

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 14th day of October, 1998 (the "Effective Date"), by and between Blue River Federal Savings Bank ("Blue River" or the "Institution") OTS Docket No. 04692, a federally-chartered savings association, having its main office located at 100 East Main Cross Street, Edinburgh, Indiana 46214 and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C., acting through its Central Regional Director or his designee ("Regional Director"). 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)1 and (i)(2)¹.

WHEREAS, the OTS is the primary federal regulator of Blue River; and

WHEREAS, based on the Report of Compliance Examination, dated August 19, 1997 ("Report of Examination"), the OTS is of the opinion that Blue River has engaged in acts and practices that: (i) have resulted in violations of certain laws or regulations to which Blue River is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against Blue River; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that Blue River will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, Blue River, acting through its Board of Directors (the "Board"), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

MANAGEMENT

(1) Compliance Policy

¹ All references to United States Code ("U.S.C.") are as amended, unless otherwise indicated.

Within 90 days from the Effective Date, the Board shall develop and adopt a written consumer compliance policy designed to ensure that the Institution is operating in compliance with all applicable consumer protection laws, rules, and regulations. Guidelines for such a policy are outlined in the manual, Compliance: A Self-Assessment Guide. The policy shall, at a minimum, include the following:

- A. A written description of the duties and responsibilities of the compliance officer.
- B. The assignment of specific compliance areas to individuals who will be directly responsible to ensure compliance with the regulatory requirements of his or her assigned area.
- C. Procedures for the education and training of all appropriate Institution personnel as to their duties and responsibilities under nondiscrimination, consumer protection, and other public interest laws and regulations.
- D. Procedures for periodic compliance audits to monitor the effectiveness of the Institution's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations. The compliance audits shall be performed by a qualified individual who has sufficient time and resources to perform the audits. Compliance audits of the Truth-in-Lending Act, OTS Mortgage Regulations, Real Estate Settlement Procedures Act and the Bank Secrecy Act shall be performed quarterly; audits of all other applicable compliance areas shall be performed at least annually.
- E. Procedures to ensure that exceptions noted in the compliance audits are corrected and responded to by the individual assigned responsibility for that compliance area.
- F. Procedures to ensure that changes in the statutes and regulations are implemented and incorporated into operations.
- G. Mechanisms for effective Board oversight. At a minimum, the Board shall review all compliance audit reports and shall receive and review monthly reports detailing all efforts to correct compliance exceptions noted in the audit reports. The Board shall annually review the performance of the consulting firm hired to conduct regulatory compliance reviews. The Board shall prepare a report, signed by the entire Board, detailing the review and setting forth whether the Institution continues to require the consultant's services. Upon completion, a copy of the report shall be forwarded to the OTS.

Upon its adoption by the Board, the compliance policy shall be submitted to the OTS for approval. After the OTS has approved the compliance policy, the Board shall immediately implement it.

COMPLIANCE LAWS AND REGULATIONS

(2) Truth in Lending

A. The Board shall ensure that the Institution complies with all disclosure requirements set forth in the Truth-in-Lending Act, 15 U.S.C. § 1601 *et. seq.*, and Regulation Z, 12 C.F.R. Part 226.

B. Within 30 days of the Effective Date, the Institution shall complete a file search of all nonmortgage consumer loans which contain credit life insurance, credit disability insurance and/or processing fees and which were consummated on or after December 29, 1995. The file search shall include any loans that were paid off or were refinanced since that date. The file search shall identify all accounts with understated finance charges and/or annual percentage rates in an amount in excess of the allowable tolerance. The Institution shall calculate the amount of restitution owed on these accounts in accordance with the Interagency Policy Guide for Restitution, which implements the restitution provisions of Section 108 of the Truth in Lending Act, 12 U.S.C. § 1607.

C. Upon completion of the file search, the Institution shall immediately prepare a list of borrowers who are owed restitution. The list shall indicate the borrower's name, loan number, calculation and amount of restitution, method of restitution, and cause of restitution (e.g. failure to properly disclose credit insurance premiums or processing fees). This list shall be immediately forwarded to the OTS. The Board shall retain copies of all documentation regarding the restitution issue for review at the next regularly scheduled compliance examination.

D. Within 45 days of the Effective Date, the Institution shall pay the required restitution to all borrowers on the list.

E. Within 30 days of the Effective Date, the Institution shall correct the deficiencies which occurred in the file search completed as a result of the September 5, 1995 Report of Compliance Examination and pay the required restitution to all borrowers identified. Specifically, the Institution shall review all loans with private mortgage insurance which were closed and were subsequently paid-off or refinanced during the period from July 1, 1994 to August 31, 1995. The file search shall identify all accounts with understated finance charges and/or annual percentage rates in an amount in excess of the allowable tolerance. The Institution shall calculate the amount of restitution owed on these accounts in accordance with the Interagency Policy Guide for Restitution. Upon completion of the file search, the Institution shall immediately prepare a list of the borrowers who are owed restitution. The list shall indicate the borrower's name, loan number, calculation and amount of restitution, method of restitution, and cause of restitution. Upon its completion, this list shall be immediately forwarded to the OTS. The Board shall retain copies of all documentation regarding the restitution issue for review at the next regularly scheduled compliance examination.

(3) OTS Mortgage Regulations

A. Within 30 days of the Effective Date, the Institution shall complete a loan file search of all type 21 and type 22 loans in the adjustable rate mortgage loan ("ARM") portfolio to determine if the ARM adjustments comply with the terms of the note. The file search shall identify all loans where incorrect interest rate adjustments resulted in overcharges to the borrower. Upon completion of the file search, the Institution shall immediately prepare a list of borrowers who were overcharged. The list shall indicate the borrower's name, loan number, and the amount of the overcharge. This list shall be immediately provided to the OTS.

B. Within 45 days of the Effective Date, the Institution shall: (i) notify all borrowers on the list that the interest rates on their loans were incorrectly adjusted; (ii) provide these borrowers with corrected adjustment notices; and (iii) reimburse these borrowers for the amount of the overcharges. The Institution shall maintain complete records of the file review and reimbursements.

C. The Board shall ensure that the interest rates on all ARMs are adjusted in accordance with the terms of the legal obligation.

D. The Board shall ensure that borrowers are provided with interest rate adjustment notices that comply with 12 C.F.R. §§ 560.210(c) and 226.20 (c) and the terms of the legal obligation.

E. The Institution shall maintain documentation to verify that initial ARM disclosures are provided to borrowers as required by 12 C.F.R. §§ 560.210 and 226.19(b).

(4) Real Estate Settlement Procedures Act

A. The Board shall ensure that borrowers are provided with annual escrow statements as required by 24 C.F.R. § 3500.17.

B. The Board shall ensure that borrowers are provided with all disclosures relating to the use of required settlement service providers as specified at 24 C.F.R. § 3500.7.

C. The Board shall ensure that borrowers who obtain consumer purpose, closed-end, subordinate lien mortgages are provided with good faith estimates and HUD-1/1A disclosures as required by 24 C.F.R. §§ 3500.7 and 3500.8.

(5) Flood Disaster Protection Act

The Board shall ensure that flood hazard determinations are conducted on all subordinate-lien mortgages as required by 12 C.F.R. Part 572. All flood hazard determination forms shall be kept in the loan file.

(6) Bank Secrecy Act

The Board shall ensure that the Institution obtains all identification required by 31 C.F.R. § 103.29 when monetary instruments are purchased in currency amounts of \$3,000 to \$10,000.

GENERAL

(7) Violations of Law

The Board shall immediately take all steps necessary to correct each violation of law, rule or regulation cited in the Report of Examination. As each violation is corrected, the Board shall notify the OTS of the date and manner in which each correction has been effected.

(8) Compliance with Agreement

A. The Board and officers of Blue River shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.

B. The Board, on a quarterly basis, shall adopt a board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has complied with each provision of this Agreement currently in effect, except as otherwise stated.

The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption issued by the Regional Director that were outstanding as of the date of its adoption.

C. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.

D. The Board shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Agreement.

MISCELLANEOUS

(9) Definitions

All technical words or terms used in this Agreement for which meanings are not specified or otherwise provides by the provisions of this Agreement shall, insofar as applicable, having meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owner's Loan Act ("HOLA"), the Federal Deposit Insurance Act ("FDIA"), or OTS Publications. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall having meanings that are in accordance with the best custom and usage in the savings and loan industry.

(10) Successor Statutes, Regulations, Guidance, Amendments

Reference in this Agreement to provisions of statutes, regulations, and OTS Publications shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

(11) Notices

A. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

(i) the OTS, by the Institution, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Assistant Director, Office of Thrift Supervision, Department of the Treasury, 200 West Madison, Suite 1300, Chicago, Illinois 60606 or telecopied to (312) 917-5002 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

(ii) the Institution, by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to Blue River at 100 East Main Cross Street, Edinburgh, Indiana 46214 or telecopied to (812) 526-6852, and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, then, in the event such notice was sent by the United States mail, there shall be a presumption

that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

(12) Effective Date

A. This Agreement shall become effective upon its execution by the OTS, through its authorized representative whose signature appears below. The Agreement shall remain in effect until terminated, modified, or suspended, in writing, by the OTS, acting through its Director, Regional Director, or other authorized representative.

B. The Regional Director, in his sole discretion, may, by written notice, suspend any or all of the provisions of this Agreement.

(13) Time Limits

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

(14) Effect of Headings

The Section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

(15) Separability Clause

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

(16) No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

Nothing in this Agreement shall be construed as: (i) allowing Blue River to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting or estopping the OTS from taking any action(s) that it believes is appropriate in fulfilling the responsibilities placed upon it by law.

(17) Successors in Interest/Benefit

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. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

(18) Integration Clause

This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to the subject matter.

(19) Enforceability of Agreement

Blue River represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. Blue River acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director, and Blue River hereby execute this Agreement as of the Effective Date.

BLUE RIVER FEDERAL SAVINGS BANK

OFFICE OF THRIFT SUPERVISION

By: 151
Tom L. Schaffer
Director

By: 151
Ronald N. Karr
Regional Director
Central Region

By: 151
Terry W. Neville
Director

By: 151
Jim R. Eaton
Director

By: 151
Dan A. Patterson
Director

By: 151
Larry A. Wilbur
Director