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SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 27th day of May, 2008 (the Effective Date), by and between Newton County Loan & Savings, FSB, Goodland, Indiana (Newton County or the Association) OTS Docket No. 00373, a federal mutual savings bank, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Central Regional Director or his designee (Regional Director).

WHEREAS, the OTS is the primary Federal regulator of Newton County pursuant to the Home Owners' Loan Act (HOLA), 12 U.S.C. §§ 1461 *et seq.*, and is the Association's appropriate Federal banking agency for purposes of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. §§ 1811 *et seq.*;¹

WHEREAS, based upon the findings contained within the Association's December 11, 2007 Safety and Soundness Limited Report of Examination (ROE), the OTS is of the opinion that Newton County has engaged in acts and practices that: (i) have resulted in violations of certain laws or regulations to which Newton County is subject; and (ii) are considered to be unsafe and unsound;

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against Newton County pursuant to 12 U.S.C. §§ 1464(d) and 1818(b);

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

WHEREAS, Newton County wishes to cooperate with the OTS and to evidence its intent to: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (Board), without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, 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:

¹ All references to the United States Code (U.S.C.) and the Code of Federal Regulations (C.F.R.) are as amended, unless otherwise indicated.

Compliance with Laws and Regulations

1. Newton County and its directors, officers, employees, and agents shall take all necessary and appropriate actions to comply with the following laws and regulations:
 - (a) 12 C.F.R. Part 32 (Lending Limitations); and
 - (b) 12 C.F.R. § 560.93 (Lending Limitations).

Asset Quality

2. (a) Newton County shall not, without the prior written approval of the Regional Director, make any new loans or issue new lines of credit for loans secured by non-owner occupied one-to-four family residential property;
 - (b) For purposes of complying with the provisions of this paragraph, the Association may: (i) advance funds under legally binding credit facilities in existence as of the Effective Date for the purposes enumerated in paragraph 2(a) where unfunded balances remain; and (ii) modify, renew or restructure such existing credit facilities in Newton County's portfolio, provided that: (A) the Association shall maintain documentation sufficient to demonstrate a material benefit to Newton County (i.e., reduction in the outstanding principal balance, securing additional collateral, etc.); (B) any new funds extended by the Association for any existing loan relationship shall comply with the lending limitations set forth under 12 C.F.R. Part 32 and 12 C.F.R. § 560.93; (C) the Association shall maintain a detailed report of all credit facilities modified, renewed or restructured pursuant to this subparagraph, and (D) within thirty (30) days following the end of each quarter an updated copy of the detailed report listed in (C) shall be provided to the Regional Director on a quarterly basis, beginning with the quarter ending June 30, 2008 ; and
 - (c) By May 30, 2008, the Board shall provide the Regional Director with a list of current non-owner occupied one-to-four family residential property loans with unfunded balances. The list shall include loan number, borrower name, original amount of loan, current outstanding balance and maturity date.
3. (a) By June 15, 2008, the Association, acting through its Board, shall engage an independent third-party, acceptable to the Regional Director, to conduct and complete a review of each existing non-owner occupied one-to-four family residential property loan in Newton County's portfolio. The scope of such an independent third-party review, the results of which shall be contained within a written report, shall include, at a minimum, the following:
 - i) An assessment of the overall credit quality of the loan portfolio;
 - ii) The adequacy of the documentation retained in each loan file;
 - iii) The identification and discussion of documentation deficiencies, if

- any;
- iv) Identification and discussions related to analytical deficiencies, if any;
- v) The reasonableness of both the specific reserves attributed to loans in the portfolio, as well as the amount attributed to the Association's overall level of the allowance for loan and lease losses (ALLL); and
- vi) Recommendations for improvement in the overall asset quality of the Association's one-to-four family residential property loan portfolio.

(b) By June 30, 2008, the Board shall provide a copy of the written non-owner occupied one-to-four family residential property loan review report required pursuant to this paragraph to the Regional Director, and

4. By June 30, 2008, the Board shall, where appropriate, revise Newton County's allowance for loan and lease losses (ALLL) policy and procedures, so as to specifically address the comments contained within the ROE and to take into consideration, at a minimum, the following:
 - i) The establishment of well-documented methodologies for calculating the ALLL for non-homogeneous assets; and
 - ii) Incorporate procedures for ensuring that the ALLL methodology provides for the consideration of historical losses and concentration levels (i.e., underlying collateral, geographic location, business type, loan type, etc.), as well as economic conditions and trends.

Loans to One Borrower (LTOB)

5. (a) The Association, under the direction of the Board, shall not grant, extend, or renew any loan to borrowers that currently exceed Newton County's LTOB limitation, as determined under 12 C.F.R. Part 32 and 12 C.F.R. § 563.93, without the prior written approval of the Regional Director;

(b) By May 30, 2008, the Board shall prepare and submit to the Regional Director a report which identifies all borrower loan relationships currently in excess of the Association's LTOB limitation and shall also contain detailed descriptions of the actions initiated by Newton County to bring such outstanding balances below the Association's LTOB limit. The report shall include the loan(s) number, borrower name, original loan amount, current outstanding balance, maturity date, and any delinquencies;

(c) On a quarterly basis, beginning with the quarter ending June 30, 2008, and for each quarter thereafter, the Board shall produce an LTOB report (LTOB Report). The LTOB Report required pursuant to this paragraph shall include, at a minimum, the following:

- i) An identification (through self-identification and utilization of the ROE) of all borrower loan relationships in excess of the Association's LTOB limitation;
- ii) The aggregate balance of each loan relationship in violation of the Association's LTOB limitation;
- iii) An updated discussion of the actions being taken by Newton County to reduce the exposure of each loan relationship in violation of the LTOB limitation; and
- iv) Identification of the aggregate balance of all loan relationships in excess of the Association's LTOB limitation.

(d) Within 15 days of the close of each quarter, beginning with the quarter ending June 30, 2008, the Board shall provide the Regional Director with a copy of the LTOB Report required by this paragraph; and

(e) By June 30, 2008, the Board shall develop, adopt and implement policies and procedures to ensure future compliance with promulgated LTOB regulations and published regulatory guidance, including, but not limited to 12 C.F.R. § 563.93, 12 C.F.R. Part 32 and the OTS Examination Handbook, section 211.

Operations

- 6. Notice of Change of Director or Senior Executive Officer. The Association is required to notify the OTS Regional Director of the proposed addition of any individual to the board of directors or the employment of any individual as a senior executive officer or changing of responsibilities of any senior executive officer at least 30 days before such addition or employment or change becomes effective, as required by 12 C.F.R. § 563.560(a)(1)(ii) and 12 U.S.C. § 1831i.
- 7. Restrictions on Golden Parachute Payments. The Association is restricted from making any "golden parachute payment" (including severance payments and agreements relating thereto), within the meaning and subject to the restrictions of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359, except as may be permitted under the above-mentioned statute and regulation.
- 8. Restrictions on Compensation or Benefits. The Association shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or officer of the Association, unless it first (a) provides a minimum of 30 days advance notice of a proposed transaction and (b) receives a written notice of non-objection from the OTS Regional Director, See OTS Examination Handbook § 310 (p. 310.17) and OTS Regulatory Bulletin 27b.
- 9. Restrictions on Certain Third Party Contracts. The Association shall not enter into any third-party contracts outside of the normal course of business without the prior written non-objection of the OTS Regional Director. To seek such non-objection the Association shall provide 30 days advance written notice to the

Regional Director of any such proposed contract. At a minimum, such notice shall set forth the Association's reasons for seeking the contract and shall transmit a copy of the proposed contract. See Examination Handbook § 310 (pp. 310.18 & 19) and OTS Thrift Bulletin 82a.

10. Applications and Notices. The Association no longer qualifies for expedited treatment for applications and notices filed with the OTS. See 12 C.F.R. § 516.5.
11. OTS Assessments and Application Fees. The Association is subject to the payment of higher assessments and application fees. See 12 C.F.R. Part 502 and OTS Thrift Bulletin 48-24.

Compliance with Agreement

12. (a) All policies, procedures, corrective actions, plans, programs, agreements, reviews and systems required by this Agreement (collectively referred to as Plans and Policies) shall conform to all applicable statutes, and regulations, as well as OTS policy and guidance. The Board shall revise Plans and Policies as required by the OTS within 30 calendar days of written direction from the OTS, unless otherwise provided for within this Agreement. The Plans and Policies shall be incorporated into this Agreement, and any deviation from such Plans and Policies shall be a violation of this Agreement;
- (b) The Board and officers of the Association shall take immediate action to cause Newton County to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to carry out the provisions of this Agreement;
- (c) The Board shall have the ultimate responsibility for overseeing the safe and sound operation of Newton County at all times, including compliance with the OTS's determinations as required by this Agreement; and
- (d) By the last day of the succeeding month, beginning with the month ending June 30, 2008, the Board shall adopt and submit to the OTS certified copies of a Board resolution (Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including a report from the Association's management regarding Newton County's compliance with each provision of this Agreement), to the best of its knowledge and belief, during the immediately preceding month, the Association has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (1) specify in detail how, if at all, full compliance was found not to exist; and (2) identify all notices of exemption or non-objection issued by OTS that were outstanding as of the date of its adoption. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such a disagreement shall be noted in the Compliance Resolution.

Definitions

13. 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, the HOLA, the FDIA, or published OTS guidance. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

14. Reference in this Agreement to provisions of federal 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.

Notices

15. (a) Except as otherwise provided herein, any request, demand, authorization, directions, notice, consent, waiver, or other document provided or permitted by this Agreement to be made upon, given or furnished to, delivered to, or filed with:
 - i) The OTS, by Newton County, 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 Regional Director, Office of Thrift Supervision, Department of the Treasury, One South Wacker Drive, Suite 2000, 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; and
 - ii) Newton County, 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 the Board of Directors of Newton County Loan and Savings, FSB, 309 South Newton Street, Goodland, Indiana 47948 or telecopied to (219) 297-4256, 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.

Effect of Headings

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

Separability Clause

17. 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 sole discretion, determines otherwise.

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

18. Nothing in this Agreement shall be construed as: (i) allowing Newton County 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), including without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate in fulfilling the responsibilities placed upon it by law.

Time Limits

19. Time limits for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted. The Regional Director may, in his sole discretion, extend any of such time limitations.

Duration, Termination or Suspension of Agreement

20. (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; and
- (b) The Regional Director, in his sole discretion, may, by written notice, suspend any or all of the provisions of this Agreement.

Successors in Interest/Benefit

21. 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, expressed 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.

Integration Clause

22. 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 of this Agreement, with respect to the subject matter.

Enforceability of Agreement

23. The Association 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 Newton County. The Association 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.

Counterparts

24. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

Effective Date

25. This Agreement is and will become effective on the Effective Date as defined herein.

Signature of Directors

26. Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board Resolution authorizing the execution of this Agreement by the Association. A copy of the Resolution of Newton County's Board of Directors authorizing the execution of the Agreement shall be delivered to the OTS along with the executed original of the Agreement.

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

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Thomas A. Barnes,
Regional Director, Central Region

NEWTON COUNTY LOAN AND SAVINGS, FSB

By: _____ /s/
William C. Lah, Director and President

By: _____ /s/
Dennis W. Edmonds, Director

By: _____ /s/
Richard E. Gerts, Director

By: _____ /s/
Richard G. Schuette, Director

By: _____ /s/
Terry L. Wigner, Director