

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 31st day of MARCH, 1992, by and between Sun World Savings Bank, FSB, El Paso, Texas (OTS No. 8292) ("Institution") 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 ("FIRREA"), §§ 902 and 907, 103 Stat. 183 (1989) (codified as amended at 12 U.S.C. §§ 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. §§ 215.4 and 567.5(c)(ii) (1991), and Section 5(c) of the HOLA, 12 U.S.C. § 1464(c) (Supp. I 1989), as of June 24, 1991, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with 12 C.F.R. §§ 215.4 and 567.5(c)(ii) (1991), and Section 5(c) of the HOLA, 12 U.S.C. § 1464(c) (Supp. I 1989), as of June 24, 1991, so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, without admitting or denying any allegations set forth herein, but 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 against the Institution:

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

Growth

1. Without the prior written approval of the Regional Deputy Director of the OTS or his successor or designee ("Regional Deputy Director"), the Institution shall not increase its assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter.

Approval of Executive Officers and Directors

2. Pursuant to § 914 of FIRREA and any regulations promulgated thereunder, the Board of Directors shall notify the Regional Deputy Director of the proposed addition or employment of any director or senior executive officer before such addition or employment becomes effective. The Board of Directors may not add or employ any director or senior executive officer if the Regional Deputy Director issues a notice of disapproval no later than 30 days after the notice was deemed complete.

Business Plan

3. (a) Within 30 days of the effective date of this Agreement, the Board of Directors shall revise the Institution's business plan ("Plan") to fully explain the manner in which the Institution would exercise its salvage powers in order to dispose of problem and/or nonearnings assets. This explanation must include, at a minimum: (i) the timely development of a formal salvage plan for the asset; (ii) internal controls and guidelines for approving, implementing and monitoring the progress of the salvage plan; and (iii) obtaining prior OTS approvals for any elements of the salvage plan which may be required by regulation. The authorized salvage plan must clearly define a strategy that is for the protection of the Institution's investment and is consistent with safe, sound and economical home financing. Within 10 days of the Board of Directors' approval of this Plan revision, the Board of Directors shall submit the revision to the Regional Deputy Director for review.
- (b) The Board of Directors shall, on a quarterly basis, report to the Regional Deputy Director, any material variations in the quarterly financial projections of the Plan; and revisions to the stated goals, objectives and/or operating assumptions of the Plan.

Reduction of Classified Assets

4. (a) The Institution shall take immediate and continuing action to protect its interest with regard to classified assets.
- (b) The Institution shall maintain adequate allowances for losses in accordance with the provisions of 12 C.F.R. §§ 563.160 and 571.26.
- (c) The Board of Directors, or a duly authorized committee thereof, shall conduct a review, on at least a quarterly basis, to determine:
- (i) the status of each classified asset or classified portion thereof which exceeds \$100,000;
 - (ii) management's compliance with the Institution's internal loan review system ("Plan") as implemented pursuant to Paragraph 6(c) of the Supervisory Agreement dated November 13, 1989;
 - (iii) the status and effectiveness of the Plan; and
 - (iv) the need to revise the Plan or take alternative action.
- (d) A copy of each review prepared pursuant to subparagraph (c) hereof shall be forwarded to the Regional Deputy Director on a quarterly basis.

Affiliated Persons Transactions and Conflicts of Interest

5. The Board of Directors shall review and familiarize themselves with the following regulatory and statutory provisions: (i) 12 C.F.R. §§ 563.35, 563.40, 563.41, 563.43, and 563.45; (ii) OTS Statements of Policy as set forth at 12 C.F.R. §§ 571.7 and 571.9; (iii) Section 22(h) of the Federal Reserve Act ("FRA"), 12 U.S.C. § 375b, and its implementing regulations,

12 C.F.R. §§ 215.4 and 215.7; (iv) Sections 23A and 23B of the FRA, 12 U.S.C. §§ 371c and 371c-1 and (v) Section 11(a)(1)(B) of HOLA, 12 U.S.C. § 1468(a)(1)(B).

Termination of Supervisory Agreement

6. Upon the effective date of this Agreement, the OTS, acting through its Regional Deputy Director, terminates the Supervisory Agreement between the Institution and the OTS, dated November 13, 1989.

General Provisions

7. 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 upon a prudent review of management reports, during the previous calendar quarter the Institution complied with each condition of this Agreement except as otherwise stated. This resolution shall specify in detail how, if at all, full compliance was found not to exist. This resolution shall further set forth any exceptions to any conditions of this Agreement that were approved by the Regional Deputy Director. Within 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 each Board of Directors' committee(s) meetings held during the quarter, the aforementioned resolution, and, at the request of the Regional Deputy Director, any management report of the Institution.
8. (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), 103 Stat. 183 (1989).

(b) As used in this Agreement, the term "affiliate" shall be as defined in 12 U.S.C. § 371c(b).

(c) As used in this Agreement, the term "insider" shall include executive officers, directors, and principal shareholders, or related interests thereof, as defined in 12 C.F.R. § 215.2.

(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), 103 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.

The terms and provisions of this Agreement do not preclude the OTS, acting through its Regional Deputy Director, from initiating or undertaking any action against an institution-affiliated party, as defined in 12 U.S.C. § 1813(u), as amended by FIRREA.

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 a majority of its duly elected directors, have executed this Agreement on the date first above written.

SUN WORLD SAVINGS BANK, FSB
EL PASO, TEXAS

By:

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Director

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Director

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Director

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Director

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Director

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Director

Director

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 Savings Bank, FSB, El Paso, Texas (OTS No. 8292) ("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 31, 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 directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and that such violations provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

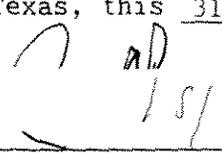
WHEREAS the said directors have been informed that the OTS will forbear from the initiation of such proceedings as a result of the Institution's failure to comply with 12 C.F.R. §§ 215.4 and 567.5(c)(ii) (1991), and Section 5(c) of the HOLA, 12 U.S.C. § 1464(c) (Supp. I 1989), as of June 24, 1991, to which the Institution is subject, as set forth in an examination report dated June 24, 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 31, 1992; 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 Sun World Savings Bank, FSB, El Paso, Texas, this 31 day of March, 1992.



Secretary