

SUPERVISORY AGREEMENT BETWEEN
THE OFFICE OF THRIFT SUPERVISION
AND
SOBIESKI FEDERAL SAVINGS AND LOAN ASSOCIATION
OF SOUTH BEND
SOUTH BEND, INDIANA

THIS SUPERVISORY AGREEMENT ("Agreement") is made and is effective this 20th day of February, 1992, by and between Sobieski Federal Savings and Loan Association of South Bend, South Bend, Indiana (OTS No. 3889) ("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 cease and desist proceedings against the Savings Association by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings 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 such cease and desist proceedings.

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings 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 compliance and procedures to implement these policies. 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. The Board of Directors shall enforce its policies and procedures by evaluating in writing, on a quarterly basis, senior management's progress and performance in implementing them, to the satisfaction of the Board of Directors. This evaluation shall be filed with the Deputy Regional Director of OTS within sixty (60) days following the Effective Date and thereafter by the thirtieth (30th) day of the month following the end of each calendar quarter.

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 supervise management in a manner which will 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 the appropriate actions as are necessary to effect 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. A written report reviewing the Savings Association's compliance with this Agreement signed by a majority of the directors shall be incorporated in the minutes of the Board of Directors meetings.

2. Appointment of a Compliance Officer

Within thirty (30) days of the date of this Agreement the Savings Association's Board of Directors shall appoint a Compliance Officer to oversee and coordinate the Association's compliance program to ensure that the Savings Association is in compliance with applicable consumer laws and regulations. This individual will be responsible for overseeing the training and development of Savings Association employees in the area of regulatory compliance.

3. Compliance Policy

Within ninety (90) days the Savings Association shall develop and implement a Compliance Policy. This policy should define the duties of the Compliance Officer and establish procedures for determining the Savings Association's compliance with applicable consumer affairs laws and regulations.

4. Bank Secrecy Act

(a) Within thirty (30) days the Savings Association shall develop a list of organizations that are exempt from reportable transactions that is consistent with the procedures outlined in 31 C.F.R. Section 103.22(d). The Savings Association will be required to maintain this list of exemptions for verification and review by

(b) Within thirty (30) days the Savings Association shall submit to this office a narrative describing the internal controls developed to ensure that all required information is obtained for filing its Form 4789.

5. Electronic Funds Transfer (Regulation E)

(a) Within thirty (30) days the Savings Association shall implement a system to provide initial disclosures outlining the terms and conditions of the electronic funds transfer service, as required by Section 205.7.

(b) Within sixty (60) days of this agreement the Savings Association shall deliver to customers an error resolution notice explaining the terms and conditions of the electronic funds transfer service, as required by Section 205.8(b). The Savings Association shall also deliver to each customer an acceptable error resolution notice at least once each calendar year as required by Section 205.8(b).

6. Truth in Lending

(a) Within thirty (30) days of this Agreement, the Savings Association must implement procedures for estimating interest charges during the construction period of its construction loans. Currently, the notes state that interest is due, but no reasonable estimate of interest charges were disclosed to the customer.

(b) Within thirty (30) days of this Agreement, the Savings Association must develop a method of more accurately disclosing the APR to its construction loan customers. APR's are currently overstated and outside of the tolerances permitted by Section 226.22(a)(3).

7. Miscellaneous

As used in this Agreement, the term "Board of Directors" or "Board" shall mean the Board of Directors of Sobieski Federal Savings and Loan Association of South Bend, South Bend, Indiana.

As used in this 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 insure 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.

This Agreement may be executed in counterparts and each counterpart shall be considered an original.

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.

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 Bank, by a majority of its directors, execute this Agreement.

Approved:

SOBIESKI FEDERAL SAVINGS AND LOAN
ASSOCIATION OF SOUTH BEND
South Bend, Indiana

By:

George J. Kranowski
Director

Gerald R. Gadacz
Director

Thomas F. Gruber
Director

Leonard J. Dobosiewicz
Director

Joseph F. Kruger
Director

Joseph F. Nagy
Director

Robert J. Urbanski
Director

OFFICE OF THRIFT
SUPERVISION

By:

Jill A. Drake
Deputy Regional
Director
Indianapolis Office
Central Region