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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 10 day of July, 1991, by and between The Crestline Building and Loan Association, Crestline, Ohio ("Crestline"), and the Office of Thrift Supervision ("OTS"), through its Deputy Regional Director for the Cincinnati District or designee ("Deputy Regional Director").

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Crestline, its directors, officers, employees, agents and service corporations. It is understood and agreed that this Agreement is a "written agreement" entered into with the Office of Thrift Supervision within the meaning of Section 8(b) and (i) of the Federal Deposit Insurance Act, 12 U.S.C.A. § 1818(b) and (i) (West 1989).

Without admitting any alleged violations of law or regulation, Crestline, nevertheless, in the interest of regulatory cooperation, is willing to enter into this Agreement.

NOW THEREFORE, IT IS AGREED:

1. Crestline shall adopt policies and implement procedures for enhanced loan underwriting and investments, governing all types of loans and investments engaged in by Crestline, which the board of directors shall annually review and update as necessary ("underwriting standards"). Said policies and procedures shall be submitted to the

- C ~~Sup Deputy Regional Director~~ for approval no later than September 1, 1991.
- C Corporate File
- C Holding Co. File #
- C OTS - Buckets
- C Examinations
- C State Dept.
- C FDIC - Chicago, IL
- C FDIC - Memphis, TN
- C Herb Edwards, Memphis
- C KOCAS, Summers
- C [unclear]
- C [unclear]

2. Crestline shall make or continue to make the following requirements for documentary evidence a part of its underwriting standards and prior to making any loan or investment, Crestline shall have in its possession, as appropriate for the type of loan or investment, the following documentary evidence:

- (a) a written application signed by the borrowers and guarantors stating the purpose of the loan;
- (b) financial statements of borrowers and guarantors certified by such borrowers or guarantors as true and correct, (financial statements of prospective borrowers and guarantors for loans in excess of \$100,000, other than loans secured by single family primary residences, shall be prepared in accordance with guidelines published by the American Institute of Certified Public Accountants, provided however that a guarantor's financial statement shall not be required to meet AICPA guidelines when such guarantor is not relied upon by Crestline to meet its underwriting guidelines);
- (c) a document signed by the responsible Crestline employee evidencing that material items in the borrowers'/ guarantors' financial statements have been verified and analyzed to insure that the borrower/guarantor has sufficient assets and cash flow to repay the loan according to the terms of the note/guarantee;

- (d) current credit reports for all borrowers/guarantors together with a written report signed by the responsible Crestline employee evaluating any outstanding negative items contained in any such reports;
- (e) in the case of a loan secured by real estate, an appraisal report which meets the requirements of 12 C.F.R. §§ 563.170 and 564.4 (1991) performed prior to the approval of the loan or disbursement of funds, provided however that this type of appraisal shall not be required where the real estate is not relied upon by Crestline to meet its underwriting guidelines;
- (f) in the case of a loan secured by property other than real estate, documents evidencing verification of the existence of the collateral and that ownership/title is in the name of the borrower/guarantor, documents evidencing verification of the lien status of the collateral current through the date of the loan closing, and a statement of value of the collateral prepared by a qualified person;
- (g) documents evidencing that the borrower/guarantor has invested cash or another form of equity in the collateral.

The above list is not exhaustive.

3. Without the prior written approval of the Deputy Regional Director, Crestline shall not make the following types of loans:

- (a) loans for commercial real estate or income producing property, including but not limited to loans to facilitate the sale of real estate owned of a commercial or income producing nature;

- (b) loans for the speculative construction of a residence;
- (c) consumer loans which, in aggregate, total more than \$25,000 to one borrower, provided, however that consumer loans as defined in this paragraph do not include loans secured by single family primary residences where the loan to value ratio does not exceed eighty percent;
- (d) lines of credit of any type, including overdraft protection on demand deposit accounts;

4. For any construction loan or other loan which includes the periodic disbursement of funds from a loans-in-process account over the term of the project, and which is allowed under the terms of this Agreement, Crestline shall require, at a minimum, the following:

- (a) complete cost estimates provided by the borrower;
- (b) a written draw schedule, included as part of the loan agreement, pursuant to which all disbursements of funds by Crestline shall be made; and
- (c) a written inspection report prepared and signed by a person responsible to Crestline stating that the stage of construction or development justifies each disbursement pursuant to the draw schedule.
- (d) neither loan fees nor interest on loans shall be paid from loan proceeds or by utilizing funds held in loans-in-process.

5. Crestline shall adopt the classification of assets as recommended by the August 9, 1990 OTS Report of Examination. Crestline shall adopt policies and implement procedures for enhanced internal asset review and classification which the board of directors shall review annually and

update as necessary. Crestline must include the following as part of these enhanced policies and procedures:

- (a) clear provision for identification of problem or potential problem assets;
- (b) establishment of an independent asset review committee, consisting of a majority of outside directors and/or officers not involved in the troubled lending or investment decisions; and
- (c) requirement that the asset review committee maintain adequate records and documentation of its activities.

6. Crestline shall adopt policies and implement procedures governing liquidity which shall prevent inadequacies and inaccurate reporting of liquidity.

7. Crestline shall establish general valuation allowances consistent with the recommendations in the August 9, 1990 OTS Report of Examination.

8. Crestline shall, no later than September 1, 1991 submit a business plan to the Deputy Regional Director for approval. At a minimum the plan shall address the following:

- (a) reduction of classified assets and correction of deficiencies in those assets classified special mention;
- (b) maintenance of general valuation allowances pursuant to 12 C.F.R. § 563.160;
- (c) detailed strategies to control growth and maintain improved liquidity; and
- (d) correction of criticisms set forth in the August 9, 1990 OTS Report of Examination.

9. Crestline shall, within 30 days of the date of this Agreement, adopt a resolution governing the maximum aggregate compensation and fees of Donald W. Dewald with detailed justification for said compensation. This resolution shall be submitted to the Deputy Regional Director for approval.

10. Crestline shall not repurchase any of its capital stock without the prior written approval of the Deputy Regional Director.

11. Crestline shall appoint a Compliance Officer who shall have the authority and responsibility for developing and updating Crestline's Compliance Program to ensure that Crestline is in compliance with applicable laws and regulations. The Compliance Officer shall also be responsible for development of a training program for the board of directors and Crestline personnel. The board of directors shall ensure that the Compliance Officer has sufficient authority and resources to effectively implement the compliance program.

12. Crestline shall continue to meet at least once each month to review the prior month's operations, consider various loan applications, consider the need for policy changes, evaluate management's compliance with statutory and regulatory requirement, as well as existing board policies and procedures, timely respond to regulatory correspondence and inquiries, and other actions normal for an effective and active board of directors. Crestline will submit its board minutes to the Deputy Regional Director within two weeks from the date of each meeting.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided herein, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act, or the Federal Deposit Insurance Act, and any such technical words or terms used in

this Agreement, and undefined by said statutes, rules and regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.

This Agreement shall remain in effect until terminated by the OTS, acting through its Deputy Regional Director, or until Crestline is merged into or acquired by another entity.

OFFICE OF THRIFT SUPERVISION

The Crestline Building and Loan
and Loan Associations
by its Directors:

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Jerry W. Benham
Deputy Regional Director
Cincinnati District Office

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