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SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is effective August 10, 2000 (Effective Date), by and between **Community Bank of Excelsior Springs, a SB** (Association), a federally chartered stock association, having its main office located in **Excelsior Springs, Missouri** and the Office of Thrift Supervision (OTS), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C., acting through its Midwest Regional Director or his/her designee (Regional Director).

WHEREAS, OTS is the primary federal regulator of the Association; and

WHEREAS, based on the Report of Examination dated March 27, 2000 (ROE), OTS is of the opinion the Association engaged in acts and practices: (i) resulting in violations of certain regulations and/or (ii) considered to be unsafe and unsound; and

WHEREAS, OTS is of the opinion grounds exist for the initiation of administrative proceedings against the Association; and

WHEREAS, OTS is of the view it is appropriate to take measures intended to ensure the Association will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (Board), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with OTS and to evidence the intent to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices.

NOW THEREFORE, the parties agree as follows:

COMPLIANCE WITH LAWS, REGULATIONS, & SAFE AND SOUND PRACTICES

1. Compliance with Regulations

The Association shall take all necessary and appropriate actions to achieve compliance with the following:

- A. Section 560.93(c) of the OTS Regulations, 12 C.F.R. Section 560.93(c) (Lending limitations);

- B. Section 560.101 of the OTS Regulations, 12 C.F.R. Section 560.101 (Real estate lending standards);
- C. Section 560.160(a)(1) of the OTS Regulations, 12 C.F.R. Section 560.160(a)(1) (Asset classification), and Section 260 of the OTS Thrift Activities Handbook;
- D. Section 560.170 of the OTS Regulations, 12 C.F.R. Section 560.170 (Records for lending transactions);
- E. Section 562.1(b) of the OTS Regulations, 12 C.F.R. Section 562.1(b) (Records and reports); and
- F. Section 564.4 of the OTS Regulations, 12 C.F.R. Section 564.4 (Minimum appraisal standards), and OTS Thrift Bulletin 55a, dated November 4, 1994.

CORRECTIVE PROVISIONS

2. Asset Review

- A. No later than September 30, 2000, the Board and management shall establish an effective internal asset review program. Such internal asset review program shall ensure that loans are monitored on a regular basis and appropriately and timely classified in accordance with 12 C.F.R. Section 560.160 and the guidance provided in Section 260 of the OTS Thrift Activities Handbook. Based on the evaluation and classification of assets, the Association shall establish adequate allowances for loan and lease losses or charge-offs, as appropriate, consistent with generally accepted accounting principles and 12 C.F.R. Section 560.160. The Association shall not reduce the balance of the allowance for loan and lease losses unless it receives prior written notice of no objection from OTS.
- B. The internal asset review program shall be independent of the lending function, and must encompass obtaining current financial information on borrowers, cosigner/guarantors, and properties; conducting appropriate analysis of the financial information; classifying loan and credit lines; and obtaining security agreements and uniform commercial code filings pursuant to uniform commercial code provisions when loans include funds for the purchase of furniture, fixtures, and equipment.
- C. No later than August 31, 2000, the Board and management shall ensure that all employees assigned to complete the internal asset reviews possess the necessary expertise and have received the necessary training.
- D. The Board and management shall develop a schedule to ensure that all assets requiring a review as of the date of this Agreement are reviewed by December 31, 2000.
- E. The Board shall require and review quarterly progress reports from management on the status and findings of the Association's internal asset reviews.

3. Appraisal Policy

- A. No later than August 31, 2000, the Board shall adopt a revised Appraisal Policy that complies with 12 C.F.R. Part 564 and Thrift Bulletin 55a, dated November 4, 1994.
- B. No later than August 31, 2000, the Board and management shall establish a formal appraisal review process.
- C. No later than August 31, 2000, the Board and management shall obtain an appraisal for the property collateralizing loan No. 12502734 to Heatheron Custom Homes, Inc.

4. Lending Policies

- A. The Association shall immediately cease originating commercial real estate loans, without prior written notice of no objection from OTS.
- B. No later than September 30, 2000, the Board shall adopt revisions to the Association's Lending Policy to provide for the safe and sound underwriting and administering of commercial real estate loans, speculative construction loans, commercial loans, and land acquisition and development loans.
- C. The Board shall direct management to strengthen internal controls and expand the internal audit program to ensure that compliance with the board approved policies is enforced.
- D. The Board shall revise Association policies and procedures to strengthen the credit administration of construction and land acquisition and development loans. The Board shall ensure that policies require an analysis of cost overruns prior to funding draws, and that borrowers be required to pay the overruns if insufficient funds remain in loans in process to complete the project. The Board shall also ensure that policies prohibit the practice of funding interest out of loans in process as long as any funds remain available, so that interest is treated as any other cost, for which the borrower(s) pays if interest goes over budget.
- E. The Board and management shall monitor overdisbursed construction loans and, except for legally binding commitments existing as of the date of this Agreement, require borrowers to pay interest out of pocket, if interest expense exceeds original projections or if construction is significantly delayed.
- F. No later than July 31, 2000, the Board and management shall restructure the Association's loan office approval authority to preclude the pooling of authority levels and decrease the amount of lending authority previously granted to loan officers. The Board and management shall establish loan approval authority for each loan officer based on his or her training, experience, position, and the type of loan.

G. No later than July 31, 2000, the Board and management shall place the loans to Daco Custom Builders, Inc., on nonaccrual status and reverse any accrued interest receivable recorded as of the date of this Agreement related to these loans.

H. No later than August 31, 2000, the Board and management shall establish formal procedures to document the underwriting analysis and approval of all high-risk loans and lines of credit. These procedures should include the creation of a credit memo, which summarizes the financial condition of the borrower(s), identifies the loan collateral, describes the terms of the loan, analyzes sources of repayment, and identifies who approved the loan.

5. **Lending Limits**

A. No later than August 31, 2000, the Board and management shall implement procedures to document compliance with the loans-to-one borrower limits, whenever the total outstanding loans-to-one-borrower exceeds \$500,000.

B. No later than December 31, 2000, the Board and management shall eliminate the loans-to-one-borrower violations involving Victor E. Bonuchi II and Roger G. Crowley. The OTS shall consider extending such timeframe upon the Association's showing that it is taking reasonable and appropriate actions to eliminate the violations.

C. No later than August 31, 2000, the Board and management shall implement procedures to track and report loans in excess of supervisory loan-to-value limits set forth at 12 C.F.R. Section 560.101.

D. Except for the funding of legally binding commitments existing as of May 12, 2000, the Association shall refrain from making any loan commitments with new builders or subdivision developments until it receives prior written notice of no objection from the OTS.

E. Except for the funding of legally binding commitments existing as of May 12, 2000, the Association is prohibited from increasing the number of loans to current builders or subdivision developments without the prior written notice of no objection from the OTS.

F. No later than August 31, 2000, the Board shall approve maximum dollar limits as well as maximum numbers of speculative construction loans for each builder, subdivision development, and large borrower.

6. **Internal Audit**

A. No later than September 30, 2000, the Board and management shall perform adequate internal audit procedures related to information systems.

B. No later than September 30, 2000, the Board and management shall update the Association's internal audit policy/program to address current areas of risk, including, but not limited to, higher-risk lending.

7. **Contingency/Disaster Recovery Plan**

No later than September 30, 2000, the Board and management shall update the Association's contingency/disaster recovery plan and microcomputer policy to address current operations.

8. **Growth Restrictions**

The Association shall comply with the growth restrictions set forth in Regulatory Bulletin 3b, dated November 26, 1996, except for the funding of legally binding commitments existing as of May 12, 2000.

9. **Management**

A. No later than September 30, 2000, the Board and management shall revise the Association's bonus plan to conform with the requirements of Regulatory Bulletin 27a, dated March 5, 1993, which includes the review of executive compensation. No payments shall be made under the bonus plan until it has been revised to conform to such requirements.

B. No later than September 30, 2000, the Board shall implement procedures to ensure that board minutes will fully address issues, which the Board is required by regulations to address.

10. **Transactions with Affiliates and Subsidiaries**

In accordance with 12 C.F.R. Section 563.41(e), the Association shall make and retain records reflecting transactions with affiliates and subsidiaries (and with unaffiliated parties to the extent that the proceeds of a transaction benefit an affiliate) and provide prior notice to OTS of all such transactions in excess of \$100,000.

11. **Liquidity**

A. No later than August 31, 2000, the Board and management shall establish cash flow budgeting which addresses loan funding.

B. No later than August 31, 2000, the Board shall establish budgeting procedures which ensure that:

- (i) the loan department provides cash flow estimates on a weekly, monthly, and quarterly basis with such estimates to be incorporated into the Association's cash budgeting process; and

- (ii) management performs cash flow budgeting for one month and three month periods in the future.

12. Capital Distributions

The Association shall refrain from making capital distributions until it has filed an application with the OTS pursuant to 12 C.F.R. Section 563.143 and received OTS approval to do so.

MISCELLANEOUS

13. Director Responsibility

Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board has the ultimate responsibility for overseeing the Association's safe and sound operation at all times, including compliance with the Regional Director's determinations.

14. Compliance with Agreement

- A. The Board and officers of the Association shall take immediate action to ensure the Association's compliance with the terms of this Agreement and shall take all necessary or appropriate actions thereafter to ensure the Association's compliance with the provisions of this Agreement.
- B. Each quarter, the Board shall undertake a diligent inquiry to confirm the Association's compliance with each provision of this Agreement.
- C. Each quarter, the Board shall adopt a resolution (the Compliance Resolution) attesting to the Association's compliance with this Agreement. If the Board determines the Association was not in full compliance, the Compliance Resolution shall include the reasons for non-compliance.
- D. The board minutes shall set forth the following information regarding each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.
- E. The Association shall provide to the Regional Director a certified true copy of the Compliance Resolution(s) promptly following the Board meeting each quarter, and in no event later than forty days following the end of a calendar quarter. In the event one or more Directors do not agree with the representations in a Compliance Resolution, the board minutes shall reflect such disagreement.

15. Definitions

- A. 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, FDIA or OTS Memoranda. Any such technical words or terms used in this Directive 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.
- B. For purposes of this Agreement, OTS Assistant Directors of the Midwest Region are deemed to be designees of the Regional Director. However, the Regional Director may make other designations for purposes of this Agreement or otherwise.

16. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall include references to all amendments to such provisions as of the Effective Date and references to successor provisions as they become applicable.

17. Duration, Termination or Suspension of Agreement

- A. This Agreement shall: (i) become effective upon its execution by OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
- B. The Regional Director in his/her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

18. Time Limits

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

19. Effect of Headings

The Section headings herein are for convenience only and shall not affect the construction hereof.

20. Separability Clause

If any court of competent jurisdiction rules any provision in this Agreement to be invalid, illegal or unenforceable, that decision shall not affect or impair the validity, legality and enforceability of the remaining provisions unless the Regional Director in his/her sole

discretion determines otherwise.

21. **No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted**

Nothing in this Agreement: (i) allows the Association to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricts OTS from taking such action(s) that are appropriate in fulfilling its responsibilities including, without limitation, any type of supervisory, enforcement or resolution action that OTS determines to be appropriate.

22. **Successors in Interest/Benefit**

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. Nothing in this Agreement, express or implied, shall give any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors, any benefit or any legal or equitable right, remedy or claim under this Agreement.

23. **Signature of Directors**

Each Director signing the Agreement attests, by such act, that she or he, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

24. **Integration Clause**

This Agreement represents the final written agreement of the parties and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

25. **Enforceability of Agreement**

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

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

I, the undersigned, being the duly appointed and qualified Secretary of **Community Bank of Excelsior Springs, a SB. Excelsior Springs, Missouri** (Association) hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on August 4, 2000;
2. At this meeting a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with OTS and demonstrate that said Board and the Association have the intent to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS the Directors of the Association have read and considered the proposed Supervisory Agreement (Agreement) which shall be attached to the minutes of this meeting; and

WHEREAS after due consideration, the Directors of the Association have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement are authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Association are authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in

