

95108

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 19TH day of JUNE 1991 ("Effective Date"), by and between Northwest Federal Banking and Savings, F.A., Amery, Wisconsin (OTS No. 04029) ("Northwest") 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 Northwest. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8(b)(1) and (i)(2) of the Federal Deposit Insurance Act, as amended by Title IX of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"), (to be codified at 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 as of October 19, 1990 ("Report") that grounds exist for the initiation of proceedings against Northwest 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 Northwest is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Northwest by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such proceedings pursuant to 12 U.S.C. Section 1818(b);

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

Regulatory Violations

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

- (a) 12 C.F.R. Section 563.233(d), pertaining to accounting principles and procedures;
- (b) 12 C.F.R. Section 563.160(c)(2), pertaining to establishing prudent valuation allowances; and
- (c) 12 C.F.R. Section 566.1(c) and (g), pertaining to liquidity requirements.

Books and Records

2. Within 30 days from the Effective Date, the Board shall establish policies and procedures to ensure that, at a minimum:

- (a) Northwest's books, records and Thrift Financial Reports ("TFR") are prepared in accordance with generally accepted accounting principles ("GAAP") and accurately reflect Northwest's financial position;
- (b) All financial statements presented to the board and/or the public are prepared in accordance with GAAP and accurately reflect Northwest's financial position;
- (c) Any investments made by Northwest in mutual funds are properly recorded at the lower of cost or market; and
- (d) Final adjusting entries submitted by the independent auditors are recorded within 30 days of receipt.

3. Once these policies and procedures are established, Northwest, under the direction of the Board, shall adhere to them in all respects.

Valuation Allowances

4. Within 30 days from the Effective Date, the Board shall increase the general valuation allowance ("GVA") to \$195,000.

5. Within 45 days from the Effective Date, the Board shall review the adequacy of Northwest's GVA and establish a program for the maintenance of an adequate allowance. This review and program shall be designed considering the comments on maintaining a proper allowance found in section 261 of the Regulatory Handbook - Thrift Activities, and shall focus particular attention on the following features:

- (a) Loans criticized by the OTS examiners and/or identified by Northwest's internal loan review system;
- (b) Loan loss experience;

- (c) Trends of delinquent and nonaccrual loans;
- (d) An estimate of potential loss exposure on each significant credit; and
- (e) Concentrations of credit in Northwest's loan portfolios.

6. The program shall provide for a review of the GVA by the Board at least once each calendar quarter. Any deficiency in the GVA shall be remedied in the quarter it is discovered, prior to the filing of the TFR, by additional provisions from earnings. Written documentation shall be maintained identifying the factors considered and conclusions reached by the Board in determining the adequacy of the GVA.

Classified Assets

7. Within 60 days from the Effective Date, the Board shall adopt and implement written programs designed to eliminate the basis of criticism of each asset in excess of \$50,000, except first mortgage loans secured by single-family dwellings, which were criticized in the Report as Substandard or Special Mention or classified internally. These programs shall include, at a minimum:

- (a) An identification of the expected sources of repayment;
- (b) The appraised value of supporting collateral and the position of Northwest's lien on such collateral where applicable;
- (c) An analysis of current credit information, including cash flow analysis where loans are to be paid from operations; and
- (d) The proposed action to eliminate the basis of criticism or to recover on the asset and the time frame for its accomplishment.

8. The Board, or a delegated Committee thereof, shall conduct a review, on at least a quarterly basis, to determine:

- (a) The status of each criticized asset or criticized portions thereof;

- (b) Management's adherence to the written program pursuant to Article 7;
- (c) The status and effectiveness of the written program; and
- (d) The need to revise the written program or take alternative action.

9. In accordance with its classification of assets policy, the Board shall adopt procedures to ensure that a classified asset report as well as a watch list of loans is prepared and reported to the Board.

Closings

10. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the OTS Manager, the Board has the ultimate responsibility for proper and sound management of the Institution.
- (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, stop, 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 OTS Manager 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.

11. 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 Northwest, 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

Northwest Federal Banking
and Savings, F.A.
Amery, Wisconsin

By:

15/
Brian L. Beadle

By:

15/
Lester A. Sjobeck

By: 151
James L. Leadholm

By: 151
Gerald J. Ahlin

By: _____
Vern Albrecht

By: 151
Michael D. Jensen X

By: 151
Donald M. Michels