

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 26th day of July, 1993 (the "Effective Date"), by and between Labe Federal Savings and Loan Association (the "Institution"), a federally chartered stock institution having its main office located at 4343 North Elston Avenue, Chicago, Illinois, and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C.

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

WHEREAS, based on the Report of Examination dated January 4, 1993 and the Compliance Report of Examination dated January 4, 1993 (hereafter "Reports"), the OTS, by and through the Deputy Regional Director for the Central Region or his designee ("Deputy Regional Director") is of the opinion that the Institution has engaged in acts and practices in operating the business of the Institution that: (i) have resulted in violations of certain of the laws or regulations to which the Institution is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Institution; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Institution will: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Board of Directors of the Institution (the "Board") wishes to cooperate with the OTS and to evidence their intent to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

COMPLIANCE WITH LAWS AND REGULATIONS

1. The Institution shall take all necessary and appropriate actions to achieve compliance with the following laws, regulations, and safe and sound business practices:

- 12 U.S.C. Section 1701(c)(5)(A);
- 12 C.F.R. Section 203.4;
- 12 C.F.R. Section 203.5;
- 12 C.F.R. Section 215.4(e);
- 12 C.F.R. Section 215.8;
- 12 C.F.R. Section 226.18;
- 12 C.F.R. Section 226.22;
- 12 C.F.R. Section 229.10(c);
- 12 C.F.R. Section 510.5;
- 12 C.F.R. Part 528;
- 12 C.F.R. Section 544.5(b)(16);
- 12 C.F.R. Section 552.11;
- 12 C.F.R. Section 563.37;
- 12 C.F.R. Section 563.160;
- 12 C.F.R. Section 563.170;
- 12 C.F.R. Sections 563.170(c) and (c)(1);
- 12 C.F.R. Section 563.176;
- 12 C.F.R. Section 563.177;
- 12 C.F.R. Part 564;
- 12 C.F.R. Section 568.4; and
- 31 C.F.R. Section 103.27(d).

CORRECTIVE PROVISIONS

Books and Records

2. The Board shall ensure that all corrective actions pertaining to the Institution's books, recordkeeping, and reports required by the OTS in the Reports are implemented within 60 days of the Effective Date. At a minimum:

- a) Pursuant to 12 C.F.R. § 563.170, the Institution shall, as of the Effective Date, maintain accounting systems and other records that provide an accurate, complete and timely record of all business it transacts and its financial condition; and
- b) The Institution's books and recordkeeping shall, as of the Effective Date, be maintained in accordance with generally accepted accounting principles, except as OTS Regulations permit variation therefrom, and shall comply, in all material respects, with all applicable laws, statutes, regulations, policies, statements, memoranda, guidelines, and bulletins, now or hereafter in effect.

3. Within 30 days of the Effective Date, the Board shall adopt and cause the Institution to implement policies and procedures, in accordance with the Thrift Financial Report Instruction Manual, to ensure that all official and regulatory reports filed by the Institution accurately reflect the Institution's condition. At a minimum, the procedures must include preparing supporting schedules, listing each general ledger account and the corresponding thrift financial schedule it affects.

4. Once the required policies and procedures required in paragraph No. 3 have been adopted, the Institution shall adhere to them in all material respects.

5. Within 30 days of the Effective Date, the Board shall develop and adopt, and cause the Institution to implement policies and procedures to ensure that proper loan documentation will be collected and maintained pursuant to 12 C.F.R. 563.170(c).

6. Within 30 days of the Effective Date, the Board shall review, revise and readopt its underwriting guidelines.

7. Once the policies, procedures and guidelines required in paragraphs No. 5 and 6 have been developed, adopted and implemented, the Institution shall adhere to them in all respects.

Internal Controls

8. Within 30 days of the Effective Date, the Institution shall correct all internal control deficiencies listed in the Reports.

9. Within 30 days of the Effective Date, the Board shall develop and submit to the Deputy Regional Director for his approval, a Program to monitor the Institution's compliance with this Agreement, all applicable rules, regulations, and laws pertaining to the safe and sound operation of the Institution.

10. Once the Program required in paragraph No. 9 has been approved by the Deputy Regional Director, the Institution shall adopt, implement and adhere to the Program in all material respects.

Investments

11. As of the Effective Date, the Institution is prohibited from making further purchases of Collateralized Mortgage Obligations ("CMOs") or other derivative instruments.

The prohibition on CMOs and other derivative instruments shall remain in effect until such time that the Board can demonstrate to the OTS Deputy Regional Director that:

- a) sufficient expertise in said investments has been obtained by appropriate Institution personnel;
- b) proper documentation will be obtained prior to purchase;
- c) detailed analysis will be performed and maintained prior to purchase; and
- d) close monitoring of said investments, as well as their underlying collateral will be performed.

12. Within 45 days of the Effective Date, the Board shall review, revise, adopt and submit to the Deputy Regional Director, the Institution's investment policy. At a minimum, the policy shall contain the basic elements of a sound investment policy as described in Thrift Bulletin 52 and shall address all of the deficiencies noted in the Reports pertaining to the Institution's current investment policy.

13. Once the policy required by paragraph No. 12 has been adopted, the Institution shall implement and adhere to it in all material respects.

Management

14. Within 60 days of the Effective Date, the Board shall complete a review of the Institution's current management, management structure and staffing requirements in light of the Institution's present condition. The review shall, at a minimum, contain:

- a) an evaluation of each officer's qualifications and ability to perform the duties and responsibilities of his or her position;
- b) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- c) a recommended organization chart that clearly reflects areas of responsibilities and lines of authority for all officers;
- d) an identification of staffing requirements of each department; and
- e) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Institution.

Upon completion, a copy of the study shall be forwarded to the Deputy Regional Director.

Consulting Agreements

15. Within 30 days of the Effective Date, the Board or a delegated committee thereof, shall, on a quarterly basis, evaluate the Institution's use of consultants and determine whether the consulting services are necessary. In making the determination, the Board shall, at a minimum, consider the benefits derived from the services, the cost effectiveness of employing a consultant and the possibility of delegating any consultant's responsibilities to permanent employees.

16. The Board shall record the evaluation identified in paragraph 15 and its resultant final determination in the minutes of the meetings of the Board.

Interest Rate Risk Management

17. Within 60 days of the Effective Date, the Board shall review, revise and adopt an interest rate risk management policy. The policy shall contain the basic elements of a sound asset/liability policy as described in 12 C.F.R. Section 563.176 and Thrift Bulletin No. 13. The policy shall provide for a coordinated asset/liability management strategy and, at a minimum, address:

- a) guidelines for evaluating the relationship between rate sensitive assets and rate sensitive liabilities, as well as the mix of assets and liabilities needed to achieve the Institution's earnings, interest rate risk exposure and long term capital goals;
- b) a statement as to the desired maturity structure and pricing strategy for rate sensitive assets and rate sensitive liabilities relative to its impact on interest rate risk measures and future earnings;
- c) acceptable Board approved limits for percentage changes in the market value of portfolio equity due to interest rate movements;
- d) the composition of the Asset/Liability Management Committee ("ALCO") and the frequency of committee meetings; and
- e) periodic reports to the Board from the ALCO, board reviews of the Institution's adherence to the policy, as well as periodic review to determine that the policy's provisions continue to be applicable in changing economic environments.

18. Once the policies required in paragraph No. 17 have been adopted, the Institution shall implement and adhere to them in all material respects. The Institution shall continue to file the Consolidated Maturity Rate Schedule of the Thrift Financial Report until such time as directed by the Deputy Regional Director that it is exempt.

19. As of the Effective Date, the Board shall ensure the proper reporting of all classified assets as detailed in the Reports. Further, the Board shall continue to carry these items as classified assets until such time as the Institution receives cash settlements, the loans are no longer on the Institution's books, or the loans have been brought current and have been declassified as a result of an OTS examination.

20. Within 45 days of the Effective Date, the Board shall develop, adopt and cause the Institution to implement a general valuation allowances policy. At a minimum, the policy shall contain the methodology for determining the required level of allowance, and shall address all of the deficiencies noted in the Reports pertaining to the general valuation allowances policy.

21. Once the policy required in paragraph 20 has been adopted, the Institution shall adhere to it in all material respects.

Consumer Compliance and Community Reinvestment Act

22. Within 60 days of the Effective Date, the Board shall develop, adopt and cause the Institution to implement a written Consumer Compliance Management Program designed to ensure that the Institution is operating in compliance with all applicable nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the Community Reinvestment Act ("CRA"). The program shall include, but not necessarily be limited to, the following:

- a) a formal compliance reporting structure, including mechanisms for effective Board oversight;
- b) a written description of the duties and responsibilities of the compliance officer and the designation of a compliance officer;
- c) the preparation of a policies and procedures manual covering nondiscrimination, consumer protection, and other public interest laws and regulations which are subject to enforcement by the OTS, as well as performance under the CRA, for use by appropriate Institution personnel in the performance of their duties and responsibilities;

- d) procedures for updating the compliance policies and correcting deficiencies that arise;
- e) provisions for the adequate training of new, and the periodic retraining of existing, personnel as to their duties and responsibilities under nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA;
- f) ongoing procedures, including periodic compliance audits, to monitor the effectiveness of the Institution's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA; and
- g) procedures to ensure that exceptions noted in the compliance audit reports are corrected and responded to by the appropriate Institution personnel.

23. After the Program required pursuant to paragraph No. 22 is adopted by the Board, the Institution shall comply with it in all material respects.

24. Within 60 days of the Effective Date, based on the Institution's CRA community delineation, the Board shall produce a written analysis of the credit needs of the Institution's community. In preparing the the written analysis, the Institution shall take into consideration Section 220 of the OTS's Regulatory Handbook regarding Compliance Activities, as well as:

- a) any written, signed public comments received in response to the Institution's CRA statement(s);
- b) existing studies concerning local credit needs particularly in low- and moderate-income neighborhoods; and
- c) direct communications with community members and organizations including the Institution's customers, the PTA, local government officials, neighborhood organizations, block clubs, minority organizations, small business groups, and consumer groups.

25. Within 90 days of the Effective Date, the Board, utilizing the analysis required by paragraph No. 24, shall develop and adopt a CRA plan designed to meet the credit needs of the community. The CRA plan shall also include procedures for investigating participation in government-insured, guaranteed or subsidized loan programs, improving marketing and advertising strategies, and to remain consistent with the safe and sound operation of the Institution. The CRA plan shall, at a minimum, contain the following:

- a) a description of the various types of credit that the Institution is prepared to extend within the community;
- b) a description of the methods that the Institution will use to communicate the availability of its credit services to its community;
- c) a marketing program designed to encourage applications for loans in the Institution's community, particularly in low- and moderate-income neighborhoods;
- d) procedures for the Board to periodically monitor the effectiveness of, and the Institution's adherence to, the policy;
- e) procedures to monitor the geographic distribution of the Institution's credit extensions, applications and denials. The review should be sufficient to reveal any lending disparities or discriminatory practices; and
- f) procedures to monitor and determine whether the Institution attains the goals established in its CRA plan.

26. After the CRA plan required pursuant to Paragraph No. 25 is adopted by the Board, the Institution shall adhere to it in all material respects.

BOARD OF DIRECTORS

27. Compliance with Agreement.

A. The Board and Executive 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.

B. While the Board shall take all appropriate and necessary action to ensure compliance with the terms and provisions of the Agreement, the parties agree that any violation of the Agreement will be based upon a standard of materiality. It is further agreed between the parties that a single violation of any substantive provision or multiple violations of any provision of the Agreement by the Institution may be considered a material breach by the OTS.

C. The Board, on a quarterly basis, shall adopt a Board Resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information, including reports of management, 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 issued by the Regional Director that were outstanding as of the date of its adoption.

D. 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.

E. No later than the 25th Calendar Day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Institution shall provide to the Regional Director a certified true copy of the Compliance Resolutions adopted at the Board meeting in such calendar quarter. The Board, by virtue of the Institution's submission of a certified true copy of each 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.

MISCELLANEOUS

28. Definitions.

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.

29. Successor Statutes, Regulations, Guidance, Amendments.

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.

30. Notices.

A. 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 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 Deputy

Regional Director, Office of Thrift Supervision, Department of the Treasury, Central Region, 111 East Wacker, Suite 800, Chicago, Illinois, or telecopied to Mr. Alan S. Esterman, Assistant Director, and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notice 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.

31. Duration, Termination or Suspension of Agreement.

A. 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 Deputy Regional Director (including any authorized designee thereof).

B. The Deputy Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

32. Time Limits.

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

33. Effect of Headings.

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

34. Separability Clause.

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 Deputy Regional Director in his/her sole discretion determines otherwise.

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

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 or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

36. Successors in Interest/Benefit.

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, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

37. Signature of Directors.

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Institution.

38. Enforceability of Agreement.

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.

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 (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

THE INSTITUTION

By:

By:

151

Chester A. Biedron
Deputy Regional Director

151

Frank J. Kross
Chief Executive Officer

DIRECTORS OF THE INSTITUTION

By: 151

John Vale

By: _____
Jerome Maher

By: 151

William Cahill

By: 151

~~Frank Mitchell~~

By: 151

Thomas Edwards

By: 151

James Snider

By: 151

John Foster

By: 151

Lowell Stahl

By: 151

Roland Ley