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DOCKET #0386

WRITTEN AGREEMENT BETWEEN  
THE OFFICE OF THRIFT SUPERVISION

AND

MICHIGAN CITY SAVINGS AND LOAN ASSOCIATION

MICHIGAN CITY, INDIANA

THIS WRITTEN AGREEMENT ("Agreement") is made and is effective this 8th day of January, 1992 (the "Effective Date"), by and between Michigan City Savings and Loan Association, Michigan City, Indiana (OTS No. ("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 proceedings, pursuant to 12 U.S.C. 1818(b), against the Savings Association by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of administrative proceedings, pursuant to 12 U.S.C. 1818(b), against the Savings Association so long as the Savings Association is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Savings Association is willing to enter into this Agreement to avoid the initiation of proceedings, pursuant to 12 U.S.C. 1818(b):

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of proceedings, pursuant to 12 U.S.C. 1818(b), 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 reasonably 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 steps necessary to reasonably 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-Criticized Assets

Within sixty (60) days of the Effective Date of this Agreement, the Board of Directors shall adopt a comprehensive plan, subject to the prior written approval of the Deputy Regional Director, to reduce the level of criticized assets to an amount which represents less than 50 percent of tangible capital by June 30, 1992. Upon approval by the Deputy Regional Director, the Savings Association shall implement and comply with such a plan. Any amendments to the plan shall also be submitted, as required, to the Deputy Regional Director for his or her prior written approval.

3. Accounting For Below Investment Grade Bonds

The Savings Association agrees to account for below investment grade bonds in accordance with Thrift Bulletin 39 which will include, but not be limited to:

- (1) Developing a plan for divestiture of all the Savings Association's below investment grade bonds in as expedient and as prudent a manner as is possible; however, full divestiture shall be completed on or before July 1, 1994; and
- (2) Accounting for the Savings Association's below investment grade bonds in accordance with Generally Accepted Accounting Principles using the lower of cost or market approach.

4. Operating Income Plan

If the Savings Association has not entered into a merger agreement with Community Bank, A Federal Savings Bank, within sixty (60) days of the Effective Date of this Agreement, the Board of Directors shall develop a comprehensive plan for improvement of the earnings performance for the Savings Association. The Savings Association shall forward (as required above) to the Deputy Regional Director the plan for his or her prior written approval within ninety (90) days of the Effective Date of this Agreement. Upon approval by the Deputy Regional Director, the Savings Association shall implement and comply with the plan. The plan shall include semiannual proforma income statements for a two-year period, beginning with that period ending June 30, 1992. Actual results and comparison to proforma statements shall be submitted to the Deputy

Regional Director not later than forty-five (45) days following the end of the quarterly reporting period. Amendments to the plan, as required, shall be submitted to the Deputy Regional Director for his or her prior written approval.

5. Independent Audit Procedures

Within thirty (30) days of the Effective Date of this Agreement, the Savings Association shall adopt a plan to ensure the proper accounting treatment for loan fees. The accounting treatment shall be in compliance with Federal Accounting Standards Board ("FASB") Section 91. The Plan shall establish policies and procedures to ensure that an accurate and satisfactory external audit is conducted which will address this issue and other concerns in the Report of Examination regarding previous external audits. The plan should further address the Board of Directors' intentions with regard to the retention of the Savings Association's present external auditor. The plan shall be submitted to the Deputy Regional Director for his or her prior written approval. If approved by the Deputy Regional Director, the Savings Association shall implement and fully comply with the Plan. Amendments to the Plan shall be submitted to the Deputy Regional Director for his or her prior written approval.

6. Appraisal Policy

The Savings Association agrees to procure or obtain in a timely manner appraisals for all properties the Savings Association acquires through foreclosure or deed-in-lieu of foreclosure.

7. Miscellaneous

As used in this Agreement, the term "Board of Directors" or "Board" shall mean the Board of Directors of Michigan City Savings and Loan Association, Michigan City, 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.

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. This Agreement is the complete statement of the agreement by and between the parties and supersedes all prior negotiations, understandings and representations between them with respect to the subject matter of this Agreement.

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.

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, including the provisions thereof, will merge with and into the OTS approval of the proposed merger with Community Bank, A Federal Savings Bank, Michigan City, Indiana, and therefore, the responsibility of the Savings Association under this Agreement shall be assumed and fulfilled by Community Bank, A Federal Savings Bank, Michigan City, Indiana. If such approval is not granted or said merger is not consummated, 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.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Deputy Regional Director for the Indianapolis Office of the Central Region of OTS, and the Savings Association, by a majority of its directors, execute this Agreement.

Approved:

MICHIGAN CITY SAVINGS AND LOAN ASSOCIATION  
Michigan City, Indiana

OFFICE OF THRIFT SUPERVISION

By:

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*[Handwritten signature]*  
Jill A. Drake  
Deputy Regional Director  
Indianapolis Office  
Central Region