

94961

SUPERVISORY AGREEMENT BETWEEN  
THE OFFICE OF THRIFT SUPERVISION

AND

AMERICANTRUST FEDERAL SAVINGS BANK

PERU, INDIANA

THIS SUPERVISORY AGREEMENT ("Agreement") is made and is effective this 15th day of January, 1992, by and between AmericanTrust Federal Savings Bank, Peru, Indiana (OTS No. 3859) ("Savings Association"), 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 Savings Association. 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, as amended.

WHEREAS, the OTS is of the opinion that the Savings Association has not complied with certain of the regulations to which the Savings Association is subject in conducting the business of the Savings Association thereby providing grounds for the initiation of cease and desist proceedings against the Savings Association by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Savings Association so long as the Savings Association is in compliance with the provisions of this Agreement; and

WHEREAS, without admitting or denying grounds exist for the initiation of a cease and desist proceeding the Savings Association in the interest of regulatory compliance and cooperation is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings:

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

**1. Board of Directors' Responsibilities**

The Savings Association's Board of Directors shall provide adequate and timely direction to the Savings Association's management through the development of comprehensive policies and procedures. The Board of Directors shall focus upon adequately directing management so that the goals contained in these Board-adopted policies and procedures can be satisfactorily met.

Although the Savings Association is required by this Agreement to submit certain proposed actions, policies and procedures for the review or approval of the Deputy Regional Director of the OTS, the Board of Directors retains the ultimate responsibility for the proper and safe and sound management of the Savings Association. The Board of Directors shall actively fulfill its fiduciary duty to ensure that the Savings Association is safely and soundly managed. The Savings Association's official minutes (including material documentation of the Board of Directors and its established committees) shall clearly reflect the level of decision making and supervision exercised over the Savings Association by the Board of Directors.

The Savings Association's Board of Directors shall take all steps necessary to ensure full compliance by the Savings Association with the provisions of this Agreement and shall monitor and review such compliance on a monthly basis at Board of Directors' meetings. Such review shall be fully reflected in the minutes of Board of Directors' meetings.

2. Asset Quality

a. Criticized Assets - Within sixty (60) days from the date of this Agreement, the Board of Directors ("Board") shall establish and submit a comprehensive plan, subject to the prior written approval of the Deputy Regional Director, to reduce the overall level of criticized assets. Upon approval by the Deputy Regional Director, the Savings Association shall implement and comply with such plan. Amendments to the plan shall be submitted to the Deputy Regional Director for prior written approval. This plan shall also specifically identify the actions to be taken by the Savings Association regarding the following credits:

<u>Project</u>	<u>Borrower</u>
Westwood Apartments Rochester, Indiana	Cardinal Industries and Summit Investment
Meadowood Apartments Logansport, Indiana	Cardinal Industries
Lion's Gate Apartments Indianapolis, Indiana	Meridian at 86th Partnership

The OTS acknowledges receipt from the Savings Association of a plan to reduce the level of criticized assets on October 18, 1991.

In addition, the Board shall submit quarterly updates, due fifteen (15) days from the end of each calendar quarter, on these three credits. The quarterly updates shall include justification of the current classification of each loan as well as justification of the valuation allowance (general and specific) established for the particular loan. Furthermore, the quarterly updates shall include justification of the general valuation allowance of the overall asset portfolio.

b. Classified Assets Policy - Within sixty (60) days from the date of this Agreement, the Board shall develop and submit to the Deputy Regional Director an amended classification of assets policy, subject to the prior written approval of the Deputy Regional Director. Upon approval by the Deputy Regional Director, the Savings Association shall implement and comply with such policy. Amendments to the policy shall be submitted to the Deputy Regional Director for prior written approval. This policy shall set forth the criteria for determining the adequacy of the general valuation allowance as well as provide for the periodic review of this allowance. At a minimum, the criteria for determining the adequacy of the general valuation allowance shall include historical losses, risks inherent in loans that are currently in the portfolio, the level of overall classifications, lending activity, quality of underwriting, and the economic environment. The policy shall further provide for the review of large commercial real estate loans and shall consider the risks inherent in the commercial real estate loan portfolio in determining the adequacy of the general valuation allowance. The OTS acknowledges receipt from the Savings Association of an amended classification of assets policy on October 18, 1991.

c. Loan Policy - Within sixty (60) days from the date of this Agreement, the Board shall adopt an amended loan policy, subject to the prior written approval of the Deputy Regional Director. Upon approval by the Deputy Regional Director, the Savings Association shall implement and comply with such policy. Amendments to the policy shall be submitted to the Deputy Regional Director for prior written approval. The policy shall incorporate loans-to-one-borrower limitations and lending limitations for loan officers. This policy shall further document the underwriting and internal control procedures to be used for all types of loans granted by the Savings Association. The OTS acknowledges receipt from the Savings Association of an amended loan policy on October 18, 1991.

d. Collection Policy - Within sixty (60) days from the date of this Agreement, the Board shall adopt a collection policy, subject to the prior written approval of the Deputy Regional Director. Upon approval by the Deputy Regional Director, the Savings Association shall implement and comply with such policy. Amendments to the policy shall be submitted to the Deputy Regional Director for prior written approval. This collection policy shall

provide for monitoring and tracking of delinquent accounts as well as action to be taken when necessary. The OTS acknowledges receipt from the Savings Association of a collection policy on October 18, 1991.

3. Strategic Planning

On or before May 31, 1992, the Board shall adopt a comprehensive strategic plan, subject to the prior written approval of the Deputy Regional Director. Upon approval by the Deputy Regional Director, the Savings Association shall implement and comply with such plan. Amendments to the plan shall be submitted to the Deputy Regional Director for prior written approval. This strategic plan shall include short-term and long-term operational goals as well as specific strategies for implementing these goals. The established goals shall be quantified and accompanied by time frames for achievement. Furthermore, the strategic plan shall include a comprehensive three-year budget and a system for monitoring the Savings Association's progress in achieving its goals. In addition, the strategic plan shall include an assessment of the need to enhance the senior management team, including an organizational chart which delineates clear lines of responsibility and authority, supported by detailed job descriptions and qualifications. The plan should assess the ability of the current staff to adequately service the loan portfolios, with special attention to consumer loan servicing and collections. Both staffing and training needs should be fully evaluated, and steps should be taken to strengthen management and other staff. We acknowledge receipt from the Savings Association of an assessment to enhance the senior management team, including an organizational chart and job descriptions on October 18, 1991.

4. New Activities

Prior to engaging in any new business activity, the Savings Association shall amend its strategic plan to incorporate the new activity. In addition, the Savings Association shall adopt appropriate written policies and procedures, subject to the prior written approval of the Deputy Regional Director, before engaging in any new business activity.

6. Miscellaneous

As used in this Agreement, the term "Board of Directors" or "Board" shall mean the Board of Directors of AmericanTrust Federal Savings Bank, Peru, Indiana.

As used in the Agreement, the term "Savings Association" shall have the meaning as set forth in Section 2(4) of the Home Owners' Loan Act, as amended ("HOLA").

As used in this Agreement, the term "Deputy Regional Director" shall mean the Deputy Regional Director of the Indianapolis Office of the Central Region of OTS or any other official designated to perform the function by the Regional Director of OTS, or by the Director of OTS or its successor.

As used in this Agreement, the term "new activity" shall mean any activity in which the Savings Association was not engaged prior to the date of 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.

Materials required to be sent to the OTS pursuant to this Agreement shall be mailed to: Deputy Regional Director, Office of Thrift Supervision, 8250 Woodfield Crossing Boulevard, Suite 305, Indianapolis, Indiana 46240.

This Agreement may be executed in counterparts, and each counterpart shall be considered an original.

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

This Agreement shall remain in effect until the Savings Association has effected full compliance with the provisions thereof and until terminated or suspended by the OTS, acting through the Deputy Regional Director. The Agreement may be modified by agreement of the Savings Association and the Deputy Regional Director. The Deputy Regional Director may suspend, in his or her sole discretion, any or all provisions of this Agreement. The Savings Association may request the termination, modification, or suspension of the Agreement, which request will be considered, if the Savings Association has fully complied with the applicable provisions of this Agreement. The OTS agrees (i) to respond in writing to any request by the Savings Association for termination, modification or suspension of the Agreement within a reasonable time and (ii) to provide a statement of the reasons for denial of any such request for termination, modification or suspension of the Agreement.

