

95013

## SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and effective this 17th day of April 1992, by and between Springfield Savings and Loan Association, Springfield, Vermont (OTS No. 05253) ("Springfield" or the "Institution"), through its Board of Directors ("Board"), for itself and any wholly-owned or partly owned subsidiary, and the Office of Thrift Supervision ("OTS") through the Regional Deputy Director for the Boston Area Office ("Regional Deputy Director") and the Commissioner of Banking, Insurance and Securities of the State of Vermont ("Commissioner"). This Agreement has been duly authorized, executed and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. 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, 12 U.S.C. 1818(b)(1) and (i)(2).

WHEREAS, as evidenced by the OTS Report of Examination dated December 2, 1991 (the "ROE"), the OTS and the Commissioner are of the opinion that the Institution has violated certain laws, rules and regulations (as detailed on Appendix Page A-2-1 of the ROE) to which the Institution is subject, thereby providing grounds for the initiation of cease and desist proceedings against the Institution; and

WHEREAS, the OTS and the Commissioner are willing to

forbear at this time from the initiation of cease and desist proceedings against the Institution on the subjects covered by this Agreement for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution 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 and the Commissioner from the initiation of cease and desist proceedings against the Institution, it is agreed among the parties hereto as follows:

(1) The Institution shall immediately charge-off \$40,000 in accrued interest receivable and either charge-off or establish a specific reserve against \$57,000 of loan losses identified in the December 2, 1991 ROE.

(2) The Institution shall, within thirty (30) days of the effective date of this Agreement, increase its general loan loss reserve to \$200,000, subsequent to the \$57,000 to be charged-off or specifically reserved against pursuant to paragraph (1) above. In addition, the Board shall review the Institution's general loss reserve for adequacy at least on a quarterly basis in accordance with 12 C.F.R. 563.160 and 571.26, and shall make appropriate adjustments to such reserves based on this review. The Board shall note this review within its minutes and shall append thereto the

analysis documentation supporting such review.

(3) The Institution shall comply with the OTS Classification of Assets regulation, 12 C.F.R. 563.160 by:

(a) objectively classifying assets on a quarterly basis as provided by 12 C.F.R. 563.160(c)(2);

(b) accurately reporting the totals of each category of classified assets so arrived at on the Institution's quarterly Thrift Financial Report ("TFR") to the OTS;

(c) establishing prudent general allowances for loan losses pursuant to said classifications, as provided by 12 C.F.R. 563.160(d)(1);

(d) charging off or establishing specific allowances for loan losses in the amount of 100 percent of any asset classified "loss," as provided by 12 C.F.R. 563.160(d)(2);

(e) noting the classification of assets within the Board's minutes and appending thereto the analysis documentation supporting such asset classifications.

(4) Within ninety (90) days of the effective date of this Agreement, the Board shall adopt, and submit to the Regional Deputy Director or his designee and the Commissioner for review, a comprehensive two year Business Plan covering calendar years 1992 and 1993. Such Business Plan shall, at a minimum, establish qualitative and quantitative goals for the future direction of the Institution, and consider in its formulation the Institution's liquidity position, credit

exposure, interest rate risk, level and trend of capital, and source and stability of earnings, as well as economic conditions generally. The Plan must include pro forma balance sheets and operating statements and major assumptions such as key interest rates. The Board shall establish a quarterly review process to compare actual to projected performance, to determine causes for significant variances, and to adjust the Business Plan, where appropriate. The Business Plan shall be submitted for comment to the Regional Deputy Director or his designee and the Commissioner, and shall be adopted by the Board, and so noted within the Board minutes.

(5) Within sixty (60) days of the effective date of this Agreement, the Board shall develop and adopt a pricing policy which will provide for monthly review of the pricing of assets and liabilities, taking into account the effect of pricing on the Institution's growth rate, earnings, capital position and interest rate risk. Such policy shall be submitted to the Regional Deputy Director or his designee and the Commissioner and adopted by the Board, and so noted within the Board minutes.

(6) The Board shall review the Institution's Interest Rate Risk Policy, Loan Underwriting Policy, and Appraisal Policy, on at least an annual basis and shall make any necessary revisions to such policies based on such reviews.

(7) Within sixty (60) days of the effective date of this Agreement, the Institution shall adopt an accounting

policy, consistent with generally accepted accounting principles, defining conditions under which accrual of interest on assets will cease, and accrued interest will be reversed.

(8) Within thirty (30) days after the Board meeting immediately following the end of each calendar quarter, the Board shall submit to the Regional Deputy Director or his designee and the Commissioner a resolution signed by each director, certifying that to the best of his or her knowledge and belief, and based upon a prudent review, during the previous quarter, the Institution was in compliance in all material respects with each condition of this Agreement. This resolution shall set forth any exceptions to any conditions of this Agreement that were approved by the Regional Deputy Director and the Commissioner.

(9) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Deputy Director, and the Commissioner.

IN WITNESS WHEREOF, the parties have executed this Agreement.

SPRINGFIELD SAVINGS AND  
LOAN ASSOCIATION  
Springfield, Vermont

By: Its Board of Directors

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DEPARTMENT OF THE TREASURY  
OFFICE OF THRIFT SUPERVISION

By: 151  
Ralph W. Gridley  
Regional Deputy Director

151  
STATE OF VERMONT  
COMMISSIONER OF BANKING AND INSURANCE

By: 151  
Jeffrey P. Johnson  
Commissioner of Banking and Insurance