

AGREEMENT

This Agreement ("Agreement") is made and is effective this 15th day of October, 1990 ("Effective Date"), by and between King City Federal Savings Bank, Mt. Vernon, Illinois (OTS Docket No. 2756) ("Institution") for itself and any controlled 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 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, as amended by Title IX of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"), (to be codified at 12 U.S.C. Sections 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. Section 563.41, and has engaged in unsafe or unsound practices in conducting the business of the Institution, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with regulations, and unsafe and/or unsound practices as set forth in the Institution's Report of Examination, dated April 30, 1990, 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, by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such cease and desist proceeding;

NOW, THEREFORE, in consideration of the above-stated forbearance by OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

1. The Institution and its controlled subsidiaries shall correct the existing violations cited in this section and the Report of Examination dated April 30, 1990 and shall not knowingly initiate any action which would result in a violation of, or the aiding and abetting of any violation of 12 C.F.R. Section 563.41 or 12 C.F.R. Section 567.2 (a)(1) and (b)(1).

### Conflict of Interest

2. Within thirty (30) days from the Effective Date of this Agreement, the Board shall adopt a written comprehensive conflict of interest policy to be applicable to all directors, officers, employees of the Institution, and if and when applicable, principal shareholders. The Board shall consider the information contained in 12 C.F.R Sections 571.7 and 563.41 in formulating the policy. At a minimum, the conflict of interest policy shall address:

- (a) avoidance of conflicts of interest and the appearance of conflicts of interest, and of breaches of fiduciary duty;
- (b) disclosure of actual and potential conflicts of interest to the Board, as well as, periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215.2(k); and
- (c) requirements for arms-length dealing and documentation of any transactions involving payment of fees by insiders involving the Institution's or any of its subsidiaries' sale or purchase of property and services.

The policy shall also provide that no fees or commissions on any loan or investment activities shall be paid to, or on behalf of, an affiliated person or a family member or in-law of an affiliated person.

Upon adoption, a copy of the conflict of interest policy shall be forwarded to the OTS Manager for his review. Additionally, the Board, within its legal capacity, shall cause any existing relationships or transactions between the Institution and any of its directors, officers or 10% shareholders to be brought into conformance with the policy.

### Classified/Criticized Assets

3. Within thirty (30) days from the Effective Date of this Agreement, the Board shall adopt and implement a written program designed to eliminate the basis of criticism of assets criticized in the April 30, 1990 Report of Examination as "Substandard", "Doubtful", or "Special Mention". This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Institution's lien on such collateral where applicable;

- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be paid from operations; and
- (d) the proposed action to eliminate the basis for criticism and the time frame for its accomplishment.

A similar program shall be adopted for all additional assets which are criticized by the Institution's internal asset classification policy. A copy of the program for all criticized assets shall be forwarded to the OTS Manager.

The Board, or a delegated committee thereof, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or criticized portions thereof;
- (b) management's adherence to the program pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

#### Concentrations of Assets

4. Within thirty (30) days from the Effective Date of this Agreement the Board of Directors shall implement policies and procedures to identify, control and monitor concentrations of credit in the Institution's loan portfolio. Copies of these policies and procedures shall be submitted to this Office.

5. Within sixty (60) days from the Effective Date of this Agreement, the Board of Directors shall develop and submit to this Office a plan to reduce the asset concentrations in timeshare, nursing home and out-of-state loans. At a minimum, the plan shall include specific quarterly projections for the reduction in the number and dollar amount of these types of loans.

Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the OTS Manager or District Director, the Board has the ultimate responsibility for proper and sound management of the Institution.

It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

All time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement. Such time limitations may be extended by the OTS Manager for good cause upon written application by the Board.

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 the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulations). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

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.

This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the District Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its District Director, and the Institution, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION  
Chicago, Illinois

By: *151*

~~Stuart M. Brafman~~  
District Director

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MT. VERNON, ILLINOIS

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