

95152

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 13th day of AUGUST, 1991, by and between Central West End Bank, A Federal Savings Bank, St. Louis, Missouri, Docket No. 7677 (hereinafter referred to as the "Institution"), 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 and the OTS. 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) and (i), as amended.

WHEREAS, the OTS is of the opinion that Institution has engaged in certain acts and practices in conducting the business of the Institution, which would provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, Institution recognizes that it would be costly and time consuming to contest any cease and desist proceedings; and

WHEREAS, without admitting or denying that such grounds exist, in the interest of economy and of regulatory compliance and cooperation, Institution is willing to enter into this Agreement to avoid the initiation of cease and desist proceedings; and

WHEREAS, the OTS is willing to forbear from the initiation of cease and desist proceedings on the subjects covered by this Agreement for so long as Institution is in compliance with the provisions of this Agreement that pertain to such subjects;

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

- A. Loans to One Borrower. Institution shall comply in all respects with the limitations on loans to one borrower pursuant to 12 C.F.R. Section 563.93. Within thirty (30) days of the date of this Agreement, the Institution shall develop plans, policies, and procedures to ensure compliance with such provision which shall include, at a minimum:
1. a reduction in the balance of any loan made after August 9, 1989, in violation of the subject loan to one borrower limitations sufficient to bring said loan into compliance;
 2. monitoring and recordkeeping procedures for multiple borrowers to ensure identification of borrowers subject to regulatory limitations;
 3. a requirement that best efforts be made at time of renewal to reduce the balance of loans to borrowers that exceed loans to one borrower limitations and that a written report of such efforts be prepared for and reviewed by the board of directors at each board meeting, which report and review shall be documented in the board minutes.

These plans, policies, and procedures and any subsequent modifications thereto shall be submitted to the Regional Deputy Director for review and comment. Within thirty (30) days from receipt of any comment, and after consideration of such comment, the board of directors shall approve such plans, policies, and

procedures, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution and its directors, officers, and employees shall implement and follow such plans, policies, and procedures and any modifications thereto.

B. Conflict of Interest.

1. Compliance with Regulations. Institution shall make no loan to any affiliated person of the Institution except as may be allowed pursuant to relevant statutes and regulations, including 12 C.F.R. Sections 563.41, 563.43, and 215.4 (1991).
2. Conflict of Interest Policy. Within thirty (30) days of the date of this Agreement, the Institution shall have a conflict of interest policy to ensure compliance with 12 C.F.R. Sections 563.41, 563.43, and 215.4 (1991). This policy and any subsequent modifications thereto shall be submitted to the Regional Deputy Director for review and comment. Within thirty (30) days from receipt of any comment, and after consideration of such comment, the board of directors shall approve such policy, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution and its directors, officers, and employees shall implement and follow such policy and any modifications thereto.

3. Loan Categorization. Central shall correctly categorize and report all extensions of credit as loans and not as accounts receivable.
 4. Reduction in Loan to Director. Within thirty (30) days of the date of this Agreement, the Institution shall reduce its aggregate extension of credit for commercial purposes to Robert A. Brinkman, M.D., to an amount not exceeding one hundred thousand dollars (\$100,000).
- C. Approval of Senior Management Officials. The Institution shall seek the prior written approval of the Regional Deputy Director before adding any individual to the board of directors or employing any individual as a senior executive officer. Such approval shall be sought pursuant to the guidelines set out in OTS Thrift Bulletin 45. The Institution shall apply for the approval of Robert A. Brinkman, M.D., pursuant to the subject guidelines within thirty (30) days of the date of this Agreement. In the event that the Regional Deputy Director disapproves of Dr. Brinkman as a director, the board of directors shall promptly request Dr. Brinkman's resignation.
- D. Asset Classification.
1. Amendments to Existing Classifications. The Institution shall amend its asset classifications to conform to the examiners' classifications contained in the OTS report of examination dated May 22, 1991 and shall reflect such amendments in its June 30, 1991 Thrift Financial Report.

2. Reports to OTS. Within fifteen (15) days of the end of each calendar quarter, the Institution shall submit copies of its asset classification and general valuation allowance reports to the Regional Deputy Director.
3. Policy. By September 30, 1991, the Institution shall revise its asset classification policy to include, at a minimum:
 - a. Establishment of criteria for and frequency of the review of assets and off-balance sheet items;
 - b. Assignment of responsibility for such review;
 - c. Parameters for the treatment of accrued interest on loans over ninety (90) days past due;
 - d. A requirement that reserves be established to properly adjust for discounts resulting from submarket rate financing to facilitate the sale of real estate owned;
 - e. A description of the criteria for and treatment of troubled debt restructuring;
 - f. Parameters for classification of real estate owned and utilization of net realizable value calculations;
 - g. Definitive procedures and criteria for establishment of general valuation allowances including historical loss experience and new activities or risks.

This policy and any subsequent modifications thereto shall be submitted to the Regional Deputy Director for review and comment. Within thirty (30) days from receipt of any comment, and after consideration of such comment, the board of directors shall approve such policy, which approval shall be recorded in

the minutes of the meeting of the board of directors.

Thereafter, the Institution and its directors, officers, and employees shall implement and follow such policy and any modifications thereto.

- E. Appraisals. The Institution shall obtain appraisals of all parcels of foreclosed real estate in compliance with 12 C.F.R. Section 563.172(a) and Part 564 (1991).
- F. Liability Pricing. Within thirty (30) days of the date of this Agreement, the Institution shall conduct a review of its deposit pricing strategies and consider basing such strategies on objective criteria such as the desired return on equity and yields available on alternative investments as well as on local market rates. A copy of such review shall be submitted to the Regional Deputy Director for review and comment by September 30, 1991.
- G. Undefined Words or Terms. 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 12 C.F.R. Parts 500 to End (revised January 1, 1991) as updated by any amendments published in the Federal Register through the effective date of this Agreement, and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations or Federal Register shall have meanings that accord with the best custom and usage in the savings and loan industry.

CERTIFIED COPY OF
RESOLUTION OF
BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Central West End Bank, A Federal Savings Bank, St. Louis, Missouri ("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 on August 13, 1991, 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 officers and directors of Institution have been advised that OTS representatives believe Institution to have engaged in certain acts and practices in conducting the business of the Institution which would provide grounds for the initiation of cease and desist proceedings against Institution by the OTS; and

WHEREAS, the Institution is of the opinion that it has not engaged in certain acts and practices in conducting its business which would provide grounds for the initiation to cease and desist proceedings against it by the OTS; and

WHEREAS, the Institution recognizes that it would be costly and time consuming to contest any cease and desist proceedings; and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of cease and desist proceedings on the subjects covered by the attached Supervisory Agreement if it is

executed by the Institution and its terms are thereafter carried out by the Institution; and

WHEREAS, the directors of Institution have read and considered the proposed Supervisory Agreement ("Agreement") attached to the minutes of the meeting of the board of directors held on August 13, 1991, 1991, 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, be and is hereby approved by the board of directors of Institution. The President of the Institution is authorized to sign and execute the Agreement on behalf of the Institution. The officers and employees of Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Institution this 13TH day of AUGUST, 1991.

151
Secretary