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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 24th day of June, 1991, by and between Bank Western, a Federal Savings Bank, Denver, Colorado, Docket No. 02254 ("Institution"), for itself and for any wholly-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. Sections 1818(b)(1) and (i)(2), as amended by The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), Pub.L. No. 101-73, Sections 902 and 907 (1989).

WHEREAS, the OTS has reviewed the operations and financial condition of the Institution and finds that the present condition of the Institution justifies and requires 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 violated a condition imposed in writing by the OTS in connection with the granting of an application and 12 C.F.R. Sections 563.161 and 563.233 (1991), to which the Institution is subject, thereby providing grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS, pursuant to 12 U.S.C. Section 1818(b); and

WHEREAS, without admitting or denying the aforesaid alleged violations, and that they provide grounds for the initiation of cease-and-desist proceedings against the Institution, the Institution, nevertheless, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement in order to resolve the controversy with the OTS and 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 to the matters alleged above 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, provided, that whenever the Institution is required to seek the approval of the Regional Deputy Director pursuant to paragraph 2 of this Agreement, by virtue of a refinancing, modification, extension or renewal which would cause the Institution to "invest in" a loan, extension of credit or other investment, the Regional Deputy Director will review all proposed transactions that do not require financing by the Institution within five (5) calendar days from the date all necessary information is submitted to the OTS, and will review all proposed transactions that require financing by the Institution within five (5) business days from the date all necessary information is submitted to the OTS, provided, however, that the proposed transaction shall be deemed approved by the OTS if

the Institution does not receive disapproval of the proposed transaction from the OTS within the requisite five day period;

- 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 (1991), without prior written approval of the Regional Deputy Director for the Topeka District, OTS, ("Regional Deputy Director") the Institution shall not, and shall not allow any wholly-owned subsidiary of the Institution to:

- a. 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 construction of 1-4 family residences secured by first liens on such properties;
or
- (2) to refinance loans on existing 1-4 family residences secured by first liens on such properties; or
- (3) to be secured by second liens on existing 1-4 family residences; or
- (4) to finance residential real estate other than 1-4 family residences where the loan to value ratio does not exceed eighty percent (80%) and such loan does not exceed One Million Dollars (\$1,000,000);
or
- (5) to refinance residential real estate other than 1-4 family residences if such loan does not exceed One Million Dollars (\$1,000,000); or
- (6) to finance nonresidential real estate where the loan to value ratio does not exceed eighty percent (80%) and such loan does not exceed One Million Dollars (\$1,000,000); or
- (7) to refinance nonresidential real estate where the loan-to-value ratio does not exceed eighty percent (80%) and such loan

does not exceed One Million Dollars
(\$1,000,000);

provided, however, such loans shall not exceed the limitations contained in Sections 5(c)(2) and 5(u) of the Home Owners' Loan Act ("HOLA"), as provided by Section 301 of FIRREA (12 U.S.C. Section 1464(c)(2) and (u));

- b. invest in any real estate investment or set of such investments unless such investment or set of investments is made in compliance with 12 C.F.R. Section 563.98 (1990);
- c. transfer any real estate investment (e.g. real estate owned) or set of such investments with a net book value in excess of One Million Dollars (\$1,000,000), or, irrespective of the foregoing sum, the loss to be recognized upon transfer exceeds the greater of fifteen percent (15%) of the net book value or Two Hundred Thousand Dollars (\$200,000);
- d. transfer any loan secured by real estate or participation therein or any set of such loans or participations if the net book value of any such loan or participation exceeds One Million Dollars (\$1,000,000), except loans made at then current market interest rates and terms to finance bona fide purchases of, or refinance existing owner-occupied 1-4 family residences secured by a first lien on

such residences; and except loans secured by 1-4 family residences conforming to Federal National Mortgage Association, Government National Mortgage Association and Federal Home Loan Mortgage Corporation guidelines purchased through the secondary market, and except consumer loans;

- e. invest in or transfer commercial loans or letters of credit, whether secured or unsecured, with a book value in each case in excess of Seven Hundred Fifty Thousand Dollars (\$750,000); provided, however, such investments shall not exceed the limitations contained in Sections 5(c)(2) and 5(u) of the HOLA, as provided by Section 301 of FIRREA (12 U.S.C. Section 1464(c) and (u)), and provided, however, that in the event a commercial loan is transferred by the Institution without loss, the Institution shall be required to notify the Regional Deputy Director of such transfer, but shall not be required to obtain approval of the Regional Deputy Director prior to the transfer;
- f. invest in or increase its investment in any service corporation or any subsidiary thereof or finance subsidiary if such investment would be inconsistent with the Institution's Business Plan. For the purposes 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;

- g. enter into any joint venture agreements;
- h. make any material change in accounting method except that the Institution may make changes in its accounting method to correspond to changes in Generally Accepted Accounting Principles ("GAAP"), or that are mandated by statute, or regulation or order of the OTS;
- i. invest in or transfer any loan or set of loans secured by manufactured housing if such investment or transfer results in a loss that would exceed fifteen percent (15%) of the net book value of the asset.

3. The following exceptions shall apply to the operating restrictions enumerated in paragraph 2 as of the effective date of this Agreement:

- a. The Institution shall be permitted to pledge and hypothecate its assets for purposes of obtaining financing in the normal course of business, including the pledge of assets to obtain public unit deposits.
- b. The Institution shall be permitted to sell or transfer real estate owned without the prior

approval of the Regional Deputy Director, notwithstanding the provisions of subparagraph 2(c) of this Agreement, provided, however,

- 1) that the Institution shall provide notice of and all necessary information relating to any transaction concerning real estate owned which information was presented to the Institution's appropriate committee for review and approval of the transaction;
- 2) The OTS may determine, in its sole discretion, at any time, to require the Institution to obtain the prior approval of the Regional Deputy Director before selling or transferring additional real estate owned pursuant to subparagraph 2(c) of this Agreement.
- 3) If the OTS imposes the requirements of subparagraph 2(c) on the Institution, the Regional Deputy Director will review all proposed transactions that do not require financing by the Institution within five (5) calendar days from the date all necessary information is submitted to the OTS, and will review all proposed transactions that require financing by the

Institution within five (5) business days from the date all necessary information is submitted to the OTS, provided, however, that a proposed transaction shall be deemed approved by the OTS if the Institution does not receive disapproval of the proposed transaction from the OTS within the requisite five day period;

- 4) For purposes of subparagraph 3(b)(2), the Regional Deputy Director shall determine, in his or her reasonable discretion, what constitutes "necessary information" for purposes of review and approval of a proposed transaction.

4. The Institution shall take all necessary actions to comply with the April 23, 1987 approval by the Federal Home Loan Bank of Topeka's Principal Supervisory Agent of the Institution's Application for Approval of Service Corporation Joint Venture with Securities Broker Dealer. Such action shall include, but not be limited to, providing PAMCO Securities and Insurance Services representatives segregated and distinct areas of the Institution's offices in which to conduct business and ensuring that the requisite signs are displayed disclosing that PAMCO Securities and Insurance Services and the Institution are separate and unrelated entities.

5. The Institution shall provide, to the Regional Deputy Director, written notice ten (10) days prior to the execution of any agreement that would provide exclusive rights for longer than ninety (90) days to any third party to: 1) enter into a merger agreement; 2) enter into a purchase and assumption agreement; 3) acquire substantially all the assets and assume substantially all the liabilities of the Institution; or 4) otherwise substantially divest control of the Institution from Western Capital Investment Corporation.

III. BUSINESS PLAN

6. No later than June 30, 1991, the Institution shall submit to the Regional Deputy Director a comprehensive business plan ("Business Plan") detailing projected business strategies, budget assumptions and operations for the Institution and its subsidiaries through at least the remainder of this fiscal year and the following two fiscal years in a form acceptable to the Regional Deputy Director. The Business Plan should include pro forma financial statements (with adequate disclosure of material assumptions) for the period covered by the Business Plan and should be consistent with providing sound and economical home financing and shall incorporate, as appropriate, the provisions of this Agreement. The Business Plan shall follow the guidelines set forth in the OTS' "Business Plan Guidelines" dated September 25, 1986 and such other reasonable guidelines as provided by the Regional Deputy Director.

The Business Plan shall be approved by the Institution's Board of Directors subject to the review and approval of the Regional Deputy Director. Any proposed material adverse deviations from the Business Plan, once approved by the Board of Directors of the Institution, shall require the prior written approval of the Regional Deputy Director, which approval shall not be unreasonably withheld. The Board of Directors of the Institution shall review and approve the Business Plan and 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 the calendar quarter in which the Business Plan is approved by the Regional Deputy Director, and thereafter, 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 Regional Deputy Director. 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 Regional Deputy Director for approval. The OTS shall not unreasonably withhold its approval of matters submitted pursuant to this paragraph.

7. Within sixty (60) days after the execution of this Agreement, the Institution shall submit to the Regional Deputy Director a comprehensive plan which incorporates the following plans, policies and procedures or guidelines ("policies"):

- a. the interest-rate-risk management policy required by 12 C.F.R. Section 563.176 (1991), and implements Thrift Bulletins 13, 13-1, and 13.2.;
- b. a plan which addresses internal asset classification as required by 12 C.F.R. Section 563.160 (1991);
- c. policies which adhere to the guidelines set forth in the OTS' "Minimum Guidelines for Written Lending Policies" dated January 9, 1987;
- d. a specific plan which addresses the Institution's management and disposition of real estate owned and other problem assets. This plan shall state the

terms and conditions under which real estate owned and other problem assets will be sold or otherwise disposed of and the levels of approval required and a commitment to follow GAAP in recording and reporting the disposition of such properties as required by 12 C.F.R. Section 563.233 (1991); and

- e. specific policies relating to loan modifications for troubled debt restructuring. These policies shall state the terms and conditions upon which modifications will be considered, the levels of approval required and a commitment to follow GAAP in recording and reporting modified loans as required by 12 C.F.R. Section 563.233 (1991).

After approval of subsections (a) through (e) of this paragraph by the Regional Deputy Director, the Institution shall incorporate subsections (a) through (e) of this paragraph into the Business Plan. Any material deviations from the policies, once approved, shall require the prior written approval of the Regional Deputy Director. The Board of Directors of the Institution shall review and approve the policies in conjunction with the Board's required monitoring of the Business Plan, and shall monitor the policies 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. The OTS shall not unreasonably withhold its approval of the policies or other matters submitted pursuant to this paragraph.

IV. UNDERWRITING STANDARDS

8. Within thirty (30) days after the effective date of this Agreement, the Institution shall submit to the Regional Deputy Director for approval, specific loan and investment policies and procedures that shall govern all commercial and non-residential real estate loans, other extensions of commercial or non-residential real estate credit, and such loan investments made or purchased by the Institution or its subsidiaries ("Underwriting Standards"). These Underwriting Standards, at a minimum, shall require that prior to making or purchasing (or committing to make or purchase) any loan, other extension of credit or loan investment as described in the preceding sentence, the Institution or its subsidiaries must have obtained, as appropriate, each of the items listed in subsections (a) through (p) of paragraph 9 and subsections (a) through (c) of paragraph 10 of this Agreement, and in 12 C.F.R. Section 563.170(c) (1991). The OTS shall not unreasonably withhold its approval of the Underwriting Standards or other matters submitted pursuant to this paragraph.

9. Until it has received approval of the Underwriting Standards from the Regional Deputy Director, the Institution or any of its wholly-owned subsidiaries shall not make or purchase any loan (other than consumer loans, secured loans made to finance the purchase or construction of 1-4 family residences or loans

described as, and pursuant to, existing commitments) other extension of credit or investment without having first obtained, as appropriate, each of the following:

- a. a written application signed by the borrowers and guarantors stating the purpose of the loan, extension of credit or investment, and the identity of the proposed security property;
- b. signed financial statements of the borrowers and guarantors;
- c. a signed statement disclosing the purchase price paid or to be paid by the borrowers;
- d. a current credit report for each borrower and guarantor together with a written report signed by an employee of the Institution responsible for analyzing the loan, extension of credit or investment ("Underwriter") explaining all outstanding derogatory items in each credit report and reflecting compliance with the Equal Credit Opportunity Act;
- e. a written report, signed by the Underwriter, evidencing that material items in the borrowers' and guarantors' financial statements have been verified and analyzed to ensure that the borrowers and guarantors have sufficient assets and cash flow to retire the loan under the terms of the note and/or guaranty;

- f. in the case of a proposed loan, extension of credit or investment secured by real property or real property interests, an appraisal report which designates if the real property is in a flood plain and complies with 12 C.F.R. Sections 563.170 (c)(1)(iv) and 563.171 (1991) and conforms to generally-acceptable appraisal policy and practice guidelines;
- g. in the case of a proposed loan, extension of credit or investment secured by property other than real estate, an appropriate statement of value of the security property prepared by a qualified person, a verification of the proposed lien status of the security property current through the date of the loan or commitment decision and, where appropriate, documents verifying the existence of the proposed security property and that the proposed security property is owned by and/or title is held by the proposed borrower;
- h. written evidence, duly verified, that the borrower has invested cash or another form of equity, as appropriate, in the security property;
- i. in the case of construction loans or multiple disbursement loans for improvements, written cost estimates and breakdowns prepared by a qualified engineer, architect, or other person qualified to prepare such estimates and breakdowns;

- j. written market feasibility studies prepared by a qualified professional for all acquisition, development, and construction loans;
- k. a written approval form showing when and by whom the loan, other extension of credit or investment was approved and the terms and conditions of such approval;
- l. a title insurance commitment or acceptable attorney's opinion establishing the quality and validity of the Institution's lien on any real estate securing the proposed loan, extension of credit or investment, and subsequent to closing of the loan, extension of credit or investment, a title insurance policy or acceptable attorney's opinion reflecting the required quality and validity of the Institution's proposed lien, which title insurance policy or attorney's opinion is supported by a current, signed survey reflecting all physical improvements, encroachments, easements, and boundary line descriptions;
- m. a settlement statement and additional written documentation showing that the Institution, upon the closing of the loan, extension of credit or investment, furnished the borrowers or guarantors a statement setting forth in detail all charges and fees paid and obligated to be paid;

- n. a written record showing the status of taxes, assessments, insurance premiums, and other charges on the security of the loan, extension of credit or investment;
- o. written documentation evidencing hazard insurance, in full force and effect, to protect the Institution from loss, as outlined in the policy statement at 12 C.F.R. Section 571.4 (1991); and
- p. the file for each loan, extension of credit or investment or commitment to do any of these, granted or purchased by the Institution shall include a written certification by an officer or other employee of the Institution that upon actual review, knowledge, and belief the loan complies with all acceptable provisions of the OTS Regulations and this Agreement.

10. Except for existing legally binding commitments and investments that qualify as liquid assets under 12 C.F.R. Section 566.1 (1991), the Institution shall not disburse funds for any loan, participation, or other extension of credit unless it has obtained the following:

- a. written documentation showing the date, amount, purpose, and recipient of every disbursement;
- b. written documentation evidencing all modifications to the original contract, including appropriate approval of each modification; and

- c. written documentation supporting all releases of any portion of the collateral supporting the loan or other extension of credit.

Every disbursement of funds in connection with loans, except as excluded in paragraph 9 above, of Two Million Dollars (\$2,000,000) or more shall be approved in advance by a committee established by the Institution's Board of Directors, which committee shall consist of at least one outside director. The minutes of each meeting of such committee shall reflect such approval and shall adequately describe the nature and purpose of the disbursement.

V. LIABILITY GROWTH

- 11. The Institution shall not increase its liabilities:
 - a. During any calendar quarter, in excess of five percent (5%) of the amount of liabilities provided for in the Business Plan as finally approved by the Regional Deputy Director;
 - b. During any year (a year being twelve (12) calendar months from the date this Agreement is executed, and twelve (12) calendar months from each anniversary of the execution of this Agreement), in excess of five percent (5%) of the amount of liabilities provided for in the Business Plan as finally approved by the Regional Deputy Director;

c. Liability growth which occurs prior to the approval of the Business Plan and is not in accordance with the approved Business Plan shall not be deemed to be a violation of this Agreement so long as it otherwise complies with regulatory limitations on growth.

12. Within thirty (30) days after the effective date of this Agreement, the Institution shall provide to the Regional Deputy Director a list of all loans-in-process obligations and legally binding commitments for loans of types that are included in Sections II and IV of this Agreement that exist as of the date of this Agreement and provide a schedule of the monthly estimated disbursements for such outstanding commitments and loans-in-process obligations.

The list of commitments shall include:

- a. the type of commitment;
- b. the date of commitment;
- c. the total amount of each commitment;
- d. the identity of the borrower;
- e. the identity of the seller, if applicable;
- f. the effective date; and,
- g. the date of anticipated funding.

The Institution shall submit with this list a written opinion from independent legal counsel that he/she has reviewed the terms of each unfunded commitment in excess of Five Hundred Thousand Dollars (\$500,000) and address whether or not such commitment

constitutes a legally binding obligation of the Institution that could be enforced in a court of law by the party to whom the commitment is made.

VI. REPORTING REQUIREMENTS

13. The Institution shall submit a quarterly operating report in the form required by the Supervisory Procedures Manual. The first such quarterly report shall be submitted for the quarter ending June 30, 1991. The quarterly reports are to be received by the Regional Deputy Director within forty-five (45) days following the end of the quarter.

14. No later than the last day of each calendar month, the Institution shall file with the Regional Deputy Director a resolution, similar to the resolution attached to this Agreement, signed by each director in attendance at the regularly scheduled board meeting for that month.

15. 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.

16. All 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.

17. 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.

18. This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through its Regional Deputy Director for the Topeka District. Such 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 this Agreement, if, in his or her opinion, the Institution has at all times complied with the terms of this Agreement and has maintained compliance with regulatory capital requirements for three (3) consecutive calendar quarters.

IN WITNESS WHEREOF, the parties have executed this Agreement individually or by their duly designated agent. A certified copy of the resolution of the Board of Directors of Bank Western, a Federal Savings Bank authorizing the execution of this Agreement is attached hereto and made a part hereof.

OFFICE OF THRIFT SUPERVISION

By / S /
Regional Deputy Director

BANK WESTERN, A FEDERAL
SAVINGS BANK
DENVER, COLORADO

By: _____

Its: _____

APPROVED:

 / S /
Robert J. Malone,
Chairman of the Board

 / S /
W. Douglas Poole, Director

 / S /
Richard E. Pate, III,
Director

 / S /
Ralph L. Schwartz, Director

 / S /
Paul K. Hamilton, Jr.,
Director

 / S /
J. H. Silversmith, Jr.,
Director

 / S /
Bruce D. Benson, Director

 / S /
James C. Swain, Director

 / S /
Robert M. Kirchner, Director

 / S /
C. Howard Kast, Director

 / S /
Jerome K. Nagel, Director

 / S /
Robin D. Barnard, Director