

95205

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 23rd day of October, 1991, by and between Sentry Savings and Loan Association, Stamford, Connecticut (OTS No. 08022) ("Sentry" or the "Institution") for itself and the Office of Thrift Supervision ("OTS") through the Regional Deputy Director for the Boston District Office ("Regional Deputy Director"). 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. 1818(b)(1) and (i)(2).

WHEREAS, as evidenced by the Report of Examination ("ROE") dated April 29, 1991, the OTS is of the opinion that the Institution has not complied with certain rules and regulations to which the Institution is subject, thereby providing grounds for the initiation of a cease and desist proceeding against the Institution; and

WHEREAS, the OTS is willing to forbear from the initiation of further supervisory proceedings against the Institution on the subject covered by this Agreement for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, the Institution, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement to avoid

initiation of such cease and desist proceedings:

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

1. Within sixty (60) days from the effective date of this Agreement, Sentry shall submit to the Regional Deputy Director and the Banking Commissioner of the State of Connecticut (the "Commissioner") either a definitive and detailed plan for the disposition of Sentry's assets and the liquidation of its affairs within a one-year period (a "Liquidation Plan") or a written business plan establishing goals and strategies for improving the earnings of the Institution ("Business Plan"). The Business Plan if submitted, shall include, at a minimum:

- a) identification of the major areas in, and means by, which the Institution's Board of Directors ("Board") will seek to improve the Institution's operating performance;
- b) realistic and comprehensive budgets;
- c) a budget review process to monitor the income and expenses of the Institution and to compare actual figures with budgetary projections;
- d) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components;
- e) a capital enhancement plan to address capital shortfalls should they occur; and
- f) a management plan to address staffing needs necessary to accomplish the proposed business plan.

2. The Board shall approve the Business Plan, or the Liquidation

Plan, as the case may be, and such approval shall be recorded in the Board's minutes. Subsequent written modifications to the Business Plan or Liquidation Plan shall require notification to the Regional Deputy Director and the Commissioner. No such modification shall become effective until approved by the Board, and such approval shall be recorded in the Board's minutes. The Institution, its directors, officers, and employees shall follow the Business Plan or Liquidation Plan and/or any subsequent modification thereto.

3. Within sixty (60) days from the effective date of this Agreement, the Institution shall submit a plan to increase and maintain its level of core capital (essentially common equity capital minus all intangible assets other than mortgage servicing rights) to total assets at 5.00% by March 1, 1992. The adequacy of capital will be subject to ongoing regulatory review.

4. (a) On the effective date of this Agreement, the Institution shall have charged-off or established specific reserves for all indicated losses identified in the ROE.

(b) Within thirty (30) days from the effective date of this Agreement, the Institution will have increased its general loss reserve to \$100,000.

(c) The Board shall formulate and adopt a policy to ensure that general loss reserves are reviewed for adequacy on at least a quarterly basis. The Board shall note this review within its minutes of the meeting at which reviewed.

5. Within sixty (60) days from the effective date of this Agreement, the Board shall develop and submit to the Regional Deputy Director and the Commissioner for review, a plan to reduce loans and real estate assets classified "Substandard," "Doubtful," or "Special

Mention" in the ROE. As used in the Agreement, the word "reduce" means (a) to collect, (b) to charge off, or (c) to improve the quality of assets criticized sufficiently to warrant the removal of the adverse classification or criticism. The plan shall include, at a minimum, a schedule of the Institution's goals to reduce the amount of such criticized assets expressed as a percentage of total capital as of the end of each calendar quarter, with a view toward the progressive substantial reduction of all such criticized assets.

6. Within thirty (30) days following the calendar quarter ended September 30, 1991, the Institution shall provide the Regional Deputy Director and the Commissioner with a detailed update on each borrower with outstanding loans or extensions of credit which are classified by the Institution or by the OTS in the ROE aggregating more than \$250,000 and each parcel of real estate acquired through or as a result of foreclosure, deed in lieu of foreclosure, or in-substance foreclosure ("real estate owned" or "REO") with a balance in excess of \$250,000 classified or subject to Special Mention in the ROE. Such reports shall include the balance as of the reporting date, past due status and a summary of efforts taken to alleviate the credit deficiency. Said reports shall be required as of the end of each calendar quarter and shall be due within thirty (30) days following the end of each calendar quarter. Said reports may be discontinued only upon the written release of the Regional Deputy Director and the Commissioner.

7. The Board of Directors shall use best efforts to ensure compliance with the attendance provision of its written Director Responsibility Policy, which requires Board members to attend 75% of regularly scheduled meetings unless unable to attend due to illness or emergency. The Board shall give serious consideration to amending its

Director Responsibility Policy to provide for sanctions against directors who fail to achieve the level of attendance set forth in the Policy, including removal from the Board.

8. (a) Within thirty (30) days from the effective date of this Agreement, the Institution shall have amended its loan policy to include the following:

(1) Assignments of rents shall be obtained for loans secured for income producing properties; and

(2) Financial information, including borrower financial statements and property leasing information and operating statements, will be obtained for borrowers and/or loans secured by income producing properties aggregating in excess of \$250,000.

(b) The Institution shall utilize prudent collection policies and procedures to endeavor to reduce the volume of overdue and non-accrual loans to not more than 3 percent of assets.

9. The Board agrees to evaluate all other matters commented upon in the ROE and will ensure that appropriate corrective actions are implemented (to the extent possible).

10. On the 30th day after the end of each succeeding calendar quarter, the Institution shall furnish written progress reports to the Regional Deputy Director and the Commissioner, detailing the form, content and manner of any actions taken to secure compliance with this Agreement and the results thereof. Loan reviews and status and loan balance reports on adversely classified and special mention assets detailed in the ROE shall be provided in addition to any other information requested. Said reports may be discontinued only when the corrections required under this Agreement have been accomplished and the Regional Deputy Director and the Commissioner has, in writing,

released the Board from making further reports.

11. The Institution shall comply with the provisions of 12 U.S.C. 1831, concerning the acceptance of brokered deposits.

12. This Agreement shall supersede the Memorandum of Understanding between the Institution, OTS, and the State of Connecticut Department of Banking, entered into on July 31, 1990.

IN WITNESS WHEREOF, the parties have executed this Agreement.

SENTRY SAVINGS AND LOAN ASSOCIATION  
Stamford, Connecticut  
By: Its Board of Directors

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DEPARTMENT OF THE TREASURY  
OFFICE OF THRIFT SUPERVISION

By: 151  
~~Ralph W. Gridley~~  
Regional Deputy Director

Concur:

DEPARTMENT OF BANKING  
STATE OF CONNECTICUT

By: 151  
Ralph M. Shulansky by Barbara S. McGrath  
Commissioner of Banks

FEDERAL DEPOSIT INSURANCE CORPORATION

By: 151  
Paul H. Wiechman  
Regional Director

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SENTRY SAVINGS AND LOAN ASSOCIATION  
Stamford, Connecticut  
By: Its Board of Directors

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DEPARTMENT OF THE TREASURY  
OFFICE OF THRIFT SUPERVISION

By: 151  
~~Ralph W. Gridley~~  
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