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SUPERVISORY AGREEMENT BETWEEN
OFFICE OF THRIFT SUPERVISION

AND

FIRST COMMERCE BANK, A FEDERAL SAVINGS BANK

This Supervisory Agreement (Agreement) is made and is effective April 5, 1989, 1989, by and between First Commerce Bank, A Federal Savings Bank, Lowell, Indiana, OTS No. 06654 (hereinafter Institution) for itself and any wholly owned or majority-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) and (i)(2) as amended.

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain statutes or regulations to which the Institution is subject and has engaged in certain unsafe or unsound practices in conducting the business of the Institution, and that such violations and practices provide grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS; and

WHEREAS, in the interest of regulatory compliance and cooperation, but without admitting that cited violations have occurred, the Institution is willing to enter into this Agreement to avoid the initiation of such cease-and-desist proceedings and to demonstrate its desire to comply with applicable laws and regulations; and

WHEREAS, the OTS is willing to forbear from the initiation of formal cease-and-desist proceedings against the Institution for its failure to comply with certain statutes or regulations and its unsafe and unsound practices as set forth in the Institution's examination report dated April 5, 1989 for so long as the Institution is in compliance with the provisions of this Agreement; and

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

1. BUSINESS PLAN

Within ninety days of the execution of this Agreement, the Institution shall submit a written, Board-approved business plan which includes quantifiable short-term and long-term operational objectives. The plan must also establish strategies and time tables for goal achievement. The plan should focus on developing a consistent pattern of operating earnings without impairing the current adequacy of the capital position.

Prior to implementation of the plan, written approval from the Acting Principal Supervisory Agent or his designee must be obtained. To gain approval, the plan must employ defensible assumptions; be consistent with other Board adopted policies, particularly interest rate risk management under 12 C.F.R. Section 563.17-6 (1988) and Thrift Bulletin 13; contain financial projections for a minimum of one year; and address alternative operating scenarios.

2. ASSET EVALUATION PROGRAM

Within thirty days of execution of this agreement, the Institution shall adopt and submit a comprehensive asset review program satisfactory to the Acting Principal Supervisory Agent or his designee. The program must expand the current internal loan review system to include all classification categories for earning assets. Specific written criteria must be established to address classifications of Substandard, Doubtful, and Loss. The program must address compliance with 12 C.F.R. Section 563.13-1 (1988) and Regulatory Bulletin 3a. Procedures to ensure routine review of the adequacy of reserves and necessary replenishment are to be included as part of the program.

Immediately following adoption of the asset review program, the Institution shall conduct a review of the assets for the purpose of classification and determination of an appropriate reserve. The results of the review, including the amount of reserves established, shall be reported to the Acting Principal Supervisory Agent or his designee not later than thirty days subsequent to adoption of the asset review program.

3. CORPORATE ISSUES

The following issues relating to the Board of Directors, Holding Company, and affiliated investors were raised in the April 5, 1989 Report of Examination. The Institution shall, within thirty days of execution of this Agreement, submit written plans and shall begin implementation of such plans in order to resolve each issue listed below to the satisfaction of the Acting Principal Supervisory Agent or his designee.

(a) Board Participation - During a critical period for the Institution, all Board members have not demonstrated active participation in the guidance of the Institution through regular attendance at scheduled meetings. It is essential that actions be taken to ensure active participation of all members of the Board of Directors.

(b) Separate Corporate Existence - The Institution does not maintain a separate corporate identity from either its holding company First Commerce Corporation or its subsidiary First Commerce Financial Corporation. Separate corporate existence is required pursuant to 12 C.F.R. Sections 563.37(a) (1988) and 570.10(a) (1988). All functional activities of each entity must be clearly distinguishable from the activities of the other entities. A system to achieve and maintain this objective should be developed.

(c) Conflict of Interest - In light of the number of transactions, particularly lending, involving affiliated persons, a conflict of interest policy should be developed. The policy would establish standards to prevent both violations of transactions with affiliated persons regulations (12 C.F.R. Sections 563.40, 563.41 and 563.43, 571.7 and 571.9 (1988) and other applicable law under the Financial Institutions Reform, Recovery and Enforcement Act of 1989) and the appearance of conflict of interest in other transactions.

(d) Internal Audit Function - The Institution currently operates without an internal audit function. Given the wide variety of substantive issues raised during the April 5, 1989 examination, such a function is clearly necessary. The internal audit program should be designed to encompass both conventional internal audit activities and to routinely review issues addressed within this Agreement.

4. LENDING ISSUES

The following issues relating to lending policies and procedures were raised in the April 5, 1989 Report of Examination. The Institution shall, within sixty days of execution of this Agreement, advise the Acting Principal Supervisory Agent or his designee in writing of the actions taken to resolve each issue listed below. Resolution of each issue must be made to the satisfaction of the Acting Principal Supervisory Agent or his designee.

(a) Real Estate/Commercial Loans - The Institution purchases loans for commercial purposes secured by equity in real estate. In order for these loans to be recognized as "real estate" appropriate underwriting standards must be applied in conjunction with the origination. Otherwise, the loans should be treated as commercial loans subject to applicable percentage of assets limitations at 12 U.S.C. Section 1464(c)(a)(R) (1982) as amended and 12 C.F.R. 545.46 (1988) as amended as well as commercial loans to one borrower limitations at 12 C.F.R. Section 563.9-3(b)(2) (1988) as amended. Either a policy requiring appropriate "real estate" underwriting should be adopted, or these loans should be recognized as commercial. The Institution is also subject to the applicable loans to one borrower limitations under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and any OTS regulations issued thereunder.

(b) Policies - The Board must ensure that all policies are adequate for prudent lending and that management adheres to adopted policies. The Report cites specific deficiencies in both the appraisal policy and the purchased loan policy. Revised versions of these policies should be submitted with the response to this section. Also, the Board should address management's failure to adhere to established policies.

(c) Consumer Violations - Several loans identified in the Report of Examination and subject to consumer loan disclosure requirements under OTS and Federal Reserve Board Regulation were originated without appropriate disclosures, particularly Annual Percentage Rate calculations. Each loan in the consumer portfolio must be reviewed for compliance and, where appropriate, the borrower must be given consideration as prescribed by regulation.

5. COMMUNITY REINVESTMENT ACT

Within ninety days of execution of this Agreement, the Institution shall submit a board-adopted plan to correct existing Community Reinvestment Act compliance deficiencies. The primary concern to be addressed is the delineation of the Indianapolis market which excludes low and moderate income areas to the south of the branch. The delineated lending area includes much area north of the branch which is a significantly greater distance from the branch site than the excluded area to the south. The plan must address each of the twelve performance categories described within the Report of Examination for both the Lowell and the Indianapolis operations. The plan must include a system for periodic review of compliance with the strategy to ensure compliance with the Community Reinvestment Act.

6. GENERAL PROVISIONS

(a) As used in this Agreement, the Acting Principal Supervisory Agent or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The Acting Principal Supervisory Agent may delegate his duties under this Agreement to a designee.

(b) References in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to successor provisions as they become applicable.

7. REPORTING

The Institution shall, upon request, furnish the Acting Principal Supervisory Agent or his designee with such written reports from the Institution that are deemed necessary to assure the Acting Principal Supervisory Agent or his designee of the Institution's and directors' compliance with the terms of this Agreement.

Additional Terms and Conditions

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 Corporation Act, as amended ("FDIC" Act). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIC Act, or OTS Memoranda shall have meanings that accord with the best custom and usage in the savings and loan industry.

The Federal Home Loan Bank of Indianapolis is not a party to this Agreement, and the Bank assumes no direct or indirect legal duty or obligation arising from this Agreement.

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.

This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Acting Principal Supervisory Agent or his designee.

IN WITNESS THEREOF, the OTS, acting through the Acting Principal Supervisory Agent or his designee, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written. A certified copy of the resolution of the board of directors of Institution authorizing the execution of this Agreement is attached hereto and made a part thereof.

Approved:

FIRST COMMERCE BANK, A FEDERAL SAVINGS BANK

OFFICE OF THRIFT SUPERVISION

By: 151
Lloyd R. Howe
Chairman of the Board

By: 151
For the Acting Principal
Supervisory Agent

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Gerald T. Sejda, President and Director

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Robert W. Adam, Director

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Gerald A. Caravana, Director

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Thomas J. Lump, Director

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Mason L. McGraw, Director

151
John K. Merrell, Director

DIRECTORS' WAIVER OF NOTICE

I hereby waive notice of the meeting of the Board of Directors of First Commerce Bank, A Federal Savings Bank, Lowell, Indiana, held on August 23, 1989, in INDIANA, Indiana, at which the Board of Directors considered and adopted the attached resolution concerning the Supervisory Agreement entered into between the Institution and the Office of Thrift Supervision.

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Lloyd R. Howe
Chairman of the Board

August 23, 1989
(Date)

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Gerald T. Seida, President and Director

8-23-89
(Date)

151
Robert W. Adam, Director

8-23-89
(Date)

151
Gerald A. Caravana, Director

8-23-89
(Date)

151
Thomas J. Lamb, Director

8-23-89
(Date)

151
Mason L. McGraw, Director

8-23-89
(Date)

151
John K. Merrell, Director

8-23-89
(Date)

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of First Commerce Bank, A Federal Savings Bank (OTS No. 06654) ("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 of August 23, 1989, 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 the Institution violated statutes or regulations to which the Institution is subject and has engaged in unsafe and unsound practices and that such violations and practices provide grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS; and

WHEREAS, said officers and 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 certain statutes or regulations to which the Institution is subject and the Institution's unsafe or unsound practices as set forth in an examination report dated April 5, 1989 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 August 23, 1989, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed Agreement:

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 First Commerce Bank, A Federal Savings Bank are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS THEREOF, I have hereto subscribed my name and affixed the seal of First Commerce Bank, A Federal Savings Bank, this 23 day of August, 1989.

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Acting Secretary & CHAIRMAN OF BOARD