

AGREEMENT

This Agreement ("Agreement") is made and is effective this 23rd day of October, 1990 ("Effective Date"), by and between Lemont Savings Association, Lemont, Illinois (OTS No. 6239) ("Lemont"), for itself and any controlled subsidiary, the Office of Thrift Supervision ("OTS") and the Office of the Commissioner of Savings and Residential Finance ("Commissioner"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Lemont. 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 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 and the Commissioner are of the opinion that Lemont has not complied with certain of the regulations to which Lemont is subject in conducting the business of Lemont, as recited in the Report of Examination as of September 15, 1989 ("Report") and has engaged in unsafe or unsound practices in conducting the business of Lemont, thereby providing grounds for the initiation of cease and desist proceedings against Lemont by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings as the result of Lemont's failure to comply with statutes and regulations, and unsafe and/or unsound practices as set forth in Lemont's Report for so long as Lemont is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Lemont, by its Board of Directors ("Board"), without admitting that grounds for a cease and desist proceeding exist, 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 Lemont, it is agreed between the parties hereto as follows:

Statutes and Regulations

1. Lemont and its controlled subsidiaries shall correct and not knowingly initiate action which would result in any violation of, or the aiding and abetting of any violation of:

- 12 C.F.R. Section 563.93;
- 12 C.F.R. Section 563.175;
- 12 C.F.R. Section 567.2;
- 12 C.F.R. Section 584.3;
- 12 U.S.C. Section 371c; and/or
- 12 U.S.C. Section 371c-1.

Capital

2. The Board shall not declare or make any capital distribution except with the prior written approval of the OTS Manager and Commissioner.

Management Study

3. Within 90 days, the Board shall complete, with the assistance of management, a study of Lemont's management structure and staffing requirements in light of Lemont's present condition. The findings and recommendations of the Board shall be in writing and shall include:

- (a) detailed written job descriptions for all executive officers;
- (b) an evaluation for each officer's qualifications and ability to perform the duties and responsibilities of his/her position;
- (c) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (d) a recommended organization chart that clearly reflects ~~areas of responsibility and lines of authority for all officers, including the president and the chief executive officer;~~
- (e) identification of the staffing requirements of each major department of Lemont;
- (f) recommendations, if any, to expand the scope, frequency, and sufficiency of information provided to the Board by management;
- (g) recommendations, if any, to expand Board and committee records;
- (h) recommendations, if any, to correct or eliminate any other deficiencies in the supervision or organizational structure of Lemont.

4. Within 30 days of the completion of the Board's study, the Board shall adopt a written plan, with specific time frames, to eliminate any deficiencies in Lemont's management, staffing or in supervision of management by the Board.

5. Copies of the Board's written plan and the Board's study shall be forwarded to the OTS Manager and Commissioner for review and comment. In the event the management plan, or any portion thereof, is not implemented, the Board shall immediately advise the OTS Manager and Commissioner, in writing, of the reasons for deviating from the management plan.

Employment Contracts

6. The Board shall provide 30 days written notice to the OTS, the Commissioner, and the Federal Deposit Insurance Corporation ("FDIC") of any plan to pay bonuses pursuant to the employment contracts regarding Messrs. Bosler and Hashioka.

7. Neither Lemont (nor any of its controlled subsidiaries) shall enter into any employment contracts unless prior written approval is sought and received from the OTS Manager and Commissioner.

Criticized Assets

8. Lemont shall take continuing action to protect its interest with regard to those assets criticized in the Report of Examination as of September 15, 1989, ("Report") or any subsequent Report of Examination.

9. Except as noted in Schedule A, Lemont, in its Thrift Financial Report, shall charge off, or establish specific valuation allowances for, those assets classified as "Loss" in the Report.

10. Within 30 days, the Board shall ensure adoption and implementation of a written program designed to eliminate the basis of criticism of assets criticized in the 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 Lemont'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 of criticism and the time frame for its accomplishment.

11. A similar program shall be adopted for all additional assets which are criticized by Lemont's internal asset classification policy. Once adopted, a copy of the program for all criticized assets shall be forwarded to the OTS manager and Commissioner.

12. 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.

13. A copy of each review shall be forwarded to the OTS Manager and Commissioner on a monthly basis in format similar to Appendix A (attached hereto).

14. (a) Lemont shall not extend credit, directly or indirectly, including renewals, to any borrower whose loans or other extensions of credit are criticized in the Report or any other subsequent Report of Examination.
- (b) The immediately preceding paragraph shall not apply if:
- (i) Lemont's failure to extend further credit to a criticized borrower would be substantially detrimental to the best interests of Lemont;
 - (ii) a comparison to the written program adopted pursuant to this Article shows that Lemont's formal plan to collect or strengthen said criticized asset is not compromised; and
 - (iii) prior to renewing, extending, or capitalizing any additional credit, a majority of the ~~full~~ Board approves the credit extension and certifies, in writing, the specific reasons why failure to so act would be substantially detrimental to the best interests of Lemont. A copy of the Board certification shall be maintained in the credit file of the affected borrower(s).

Lending Policy

15. Within 45 days, Lemont shall submit for approval a comprehensive written loan policy. This policy shall include, but not necessarily be limited to, the following:

- (a) a description of acceptable types of loans and real estate investments, including loans secured by personal property, made or purchased by Lemont or its controlled subsidiaries;
- (b) a provision that current and satisfactory credit information will be obtained on each borrower;
- (c) a provision that, prior to funding or obligating itself to fund any loan or investment, Lemont must have obtained, as appropriate, each of the items required by 12 C.F.R. Part 563.170;

- (d) maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;
- (e) maximum ratios of loan value to appraised value and acceptable debt service ratios for each type of loan offered;
- (f) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;
- (g) a pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;
- (h) a definition of Lemont's market area;
- (i) guidelines and limitations for originating loans outside of Lemont's market area;
- (j) a limitation on aggregate outstanding loans in relation to other balance sheet accounts;
- (k) a distribution of loans by category;
- (l) a prohibition regarding the use of brokered deposits to fund loan growth or support criticized loans;
- (m) guidelines for loans to insiders, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;
- (n) guidelines and limitations on concentrations of credit; and
- (o) a limitation on the type and size of loans that may be made by loan officers without prior approval by the Board.

16. The lending policy shall also address the level of general and specific valuation allowances. The policy shall require that:

- (a) an adequate level of general valuation allowances be established and maintained at all times; and
- (b) Lemont will comply with generally accepted accounting principles as they apply to the accounting for uncollected interest, including the establishment of specific valuation allowances (or charging off) for all accrued but uncollected interest on loans where legal action has commenced.

17. After these standards are approved by the OTS Manager and Commissioner, Lemont shall comply with them in all respects.

Affiliates - Extensions of Credit

18. Lemont shall not, directly or indirectly, pay money or its equivalent to, or extend credit in any form to or for the benefit of, its affiliates (as defined in 12 U.S.C. Section 221a and Section 371c, or any subsequent regulation) or enter into or engage in any transaction which obligates Lemont to do the same unless:

- (a) the Board has conducted an independent review of the action;
- (b) the Board has determined that it is advantageous for Lemont to engage in such action, and that action complies with all applicable laws, rules and regulations, including, but not limited to 12 U.S.C. Sections 371c and 371c-1; and
- (c) the OTS Manager and Commissioner, after reviewing the Board's independent review of the action, have notified Lemont of their intent not to disapprove the action.

Loans to One Borrower

19. Lemont and its controlled subsidiaries shall adopt procedures and comply with the provisions of the loans to one borrower regulations set forth in 12 C.F.R. Part 563.93.

Asset/Liability Policy

20. Within 45 days, the Board shall review and revise Lemont's funds management policy. The policy shall contain the basic elements of a sound asset/liability policy as described in 12 C.F.R. Parts 571.3, 566.1, and 566.2, and Thrift Bulletin 13, dated January 26, 1989. The policy shall provide for a coordinated asset/liability management strategy and, at a minimum, address:

- (a) limits to be placed on the degree of imbalance in Lemont's rate sensitive position;
- (b) limits on the minimum/maximum average maturities for different categories of assets and liabilities;
- (c) procedures which enable the Board and management to monitor Lemont's liquidity position and maintain liquidity at an adequate level;
- (d) limits on the minimum acceptable rate differential between liability cost and asset yield on new business;

- (e) measures to improve net interest earnings;
- (f) the nature, extent, and purpose of Lemont's borrowings; and
- (g) periodic reviews of Lemont's adherence to the policy. This includes an interest rate risk analysis report ("analysis report") that shall be submitted quarterly to the Board. This report shall, at a minimum, compare Lemont's current levels of interest rate risk versus those authorized as acceptable by the Board.

21. Upon revision of the funds management policy, Lemont shall adhere to it in all respects.

Investment Policy

22. Within 45 days, the Board shall review and revise Lemont's investment policy. The policy shall contain the basic elements of a sound investment policy as described in 12 C.F.R. Part 571.19 and Thrift Bulletin 41, dated December 29, 1989. It shall include:

- (a) an investment portfolio strategy which is consistent with Board approved asset and liabilities policies;
- (b) individual and committee investment portfolio ~~purchase~~ and sale authority;
- (c) approval procedures which should include dollar size limits, quality limitations, maturity limitations, and concentration or diversification guidelines;
- (d) periodic reports to and approval by the Board for all investment portfolio purchases and sales and strategy changes; and
- (e) monthly review by the Board's investment committee of Lemont's investment portfolio activity to ensure adherence to the investment policy and to applicable thrift and securities laws and regulations.

23. The revised investment policy shall be forwarded to the OTS Manager and Commissioner for review and approval prior to implementation.

Futures and Options

24. Neither Lemont nor any of its controlled subsidiaries with the exception of Lemont Funding Corporation shall enter into or engage in interest rate futures or options transactions as defined in 12 C.F.R. Part 563.174 and 12 C.F.R. Part 563.175 unless prior written approval is requested and received from the OTS Manager and Commissioner.

Closings

25. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the OTS Manager and Commissioner, the Board has the ultimate responsibility for proper and sound management of Lemont. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.
- (b) It is expressly and clearly understood that if, at any time, the OTS or Commissioner deems it appropriate in fulfilling the lawful responsibilities placed upon them by the several laws of the United States of America and/or the State of Illinois to undertake any lawful action affecting Lemont, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS or Commissioner from doing so.
- (c) Any 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 and the Commissioner for good cause upon written application by the Board.
- (d) 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.

26. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the District Director at the Chicago District and the Commissioner. The District Director and the Commissioner, jointly, may suspend, in their sole discretion, any or all provisions of this Agreement at any time.

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

Schedule A

The following items are pending before the OTS; the Thrift Financial Report does not, as of the date of the Order, reflect a related charge-off or specific reserve.

<u>Item</u>	<u>Status</u>	<u>Suggested Reserves or Charge-Offs</u>
Omega Health Care Partners	Could only book \$864,890 loss not \$1,000,000. The \$864,890 has been charged off.	\$1,000,000
Prepaid loan expense	Only booked specific reserve of \$45,503. The remainder was properly deferred.	\$ 75,530

Appendix A

Criticized Asset Report
as of _____

Borrower(s)/Project:

Loan Balance:

OTS Classification:

\$ Amount Classified:

Amount Charged-Off to Date:

Future Potential Charge-Off:

Present Status:

(Includes past due status,
nonaccrual, significant pro-
gress/deterioration, etc.)

Financial/Collateral Support:

(Include brief summary of the
most current financial informa-
tion, appraised value of
collateral and/or estimated
value and date thereof, thrift's
lien position and amount of
equity, if any, guarantor(s)
info, etc.)

Proposed Plan of Action to
Eliminate Asset Criticism(s) and
Time Frame for Accomplishment:

Identified Source of Repayment
and Defined Repayment Program:

Use this form for reporting each criticized asset (per the September 15, 1989, examination report and retain the original in the loan file for review by the examiners. Submit your reports until notified otherwise in writing by the OTS Manager.

* Any increase in the loan(s) should be fully explained in the PRESENT STATUS section.