shall submit, on a quarterly basis a status report on criticized and problem assets. At a minimum, this report shall include the following:

a. Loans:

- (1) original loan amount;
- (2) current book value, detailing any established valuation allowance;
- (3) major terms of the loan;
- (4) description and valuation of collateral;
- (5) delinquency status;
- (6) amount of accrued interest;
- (7) an estimate of the Institution's loss exposure;
- (8) the interest paid to date; and
- (9) status of collection efforts.

b. Real Estate and Other Repossessed Collateral:

- (1) description of property;
- (2) current book value, detailing the basis used for valuation allowance;
- (3) valuation of property, detailing the basis for valuation; and
- (4) status of disposition efforts.

The status report should be submitted to the Assistant Director I - Operations on a quarterly basis, within 20 days after the end of each calendar quarter.

8. No later than the last day of each calendar month, the Board of Directors shall file with the Assistant Director I - Operations a resolution, similar to the attached resolution, signed by each director present during the Board of Directors' meeting immediately preceding the last day of such calendar month,

certifying that the Institution has complied with all conditions of this Agreement for the preceding month.

9. 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, or the Federal Deposit Insurance Act ("FDIA"), and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, or FDIA shall have meanings that accord with the best custom and usage in the savings and loan industry.

10. All OTS memoranda, bulletins, statutory, and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Agreement, or as amended or renumbered thereafter.

12. 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 and is not intended for the benefit of any third parties.

13. 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 or Regional Deputy Director, in his sole discretion, determines otherwise.

14. Nothing in this Agreement shall be construed as: (i)

allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting, in any way, the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

15. To the extent that any provision of the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102-242, 105 Stat. 2236 (December 19, 1991) ("FDICIA") or any regulation(s) promulgated thereunder imposes more restrictive requirements than any provision contained in this Agreement (either expressly or through OTS interpretive Bulletins or policy statements), such provision(s) of the FDICIA or such regulation(s) shall be controlling.

16. Upon execution of this Agreement, the Supervisory Agreement, dated March 12, 1991 is terminated.

17. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through its Regional Deputy Director for the Kansas City Area Office. The Regional Deputy Director may suspend, in his or her sole discretion, any or all provisions of this Agreement during the term of this Agreement. The Regional Deputy Director will entertain, in good faith, written requests for termination of the Agreement, if, in his or her opinion, the Institution has at all times complied with the terms of this Agreement, has maintained compliance with regulatory capital requirements for three (3) consecutive calendar quarters, and receives a composite "MACRO" rating of "2" or better on a comprehensive safety and soundness examination.



CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Century Savings and Loan Association, Trinidad, Colorado ("the Institution"), hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on DECEMBER 16, 1992, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

WHEREAS, the officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") representatives believe the Institution has engaged in unsafe and unsound practices as documented in the Report of Examination as of October 22, 1990 thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS, and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of cease and desist proceedings if the attached Supervisory Agreement ("Agreement") is executed by the Institution and if its terms are thereafter carried out by the Institution, and

WHEREAS, the directors of the Institution have read and considered the Agreement attached to the minutes of the meeting of the Board of Directors held on \_\_\_\_\_, 1992 and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of the Institution. The president of the Institution is authorized to sign and execute the Agreement on behalf of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of CENTURY SAVINGS & LOAN this 16<sup>th</sup> day of DECEMBER, 1992.

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Secretary

