

SUPERVISORY AGREEMENT

OTS DOCKET #

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This Supervisory Agreement ("Agreement") is made and is effective this 10th day of March, 1992, by and between Sun World Federal Savings Bank, Alamogordo, New Mexico (OTS No. 7428) ("Institution") for itself and any 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 Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 12 U.S.C. §§ 1818(b)(1) and (i)(2) ("FIRREA").

WHEREAS, the OTS is of the opinion that the Institution has engaged in unsafe and unsound practices, as evidenced by an excessive level of classified assets and continuing net losses, thereby providing grounds for the initiation of formal enforcement proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of formal enforcement proceedings against the Institution for having engaged in unsafe and unsound practices as described herein, and as set forth in the Institution's examination report dated September 9, 1991, so long as the Institution is in compliance with the provisions of this Agreement; 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 formal enforcement proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of formal enforcement proceedings against the Institution, it is agreed between the parties hereto as follows:

Asset Review and Classification

1. The Institution shall take continuing action to protect its interest with regard to classified assets. The Institution shall continue implementation of the written plan previously approved for an internal asset review system ("Plan"), including the following elements:
 - (a) an identification of the expected source(s) of repayment;
 - (b) the appraised value of supporting collateral and the position of the Institution's lien on such collateral, where applicable;
 - (c) fair value and net realizable value calculations, where applicable;
 - (d) analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
 - (e) the proposed action to eliminate the basis of the classification and the time frame for its accomplishment; and

- (f) classification standards set forth in 12 C.F.R. §§ 561.160 and 571.26.

Reduction of Classified Assets

2. The Institution shall revise the Plan as necessary to provide for achieving and maintaining classified assets less than seventy-five percent (75%) of equity capital and general valuation allowances after December 31, 1992.
3. The Institution shall conduct quarterly reviews of significant problems assets and provide a written report of the results of such reviews to the Board of Directors and to the Regional Deputy Director by the twenty-fifth (25th) day after the end of each quarter. Based on these reviews, the Institution shall also establish all general and specific reserves as provided for in 12 C.F.R. § 561.160.

Revised Business Plan

4. The Board of Directors shall prepare and submit to the Regional Deputy Director for review and comment a revised, detailed written three-year business plan ("Revised Business Plan") which will include, but not be limited to: (a) how the Institution will achieve a break-even earnings position no later than April 30, 1992; (b) types and levels of activities to be engaged in by the Institution; (c) targets by which the performance of management can be evaluated on at least a quarterly basis; (d) pro forma financial statements by which to monitor the progress and overall performance of the business of the Institution; and (e) a contingency plan for additional capital to offset future operating losses and exposure from classified assets.
5. On a quarterly basis, the Institution shall provide the Regional Deputy Director with quarterly progress reports comparing actual performance to the projections and goals set forth in the Revised Business Plan, dated December 31, 1991, detailing any variances from the Revised Business Plan and providing for appropriate adjustments to the Revised Business Plan.

General Provisions

6. The Board of Directors shall submit to the Regional Deputy Director a resolution signed by each director, certifying that, to the best of his or her knowledge and belief, and based on a prudent review of management reports, during the previous calendar quarter, the Institution and its subsidiaries complied with each condition of this Agreement except as otherwise stated. This resolution shall set forth any exceptions to any conditions of this Agreement that were approved by the Regional Deputy Director. Within twenty-five (25) days after the close of each calendar quarter, the Institution shall submit to the Regional Deputy Director a copy of the minutes of each Board of Directors' meeting held during the quarter, the minutes of Board of Directors' committee(s) meetings held during the quarter, the aforementioned resolution, and any management report of the Institution.

7. (a) As used in this Agreement, the Regional Deputy Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d), 101 Stat. 183 (1989).
- (b) As used in this Agreement, the term "subsidiary" or "subsidiaries" shall be as defined in 12 C.F.R. § 567.1(dd), and subsidiaries of such service corporations.
- (c) As used in this Agreement, the term "savings association" shall have the meaning as set forth in Section 2(4) of the HOLA, as amended by Section 301 of the FIRREA, § 301, 101 Stat. 183 (1989).
- (d) 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 of this Agreement pursuant to Section 401(h) of the FIRREA, § 401(h), 101 Stat. 183 (1989), and references to successor provisions as they become applicable.

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, and Federal Deposit Insurance Act, as amended ("FDIA"). Any such technical words or terms used in this Agreement 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.

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.

This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Regional Deputy Director.

IN WITNESS WHEREOF, the OTS, acting through the Regional Deputy Director, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

SUN WORLD FEDERAL SAVINGS BANK,
ALAMOGORDO, NEW MEXICO

By:

151
Director

OFFICE OF THRIFT SUPERVISION

By: 151
Regional Deputy Director

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

I, the undersigned, being the duly qualified Secretary of Sun World Federal Savings Bank, Alamogordo, New Mexico ("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 March 10, 1992, ~~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 in full force and effect;

RESOLUTION

WHEREAS the directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution has engaged in unsafe and unsound practices, and that such practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS the said directors have been informed that the OTS will forbear from the initiation of such actions as a result of the Institution having engaged in unsafe and unsound practices, as set forth in an examination report dated September 9, 1991, 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 proposed Agreement attached to the minutes of the meeting of the board of directors held on March 10, 1992, ~~1991~~; and

WHEREAS after due consideration, the directors of the Institution have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation: Now, therefore be it

RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the board of directors 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 and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Institution this 10th day of March, 1992.

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Secretary