

## SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 11th day of May, 2005 (Effective Date), by and between Second Federal Savings and Loan Association of Chicago, Chicago, Illinois, OTS Docket No. 00679 (Second Federal or Institution), a federally chartered mutual savings and loan association, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee (Regional Director).

WHEREAS, the OTS is the primary federal regulator of the Institution;

WHEREAS, based upon the August 11, 2004 Field Visit Report of Examination (2004 Field Visit) and the November 29, 2004 Report of Examination (2004 Examination), the OTS is of the opinion that the Institution has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Institution 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 the Institution;

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

WHEREAS, the Institution, 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:

### Compliance With Laws, Regulations & Safe and Sound Practices

1. The Institution, its directors, officers, employees, agents, and subordinate organizations shall take all necessary and appropriate actions to comply with the following laws, regulations, and safe and sound business practices:
  - a. 12 C.F.R. § 560.101 (Real Estate Lending Standards);
  - b. 12 C.F.R. §§ 563.177(c)(1) and (4) (Procedures for Monitoring Bank Secrecy Act (BSA) Compliance);
  - c. 12 C.F.R. § 226.18(d)(1) (Truth in Lending Act (TILA) – Regulation Z);

- d. Thrift Bulletin (TB) 72a (Interagency Guidance on High Loan-to-Value (LTV) Residential Real Estate Lending);
- e. TB 77 (Sound Practices for Liquidity Management at Savings Associations); and
- f. TB 82a (Third Party Assignments).

## ASSET QUALITY

### Loans in Violation of LTV Limits

2. The Institution shall not make, invest in, purchase, or commit to make any loans with LTV ratios of 90 percent or higher that lack sufficient credit support, as defined by regulation or regulatory guidance.

### Lending Program

3. The Institution shall not make, invest in, purchase, or commit to make any loans pursuant to the lending program described on pages 14 through 19 of the 2004 Examination (Lending Program) until the Board has established, adopted, implemented and submitted to the Regional Director for review and approval, the following:
  - a. a concentration limit for the entire Lending Program loan portfolio as a dollar volume and as a percentage of tier 1 leverage capital;
  - b. stratification of the risk of the Lending Program loan portfolio by designating the percentage of loans that will be allowed at various ranges of LTV ratios;
  - c. limitations on the amount of the Lending Program loans that can mature in any quarter;
  - d. an analysis of the adequacy of Institution staff to implement the Lending Program; and
  - e. a cost analysis of the Lending Program to effectively determine the feasibility of this activity.

### Allowances for Loan and Lease Losses (ALLL)

4. Within sixty (60) days after the Effective Date of this Agreement, the Board shall revise, adopt, and implement the Institution's Asset Classification/ALLL Policy for the establishment and maintenance of valuation allowances. The revised Asset Classification/ALLL Policy shall reflect the increase in ALLL factors proposed by the Institution as described on pages 21 and 22 of the 2004 Examination.

Delinquency Reports

5. Within forty-five (45) days after the Effective Date of this Agreement, the Board shall develop, adopt, and implement procedures for monitoring delinquency reports. At a minimum, these procedures shall ensure that loans with delinquencies of ninety (90) days or more are in the process of collection, either through foreclosure or through a documented collection plan designed to bring the loan current within the next ninety (90) days.

COMPLIANCE

BSA/Anti-Money Laundering (AML)/Office of Foreign Asset Control (OFAC) Regulations

6. Within thirty (30) days after the Effective Date of this Agreement, the Board shall amend, adopt, implement and submit to the Regional Director for review, the Institution's policies and procedures regarding compliance with the BSA/AML Laws and Regulations to provide for an effective system of monitoring for structured transactions and filing Suspicious Activity Reports (SARs), as required by 12 C.F.R. § 563.180(d). The amended policies and procedures shall, at a minimum, provide for the following:
  - a. reports that accurately and efficiently provide information to allow for the monitoring of structured transactions;
  - b. timely and regular review of such monitoring reports;
  - c. changes to procedures and teller training to ensure that transaction codes are utilized in the most efficient manner possible; and
  - d. a risk assessment process for the Institution's customer base that identifies high-risk customers, detects activity outside of a customer's normal parameters, determines the context of such activity and concludes whether a SAR filing is necessary.
7. Within thirty (30) days after the Effective Date of this Agreement, the Board shall adopt and implement revised OFAC policies and procedures to provide for periodic checks of the Institution's customer base against the OFAC list of specially designated nationals. Such periodic checks shall be performed on no less than a monthly basis.

Compliance Program

8. Within sixty (60) days after the Effective Date of this Agreement, the Board shall develop, adopt, implement, and submit to the Regional Director for review, procedures to address on a timely basis and to formally document all corrective actions taken on deficiencies and weaknesses, related to both compliance (SMAART Response Component) and safety and soundness, disclosed in independent tests of BSA compliance and OTS examination reports. These procedures shall, at a minimum, provide for the following:

- a. identification of each item that must be addressed in independent tests and OTS examination reports;
  - b. proposed corrective actions to each identified issue;
  - c. designation of the individual(s) responsible for correcting each identified issue;
  - d. a formal tracking system indicating the status of each corrective action (completed or planned); and
  - e. periodic updates to the Audit Committee of the status of these issues.
9. Within seventy-five (75) days after the Effective Date of this Agreement, the Board shall review the independent review of BSA compliance performed during the 2004 Examination period and formally document the status of corrective actions taken to address the findings of the independent review. A copy of the Board's documentation shall be submitted to the Regional Director within fifteen (15) days following this review.

#### Money Service Businesses (MSBs)

10. Within forty-five (45) days after the Effective Date of this Agreement, the Board shall develop, adopt, implement and submit to the Regional Director for review, procedures to ensure that the Institution conducts due diligence reviews of its MSBs. These procedures shall, at a minimum, provide for the following:
- a. regular due diligence reviews of all known MSBs to ensure that they comply with all federal and state laws requiring licensing and FinCEN registration, applicable BSA requirements, OFAC regulations and that they monitor for suspicious activities;
  - b. due diligence reviews of individuals and commercial business accounts who management deem as high potentially meeting the definition of a MSB; and
  - c. documentation of all due diligence reviews.

#### TILA – Regulation Z

11. Within sixty (60) days after the Effective Date of this Agreement, the Board shall develop, adopt, and implement procedures to ensure that that accurate finance charges are consistently reported on TILA disclosures.

### MANAGEMENT

#### Senior Executive Management Structure and Oversight

12. Within forty-five (45) days after the Effective Date of this Agreement, the Board shall review the existing organizational structure of the Institution and develop, adopt,

implement and submit to the Regional Director for review, a plan for improving senior executive management oversight. The plan shall, at a minimum, provide for the following:

- a. sufficient regulatory and operational oversight;
  - b. adequate communication and coordination with, and between, second level officers of the Institution;
  - c. clear direction and guidance to Institution employees; and
  - d. accurate regulatory reporting and regulatory compliance.
13. Within sixty (60) days after the Effective Date of this Agreement, the Board shall develop, adopt, implement and submit to the Regional Director for review, a succession plan for the senior officers of the Institution (Succession Plan). The Succession Plan shall, at a minimum, include a detailed plan for designating qualified candidates to the senior executive management positions of the Institution.

#### Strategic Plan

14. Within sixty (60) days after the Effective Date of this Agreement, the Board shall revise, adopt, implement and submit to the Regional Director for review, the Institution's Strategic Plan (Strategic Plan). The Strategic Plan shall cover fiscal years 2005 – 2008 and detail the Institution's overall operating strategy (including pro forma financial statements and relevant assumptions for the period covered in the Strategic Plan). The revised Strategic Plan shall, at a minimum, provide for the following:
- a. revised one- to four-family mortgage loan volume projections;
  - b. concentration limits for one- to four-family mortgage loans, high LTV ratio loans, and distributions of loan maturities;
  - c. the effect of operating strategies on tier 1 leverage and risk-based capital ratios, net income, liquidity ratios, funding sources, and interest rate risk sensitivity; and
  - d. strategies to reduce noninterest expenses.
15. The Board shall review and document the Institution's compliance with the Strategic Plan at least once each calendar quarter. A copy of the Board's documentation of this review shall be submitted to the Regional Director within thirty (30) calendar days following each review.

16. Within sixty (60) days after the Effective Date of this Agreement, the Board shall develop, adopt, implement and submit to the Regional Director for review, a contingency plan to mitigate the risk from the significant amount of one- to four-family mortgage loans maturing in the second and third quarters 2009.

#### Internal Audit Function and Audit Committee

17. Within sixty (60) days after the Effective Date of this Agreement, the Board shall develop, adopt, implement and submit to the Regional Director for review, a comprehensive internal audit program appropriate to the needs of the Institution (Internal Audit Program). The oversight of the Internal Audit Program shall be delegated to the Audit Committee, which shall consist solely of independent directors. The Internal Audit Program shall, at a minimum, provide for:
  - a. designation by the Audit Committee of an internal auditor(s), either in-house or out-sourced, who shall report directly to the Audit Committee;
  - b. establishment of the scope and frequency of internal audits;
  - c. submission of internal audit reports by the internal auditor(s) to the Audit Committee at least once each calendar quarter; and
  - d. implementation of corrective action and follow-up by the Audit Committee.
18. A copy of the Audit Committee's documentation of the quarterly review of internal audit reports along with its response to any recommendations for corrective action shall be submitted to the Board of the Institution and the Regional Director within thirty (30) calendar days following each review.
19. Within seventy-five (75) days after the Effective Date of this Agreement, the Audit Committee shall review all reports of internal audit performed during the 2004 Examination period and formally document the status of corrective actions taken to address the findings of the reports. A copy of the Audit Committee's documentation shall be submitted to the Regional Director within fifteen (15) days following this review.

#### Thrift Financial Reporting

20. Within thirty (30) days after the Effective Date of this Agreement, the Board shall develop, adopt, and implement procedures to ensure that the Thrift Financial Report (TFR), particularly Schedule CCR – Consolidated Capital Requirement, and other reports are accurately filed by the Institution. These procedures shall, at a minimum, provide for the following:
  - a. a process to ensure that the worksheets and schedules used to complete the TFR conform to the recent TFR instructions;

- b. designation of an employee who is not involved in the preparation of the TFR to conduct a review of the TFR prior to its submission to the OTS; and
- c. audit procedures to verify that entries are properly coded to ensure the accuracy of reports used to monitor operations.

#### Bonus Plan

21. Within sixty (60) days after the Effective Date of this Agreement, the Board shall revise, adopt, implement and submit to the Regional Director for review, the Institution's incentive Bonus Plan (Bonus Plan). The revised Bonus Plan shall, at a minimum, provide for the following:
- a. target performance levels that are related to the revised Strategic Plan required by Paragraph 14 of this Agreement; and
  - b. quantitative controls over performance measures to discourage the Institution's management from advancing short-term goals at the detriment of long-term profitability.

#### Conflict of Interest

22. Within forty-five (45) days after the Effective Date of this Agreement, the Board shall develop, adopt, and implement policies and procedures governing transactions with Directors, officers and their related interests (collectively, Insiders) to ensure compliance with the requirements set forth in 12 C.F.R. § 563.200 and Thrift Bulletin 82a.

### LIQUIDITY

#### Liquidity and Investment Policies

23. Within seventy-five (75) days after the Effective Date of this Agreement, the Board shall revise, adopt, and implement the Liquidity and Investment Policies to correct the omissions and deficiencies as described on pages 45 and 46 of the 2004 Examination.

### OPERATING RESTRICTIONS

#### Employment Contracts

24. The Institution shall not enter into any employment contract with any director or senior executive officer without prior written approval of the Regional Director (OTS Regulatory Handbook, Thrift Activities, Section 310).

Directors and Senior Executive Officers

25. The Institution must file a notice with Regional Director prior to adding or replacing a director or hiring a senior executive officer or changing the responsibilities of any senior executive officer so that the person would assume a different senior executive position (12 C.F.R. § 563.560(a)(1)(ii)).

Golden Parachute Payments

26. The Institution is prohibited from making any golden parachute payments to any Institution-affiliated party, unless the payment is otherwise permitted by regulation (12 C.F.R. Part 359).

BOARD OF DIRECTORS

Director Responsibility

27. Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

Compliance with Agreement

28. The Board and officers of the Institution shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.
29. The Board shall, on a quarterly basis beginning with the calendar quarter ending June 30, 2005, adopt a Board resolution (the Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including a report from Management regarding the Institution's compliance with each numbered paragraph of this Agreement), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.
30. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption, and (ii) the identity of each director voting in opposition to

its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.

31. Within thirty (30) calendar days after the end of each calendar quarter, beginning with the end of the first calendar quarter following the Effective Date of this Agreement, the Institution shall provide to the Regional Director a certified true copy of the Compliance Resolution[s] adopted at the Board meeting pursuant to Paragraphs 29 and 30 of this Agreement. The Board, by virtue of the Institution's submission of a certified true copy of such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except that in the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Institution.
32. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement, including making Institution records and documents available for OTS examiner review upon request.

#### Definitions

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

#### Successor Statutes, Regulations, Guidance, Amendments

34. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda 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

35. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:
  - a. The OTS by the Institution, 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 Assistant Regional Director Cheryl G. Petty, Office of Thrift Supervision, Department of the Treasury, 1 South Wacker Drive, Suite 2000, Chicago, Illinois, 60606, or telecopied to (312) 917-5001 and

confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

- b. The Institution 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 Institution at 3960 West 26<sup>th</sup> Street, Chicago, Illinois, 60623, or telecopied to (773) 277-3004 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

#### Duration, Termination or Suspension of Agreement

36. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below, and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
37. The Regional Director in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

#### Time Limits

38. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

#### Effect of Headings

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

#### Separability Clause

40. 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

41. Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting the OTS from taking such action(s) as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

Successors in Interest/Benefit

42. 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, express 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.

Signature of Directors

43. 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 Institution.

Integration Clause

44. 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, with respect to such subject matter. However, upon approval by the Regional Director, all policies required by this Agreement shall become part of this Agreement and any deviation from these policies shall be deemed a violation of this Agreement.

Enforceability of Agreement

45. The Institution 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 the Institution. The Institution 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

46. 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.

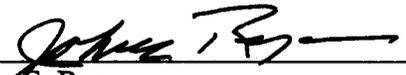
IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Institution, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date.

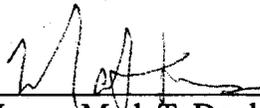
OFFICE OF THRIFT SUPERVISION

THE INSTITUTION

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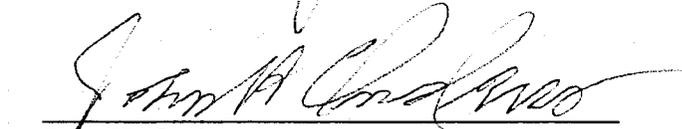
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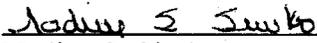
  
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John E. Ryan  
Regional Director

  
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Name: Mark T. Doyle  
Chairman of the Board, President and Chief  
Executive Officer

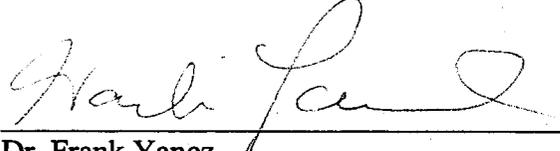
  
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