

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this day of March 24 1992, by and among International Savings and Loan Association, Limited, Honolulu, Hawaii, (hereinafter "International" or the "Institution"), the State of Hawaii ("State") and the Office of Thrift Supervision ("OTS"), an office of the United States Department of the Treasury. Reference in this Agreement to the Institution shall be understood to include all wholly owned or majority owned subsidiaries of the Institution unless a contrary meaning is apparent.

WHEREAS, OTS and the State are of the opinion that International has engaged in practices or failed to take certain actions in operating the business of the Institution that warrant supervisory correction;

WHEREAS, OTS and the State acknowledge that International has initiated and implemented corrective actions; and

WHEREAS, in the interest of regulatory compliance and cooperation but without admitting or denying that the alleged practices or omissions warrant supervisory corrections, International is willing to enter into this Agreement,

NOW THEREFORE, it is agreed that:

1. Within 90 days of the date of this Agreement, International shall formulate and implement a formal conflicts of

interest policy ("Conflicts Policy"), consistent with 12 C.F.R. Sec. 571.7 and encompassing documentation provisions similar to those of 12 C.F.R. Sec. 563.41(e), subject to OTS review and approval.

2. Within 90 days of the date of this Agreement, International shall formulate and implement a plan to determine and document any current appearances of, or actual, conflicts of interest or transactions with affiliates, consistent with the provisions of 12 C.F.R. Sec. 563.41(e). Should International determine that it has appearances of, or actual conflicts of interest inconsistent with its Conflicts Policy, or that it has transactions with affiliates in excess of permissible limits, International will also develop, within 30 days of such determination, a plan to eliminate any such conflict of interest and dispose of any such excess affiliated transaction.

3. Throughout the term of this Agreement, International shall not engage in any transactions with the appearance of, or actual, conflict of interest or with any affiliated person or affiliate, as those terms are defined in Title 12 C.F.R. Sec. 561.5 and 563.41, respectively, without prior compliance with its Conflict Policy.

4. Within 90 days of this Agreement, International shall formulate and implement, subject to review and approval by the OTS and the State, a plan to dispose of its Dallas real estate owned, within an economically reasonable time, but no later than 270 days from the date of this Agreement.

5. If, during the term of this Agreement, International determines that it will not meet its capital requirements, International promptly shall provide written notice to International Holding Capital Corporation and the OTS, detailing the amount of its capital requirements pursuant to 12 C.F.R. Part 567 and the amount of its actual capital level.

6. International shall not extend, refinance, enter into or otherwise modify any loans or credit in excess of the limits of 12 C.F.R. Sec. 563.93, and further, within 60 days of the date of this Agreement, International shall formulate and implement, subject to review and approval by the OTS and the State, a plan to reduce credit concentrations that exceed permissible limits.

7. Should, during the term of this Agreement, International decide to enter into any employment contract for other than "at-will" employment, International shall adopt a formal employee contract policy consistent with 12 C.F.R. Sec. 563.39 prior to entering into such a contract.

8. Throughout the term of this Agreement, International shall notify the Regional Director of OTS ("Regional Director") in writing when it proposes to add any individual to its Board of Directors or employ any individual as a senior executive officer, as required by Section 914 of FIRREA (12 U.S.C. Sec. 1831i). The notification must be received at least 30 days before such addition or employment is intended to become effective.

9. Throughout the term of this Agreement, International shall not add any individual to its Board of Directors or employ

any individual as a senior executive officer if the Regional Director issues a notice of disapproval pursuant to Section 914 of FIRREA (12 U.S.C. Sec. 1831i).

10. International shall implement and adhere to a formal bonus policy for its employees, subject to OTS review and approval. Pending OTS approval of such a policy, International shall not pay bonuses in excess of two weeks salary per year to any employee unless such bonus is:

- A) based upon the performance of the individual employee;
- B) approved by the Institution's Board of Directors; and
- C) has received a statement of written non-objection from OTS.

11. International shall implement and adhere to a formal severance payment policy for those employees who are terminated for reasons other than cause, subject to OTS review and approval. Pending OTS approval of such a policy, severance payments under this policy shall not exceed two (2) weeks' salary plus one (1) week's salary for each completed year of service with the Institution. However, no severance payment shall be in excess of six (6) month's base salary. International shall not make any severance payment to any officer, director or employee that is in excess of the amount that is payable under International's severance pay policy to be adopted for employees who are terminated for reasons other than cause.

12. Throughout the term of this Agreement, the Board shall submit to the OTS and the State by the tenth day following each regularly scheduled monthly board meeting a report detailing the progress, status and/or adherence to each of Paragraphs 1 through 11 of this Agreement. Included in such monthly report shall be sufficient detail of the evidence the Board reviewed to establish the progress, status and/or adherence to each of Paragraphs 1 through 11.

13. Except as provided for in this Agreement, all plans, policies, procedures, or evidence of corrective or other actions required by this Agreement shall be maintained by International for review by OTS for compliance with this Agreement.

14. For good cause shown, the Assistant Regional Director of OTS ("Assistant Regional Director") may extend the time to complete any act required by this Agreement, specifically:

- a) If the Assistant Regional Director disapproves any policy, plan or act submitted for approval under the terms of this Agreement, the Assistant Regional Director will provide written notice of the disapproval, indicating the deficiencies in the proposed policy, plan or act. International will submit a revision of the policy, plan, or act to the Assistant Regional Director within 30 days after it receives written notice of disapproval;
- b) No policy, plan, or act approved by the Assistant Regional Director may be amended, suspended, or

revoked without the prior written approval of the Assistant Regional Director. However, if International has been in substantial compliance with any requirement imposed by this Agreement for a reasonable period of time, the Assistant Regional Director may terminate such requirement upon written request.

15. The OTS does not relinquish any of its rights to take any supervisory or other action whatsoever with respect to International as a result of this Agreement. International acknowledges that it has not received any oral or written representations to the contrary by OTS or any of its agents or employees.

16. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include reference to all amendments to such provisions as have been made as of the effective date of this Agreement pursuant to Section 401(h) of FIRREA, Pub. L. No. 101-73, Section 401(h) (1989), and references to successor provisions as they become applicable.

17. All technical words or terms used in this Agreement, for which meanings are not defined or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have the meaning set forth in Chapter V of Title 12 of the Code of Federal Regulations and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in

the savings industry.

18. This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement between and among International, the OTS and the State. It is understood and agreed that this Agreement is a "written agreement" between the depository institution and the OTS, as that term is used in Section 8 of the Federal Deposit Insurance Act (12 U.S.C. Section 1818).

19. This Agreement constitutes the entire agreement between and among the OTS, the Institution and the State, but does not supersede any prior order, directive or agreement imposed upon, or agreed to, by International. No amendment or modification of this Agreement shall be valid and binding unless executed in writing by the OTS, International and the State.

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

21. This Agreement shall remain in effect until terminated by the OTS and the State. All requests for termination of the order shall be submitted to the Assistant Regional Director and the Commissioner of the Division of Financial Institutions for the State of Hawaii ("Commissioner"). Upon review of any such request, the Assistant Regional Director shall make a recommendation to the Regional Director for denial or approval of the request. The Regional Director and the Commissioner may grant a written request for termination or modification of the Agreement if they are of the

opinion that International has satisfactorily complied with the terms of this Agreement for an appropriate period of time. The Regional Director's and the Commissioner's grant of such written request shall only be evidenced by the issuance of a written amendment to this Agreement executed by a duly authorized representative of the OTS, the State and International.

22. A certified copy of the Board's resolution authorizing the execution of this Agreement, evidencing its intent to be bound thereby and requiring action to be taken to comply with its terms, shall be attached hereto as Exhibit A and made part thereof.

IN WITNESS WHEREOF, the OTS, acting through the Assistant Regional Director, the State, and the Institution, acting through its duly elected directors, have executed this Agreement as of the date first above written.

OFFICE OF THRIFT SUPERVISION

By: 151
Duane Thorkildsen
Assistant Regional Director
West Region

INTERNATIONAL SAVINGS AND
LOAN ASSOCIATION
BOARD OF DIRECTORS

151
Lionel Y. Tokioka

151
David S. Nakano

151
Wesley T. Park

STATE OF HAWAII

By: 151
Clifford K. Higa
Commissioner
Division of Financial

151
Dr. Mario P. Bautista

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Mildred H. Fujiyama

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Frank K. Hayashi

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Thomas M. Itagaki

151
Irene N. Wakatsuki

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Richard C. Lim

CERTIFICATION

I, Wesley T. Park, Secretary of International Savings and Loan Association, Limited, do hereby certify that the following is a true and correct copy of the resolution adopted by the Board of Directors of International Savings and Loan Association, Limited, at its meeting held on March 18, 1992, at which a quorum was present:

WHEREAS the Office of Thrift Supervision ("OTS") and the Division of Financial Institutions, Department of Commerce and Consumer Affairs, State of Hawaii ("State") have indicated the need for a written understanding or directive relating to areas of concern at International Savings and Loan Association, Ltd. ("ISL") as a consequence of the Examination Report dated September 3, 1991;

WHEREAS the OTS and State have requested execution by the Board of Directors of a Supervisory Agreement in the form as presented and under the circumstances, such execution appears advisable; and therefore,

BE IT RESOLVED, that execution by the Board of the Supervisory Agreement in the form as presented is approved and management is directed to take action to comply with its terms.

Dated at Honolulu, Hawaii, this 18th day of March, 1992.

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Wesley T. Park
Secretary