

Terminated 7/28/94

OTS DOCKET # 6413

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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 13TH day of February 1992 ("Effective Date"), by and between HomeBanc, a Federal Savings Bank, Rockford, Illinois (OTS No. 6413) ("Institution") for itself and any controlled 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).

WHEREAS, the OTS is of the opinion based on the results of the Report of Examination dated April 29, 1991 ("Report"), that grounds exist for the initiation of proceedings against the Institution by the OTS pursuant to 12 U.S.C. Section 1818(b); and

WHEREAS, the OTS is willing to forbear at this time from the initiation of proceedings pursuant to 12 U.S.C. Section 1818(b) on the matters covered by this Agreement, as long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution, by its Board of Directors ("Board"), without admitting that grounds for proceedings pursuant to 12 U.S.C. Section 1818(b) exist, is willing to enter into this Agreement to avoid the initiation of such proceedings;

NOW, THEREFORE, in consideration of the above-stated forbearance by OTS, it is agreed between the parties hereto as follows:

1. Institution and its controlled subsidiary shall correct existing violations cited in this section and the Report of Examination and shall not initiate any action which would result in a violation of, or the aiding and abetting of any violation of:

12 C.F.R. Sections 563.160(d)(1),(2) and (3).

Classified Assets

2. The Institution, acting under the direction of the Board, shall use its best efforts to cause the assets which were classified in the Report of Examination or subsequent Reports of Examination and/or by the Institution's internal classification policy to be reduced as a percentage of the sum of the Institution's Tangible Capital and General Valuation Allowance ("GVA") according to the following schedule:

<u>Date</u>	<u>Percent of Classified Assets to Tangible Capital plus GVA</u>
Six months after the Effective Date:	150%
Twelve months after the Effective Date:	100%
Eighteen months after the Effective Date:	75%

3. The Institution shall prepare, and submit to the OTS Manager within twenty (20) days following the month end, a status report for each classified asset with a book value in excess of \$400,000, in a form similar to Appendix A attached hereto.

General Valuation Allowances

4. As of the Effective Date of this Agreement, the Institution, under the direction of the Board, shall increase its GVA to \$1,400,000.

5. Within forty-five (45) days from the Effective Date of the Agreement, the Board shall submit to the OTS Manager, for approval, its methodology and rationale for determining adequate general valuation allowances. This document shall, at a minimum, incorporate the requirements set forth under Section 261 of the Office of Thrift Supervision's Thrift Activities Regulatory Handbook.

6. Within thirty (30) days from the date of approval by the OTS Manager, as required in Paragraph five (5), the Institution, acting under the direction of the Board, shall establish and maintain general valuation allowances as calculated by the Board's methodology and consistent with Paragraphs two (2) and five (5) of this Agreement.

Investment in Service Corporation

7. The Institution shall develop a plan for the reduction of its investment in the service corporation. This plan shall be submitted to the OTS Manager within thirty (30) days from the Effective Date of the Agreement. In addition, the Institution, acting under the direction of the Board, shall submit quarterly variance reports, comparing the Institution's actual level of service corporation investment to the level projected in the plan, to the OTS Manager no later than twenty (20) days from the end of each preceding quarter's end, commencing with the quarter ended December 31, 1991.

Bonuses

8. The Institution shall revise its current Bonus Plan to include provisions for the reduction of classified assets including, but not limited to, the requirements of Paragraph two (2). In addition, the revised plan should indicate that no bonuses may be paid if the Institution is not in capital compliance. This revised plan shall be submitted to the OTS Manager for approval within thirty (30) days from the Effective Date of this Agreement.

Closings

9. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy Regional Director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.
- (b) It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

- (c) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time limitations may be extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.
- (d) 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 the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulations). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.
- (e) 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.
- (f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.
- (g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 111 East Wacker Drive, Chicago, Illinois, Attn.: Manager Larry E. Ferries. All reports and other documents shall be deemed filed when received by the OTS.
- (h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
- (i) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.
- (j) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Regional Director and the Institution, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION

Chicago, Illinois

By: 151
Stuart M. Brafman
Regional Director

HOME Banc, A FEDERAL SAVINGS BANK
Rockford, Illinois

By: 151
Richard W. Malmgren

By: 151
Marvin E. Johnson

By: 151
C. Steven Sjogren

By: 151
John R. Perkins

By: 151
Karl H. Erickson

By: 151
Larry U. Larson

By: 151
Wesley E. Lindberg

By: 151
David R. Rydel

IN WITNESS WHEREOF, the OTS, acting through its Regional Director and the Institution, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION

Chicago, Illinois

By: 15/
Stuart M. Brafman
Regional Director

HOME Banc, A FEDERAL SAVINGS BANK
Rockford, Illinois

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By: _____
David R. Rydell