

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 20 day of February, 1992 ("Effective Date"), by and between Lincoln Park Federal Savings and Loan Association, Chicago, IL (OTS No. 5616), ("Lincoln Park") 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 Lincoln Park. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. Sections 1818(b)(1) and (i)(2).

WHEREAS, the OTS is of the opinion that Lincoln Park has not complied with certain of the regulations to which Lincoln Park is subject in conducting the business of Lincoln Park, and has engaged in unsafe or unsound practices in conducting the business of Lincoln Park, thereby providing grounds for the initiation of cease and desist proceedings against Lincoln Park by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against Lincoln Park for its failure to comply with statutes and regulations, and unsafe and/or unsound practices as set forth in Lincoln Park's Report of Examination, dated February 5, 1991, and the Report of Compliance Examination, dated August 30, 1990, for so long as Lincoln Park is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Lincoln Park, by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings.

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

Statutes and Regulations

1. Lincoln Park and its controlled subsidiaries shall correct existing violations cited in this section and the Report of Examination, dated May 30, 1991, ("Report"), and the Report of Compliance Examination, dated August 30, 1990, ("Compliance Report") and shall not initiate any action which would result in a violation of, or the aiding and abetting of any violation of:

- 12 C.F.R. § 563.43(b);
- 12 C.F.R. § 563.93(c);
- 12 C.F.R. § 563.170(c);
- 12 C.F.R. § 571.7(b);
- 12 C.F.R. § 563.99;
- 12 C.F.R. § 226.18; and
- 12 C.F.R. § 226.22.

Conflict of Interest

2. Within 30 days from the Effective Date, the Board shall review and, if necessary, amend and readopt its Plan for Avoidance of Conflicts of Interest submitted to the OTS on May 6, 1991 which is to be applicable to affiliated persons and employees. The Board shall consider the information contained in 12 C.F.R. § 571.7 (1990). At a minimum, the plan shall address:

- (a) avoidance of conflicts of interest, the appearance of conflicts, and breaches of fiduciary duty;
- (b) requirements for arms-length dealing and documentation of any transactions by affiliated persons and employees involving Lincoln Park's sale or purchase of property and services;
- (c) the disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. § 215.2(k);
- (d) prohibition from involvement in the loan approval process by affiliated persons and employees who may benefit directly or indirectly from the granting of the credit;
- (e) disclosure by affiliated persons of any material interest they may have in the business of a borrower, an applicant, or any other customer of Lincoln Park; and
- (f) restrictions on and disclosure of receipt of anything of value by affiliated persons and employees directly or indirectly from borrowers, loan applicants, their customers, or suppliers of Lincoln Park.

3. After the Plan for Avoidance of Conflicts of Interest required in Paragraph No. 2 is reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall adhere to it in all respects, including bringing any existing relationships or transactions between Lincoln Park and its affiliated persons and employees into conformance with the plan.

Internal Control

4. Within 30 days from the Effective Date, the Board shall develop, adopt, and implement written internal control policies and procedures providing for, at a minimum:

- (a) a code of conduct for institution personnel, specifically prohibiting personnel from processing their own transactions with the institution; and
- (b) a system of functional checks and balances designed to preserve the integrity of the institution and its personnel.

5. After the policies and procedures required in Paragraph No. 4 are adopted by the Board, Lincoln Park shall adhere to them in all respects.

Lending Policies

6. Within 30 days from the Effective Date, the Board shall adopt and implement written loan policies for underwriting and monitoring of rehabilitation loans and shall review and, if necessary, amend and readopt its Consumer Loan Underwriting Standards and Guidelines submitted to the OTS on July 18, 1991, to provide for underwriting and monitoring of consumer loans.

7. After the policies and guidelines required in Paragraph No. 6 are adopted and, if necessary, readopted by the Board, Lincoln Park shall adhere to them in all respects.

8. Lincoln Park shall not make, renew, or extend any loan or other extension of credit unless such action is either in conformity with loan policies and procedures or in compliance with Lincoln Park's written provisions for exceptions to loan policies and procedures.

Criticized Assets

9. The Board shall take every action necessary to cause the ratio of assets of Lincoln Park classified Substandard and Doubtful in the Report, or any subsequent Report of Examination or by Lincoln Park's internal classification policy to be reduced as a percentage of the sum of Lincoln Park's tangible capital and general valuation allowances to 55% or less by June 30, 1992.

10. (a) Lincoln Park shall not extend credit, directly or indirectly, including renewals, to any borrower whose loans or other extensions of credit were criticized in the Report or any other subsequent Report of Examination.

(b) The immediately preceding paragraph shall not apply if:

- (i) Lincoln Park's failure to extend further credit to a criticized borrower would be substantially detrimental to the best interests of Lincoln Park;
- (ii) a comparison to the written program adopted pursuant to Paragraph No. 11 shows that Lincoln Park's formal plan to collect or strengthen said criticized asset is not compromised; and
- (iii) prior to renewing, extending, or capitalizing an 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 Lincoln Park. A copy of the Board certification shall be maintained in the credit file of the affected borrower(s).

Collection Policy

11. Within 30 days from the Effective Date, the Board shall review and, if necessary, amend and readopt its written program designed to improve and strengthen collection efforts. The program shall include specific plans to reduce delinquent and classified loans.

12. After the collection program required pursuant to Paragraph No. 11 is reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall adhere to it in all respects.

Asset Classification and Valuation Allowances

13. Within 30 days from the Effective Date, the Board shall develop and adopt procedures for implementing and adhering to its present asset classification policy. These procedures shall provide, at a minimum, that:

- (a) management self-classify assets as required by 12 C.F.R. § 563.160 and according to the standards provided by the Board within its asset classification policy;
- (b) the Board review management's classifications on a quarterly basis and that these reviews be included with the Board's minutes;
- (c) documentation detailing the basis for classification of assets be maintained;
- (d) the asset classification reports provided to the Board correspond to the figures reported on Lincoln Park's Thrift Financial Reports; and
- (e) Lincoln Park comply with the provisions of 12 C.F.R. § 561.13 in establishing specific reserves for, or writing off, delinquent consumer loans.

14. Within 30 days from the Effective Date, Lincoln Park shall amend its internal asset review policy to mandate that a 30% general valuation allowance will be established for assets classified doubtful.

15. The asset classification procedures required in Paragraph No. 13 shall also address the level of general and specific valuation allowances. The procedures should provide that:

- (a) within 30 days from the Effective Date, an adequate level of general valuation allowances be established and maintained in accordance with Lincoln Park's policies in effect at December 31, 1991, with the modification required by paragraph No. 14 of this Agreement;

- (b) the policies and procedures will be amended, if necessary, to provide for increased general valuation allowances for higher risk assets; and
- (c) Lincoln Park 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.

16. After the policy is amended as required in Paragraph No. 14, and procedures required in Paragraphs No. 13 and 15 are adopted, Lincoln Park shall comply with them in all respects.

Loan Recordkeeping Requirements

17. Lincoln Park shall fully comply with the loan recordkeeping requirements of 12 C.F.R. § 563.170(c) (1990), including, but not limited to, the following:

- (a) the loan documents shall clearly indicate the ultimate recipient of the loan proceeds; where the closing statement does not fully disclose the ultimate recipient, Lincoln Park shall attach an addendum to the closing statement more fully disclosing the information;
- (b) documentation for every construction and rehabilitation loan shall clearly indicate who performed the construction work, what work was performed and completed, that work performed is verified by inspections, that lien waivers or title insurance is obtained and that sufficient funds are available at all times to complete the work;
- (c) a financial statement shall be obtained, which is current at the time the loan application is made, signed by the borrower disclosing financial ability to repay the loan; and
- (d) Lincoln Park shall obtain and retain in its loan records a copy of the appraisal engagement letter clearly indicating the requesting institution, the property to be appraised, the rights to be appraised, and valuation techniques to be specifically included.

Appraisals

18. Lincoln Park shall fully comply with its Appraisal Policy and Procedures submitted to the OTS on May 6, 1991, and the appraisal requirements of 12 C.F.R. Part 564 (1990), including, but not limited to, the following:

- (a) all appraisals, including the appraisals ordered pursuant to the Report, must be prepared in accordance with 12 C.F.R. Part 564 (1990), and within Lincoln Park's own appraisal policy guidelines;

- (b) each appraisal accepted by Lincoln Park, including the appraisals ordered pursuant to the Report, must be prepared by an appraiser who is clearly qualified to perform such appraisal pursuant to 12 C.F.R. Part 564 (1990); and
- (c) each appraisal, including the appraisals ordered pursuant to the Report, shall be based on the definition of market value contained in 12 C.F.R. § 564.2 (1990); additionally, the appraisal engagement letter shall clearly state that an "as is" value is to be included as part of the appraisal assignment.

Purchased Loans

19. Lincoln Park shall not grant, purchase, assume or acquire in any manner, directly or indirectly, or as a fiduciary or nominee, any loan, loan participation, loan obligation or other asset, unless consistent with safe and sound lending practices and in full compliance with 12 C.F.R. § 563.170(c) (1990).

Risk Management

20. Beginning with the first quarter following the Effective Date, the Asset Liability Committee shall submit quarterly written reports to the Board which shall be fully documented. Documentation shall include, but not be limited to, financial statements and written analysis of interest rate risk exposure.

21. Within 30 days from the Effective Date, and monthly thereafter, the stripped mortgage backed securities shall be valued, and marked to the lower of cost or market, and a specific valuation allowance shall be established for the amount of the losses incurred. The results of the initial valuation of these securities and details on the specific valuation allowance established shall be forwarded to the OTS Manager within 45 days from the Effective Date.

Business Plan

22. Within 60 days from the Effective Date, the Board shall adopt and implement a written three-year business plan which shall include a projection of major balance sheet and income statement components as well as a written profit plan and a detailed budget. The Board shall also establish procedures to monitor, on at least a quarterly basis, Lincoln Park's actual results against the projections and provide for appropriate adjustments to the budget and profit plan.

Internal Compliance Program

23. Within 15 days from the Effective Date, the Board shall develop and submit to the OTS Manager for approval a detailed written job description for the position of Compliance and Community Reinvestment Act ("CRA") Officer. The job description shall assign this position with the appropriate level of responsibility and authority to carry out the duties of a Compliance and CRA Officer.

The job description shall also delineate the reporting responsibilities of the Compliance and CRA Officer.

24. Within 30 days from the date of approval by the OTS of the job description required in Paragraph No. 23, the Board shall submit to the OTS Manager for approval, the name of an individual to act as Compliance and CRA Officer on a full time basis. The proposed individual's name and qualifications shall also be submitted to the OTS Manager. Approval of the individual shall be based on the review of the individual's knowledge, competence, training, and experience in the areas of compliance and CRA.

25. Within 45 days from the Effective Date, the Board shall receive training acceptable to the OTS Manager with regards to their duties and responsibilities pertaining to nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA.

26. Within 60 days from the date of approval by the OTS Manager of an individual to act as Compliance and CRA Officer pursuant to Paragraph No. 24, the Compliance and CRA Officer shall develop, and the Board shall adopt, a written internal compliance program to measure and monitor Lincoln Park's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA. The Compliance Policy and Procedures shall include, but not necessarily be limited to, the following:

- (a) a review and, if necessary, the amendment and readoption of the policies and procedures manual submitted to the OTS on May 6, 1991, covering nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA, for use by Lincoln Park's personnel;
- (b) 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;
- (c) ongoing procedures, including periodic compliance audits, to monitor the effectiveness of Lincoln Park's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA;
- (d) procedures to ensure that exceptions noted in the compliance audits are corrected and responded to by the appropriate personnel;
- (e) mechanisms for effective Board oversight; and
- (f) procedures for updating the compliance policy and correcting deficiencies that arise.

27. After the program required pursuant to Paragraph No. 26 is adopted by the Board, Lincoln Park shall comply with it in all respects.

Regulation Z - Truth In Lending Act

28. Within 60 days from the Effective Date, the Board shall review and, if necessary, amend and readopt its Truth In Lending Policy and Procedures submitted to the OTS on May 6, 1991, to ensure compliance with all the requirements of 12 C.F.R. Part 226 ("Regulation Z"). This policy shall include, but not necessarily be limited to, the following:

- (a) the assignment of compliance responsibilities to specific officers or other staff;
- (b) provisions for the adequate training of personnel as to the requirements and proscriptions of Regulation Z and the procedures and practices relative to both closed end credit products and open end credit products (use of forms, computations to be made, etc.) necessary to achieve compliance; and
- (c) procedures to monitor the effectiveness of Lincoln Park's compliance with Regulation Z.

29. After the policy required pursuant to Paragraph No. 28 is reviewed and, if necessary, amended and readopted, Lincoln Park shall comply with it in all respects.

30. Within 30 days from the Effective Date, the Board shall submit to the OTS the results of a file search made of all loans granted from July 1988 through July 1990, that are subject to Regulation Z, to determine which loans are reimbursable and the amount of restitution.

31. Within 60 days from the Effective Date, the Board shall submit to the OTS a report outlining the actions taken by Lincoln Park to correct each violation of Regulation Z detailed in the Compliance Report including restitution.

Mortgage Loan Disclosures and Notices

32. Within 60 days from the Effective Date, the Board shall review and, if necessary amend and readopt its Home Mortgage Disclosure Act Policy and Procedures submitted to the OTS on May 6, 1991, to ensure compliance with all applicable mortgage loan disclosure and notification requirements of 12 C.F.R. § 563.99 (1990). The policy shall include, but not necessarily be limited to, the following:

- (a) the assignment of compliance responsibilities to specific officers or other staff;

- (b) provisions for the adequate training of personnel as to the mortgage loan disclosure and notification requirements necessary to achieve compliance; and
- (c) procedures to monitor the effectiveness of Lincoln Park's compliance with these requirements.

33. After the policy required pursuant Paragraph No. 32 is reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall comply with it in all respects.

34. Within 30 days from the Effective Date, the Board shall prepare a report outlining the actions taken by Lincoln Park to correct each violation of the mortgage loan disclosure and notification requirements detailed in the Compliance Report.

Bank Secrecy Act

35. Within 60 days from the Effective Date, the Board shall review and, if necessary, amend and readopt its Bank Secrecy Act Policies and Procedures submitted to the OTS on May 6, 1991, to ensure the implementation of a system of internal controls and audit procedures designed to comply with the Currency and Foreign Transactions Reporting Act (31 U.S.C. §§ 5311-5326) and the regulations promulgated thereunder at 31 C.F.R. Part 103 (collectively referred to as the "Bank Secrecy Act"). At a minimum, these policies and procedures shall establish:

- (a) procedures governing the processing and reporting of large currency transactions;
- (b) procedures identifying all customers whose transactions with Lincoln Park are exempt from the reporting requirements of the Bank Secrecy Act;
- (c) a comprehensive training program for all tellers and appropriate supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act; and
- (d) regular, periodic reviews by Lincoln Park's Compliance and CRA Officer to ensure adherence to the requirements of the Bank Secrecy Act.

36. After the policies and procedures required by Paragraph No. 35 are reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall comply with them in all respects.

Nondiscrimination in Lending

37. Within 30 days from the Effective Date, the Board shall review and, if necessary amend and readopt its Nondiscrimination in Lending Policy and Procedures submitted to the OTS on May 6, 1991, to ensure that Lincoln Park complies with 12 C.F.R. Part 528 (1990). The policy shall include, but not necessarily be limited to, the following:

- (a) the assignment of compliance responsibilities to specific officers or other staff;
- (b) procedures to ensure the accurate and timely completion and maintenance of loan application registers, as well as, establishing and maintaining a loan application register for equity line of credit loans;
- (c) procedures to ensure the accurate and timely completion of data submission reports;
- (d) the inclusion of all prohibited bases of discrimination;
- (e) procedures to ensure the performance of internal nondiscrimination in lending self-assessment analysis;
- (f) procedures to ensure the separation of the underwriting process from the appraisal process;
- (g) the performance and documentation of the required monitoring for equity line of credit loans; and
- (h) procedures to ensure that documentation is maintained regarding the Board's annual review of Lincoln Park's loan underwriting standards, and business practices implementing them, to ensure equal opportunity lending.

38. After the policy required pursuant to Paragraph No. 37 is reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall comply with it in all respects.

Bank Protection Act

39. Within 30 days from the Effective Date, the Board shall review and, if necessary, amend and readopt its Bank Protection Act Policy and Procedures submitted to the OTS on May 6, 1991 to ensure that the policy contains procedures to comply with the provisions of the Bank Protection Act as described in 12 C.F.R. § 563.180(d) (1990).

40. After the policy required pursuant to Paragraph No. 39 is reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall comply with it in all respects.

Regulation X - Real Estate Settlement Procedures Act

41. Within 30 days from the Effective Date, the Board shall develop and adopt written procedures to ensure that Lincoln Park complies with the provisions of the Real Estate Settlement Act as described in 24 C.F.R. §§ 3500.7(a) and 3500.8(b) (1990).

42. After the procedures required pursuant to Paragraph No. 41 are adopted by the Board, Lincoln Park shall comply with them in all respects.

Regulation E - Electronic Funds Transfer Act

43. Within 30 days from the Effective Date, the Board shall review and, if necessary, amend and readopt its Electronic Funds Transfer Act Policy and Procedures required pursuant to 12 C.F.R. § 533.1 (1990) to ensure that Lincoln Park complies with the provisions of Section 913(1) of the Electronic Funds Transfer Act, 12 U.S.C. § 1693(k), specifically pertaining to NOW accounts.

44. After the policy required pursuant to Paragraph No. 43 is reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall comply with it in all respects.

Regulation CC - Expedited Funds Availability Act

45. Within 30 days from the Effective Date, the Board shall develop and adopt written procedures to ensure that Lincoln Park complies with the provisions of 12 C.F.R. §§ 229.16(a) and 229.18(c)(1) (1990), of the Expedited Funds Availability Act, 12 U.S.C. §§ 4001-4010.

46. After the procedures required pursuant to Paragraph No. 45 are adopted by the Board, Lincoln Park shall comply with them in all respects.

Fair Housing Act

47. Within 15 days from the Effective Date, the Board shall revise the nondiscrimination in lending policy to include all prohibited bases of discrimination, specifically handicap and familial status.

48. After the revisions to the policy required pursuant to Paragraph No. 47 are approved by the Board, Lincoln Park shall comply with them in all respects.

Community Reinvestment Act

49. Within 60 days from the Effective Date, based upon Lincoln Park's CRA community delineation, the Board shall produce a written analysis of the credit needs of Lincoln Park's community. In preparing the written analysis, the Board 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 Lincoln Park'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 Lincoln Park customers, the PTA, local government officials, neighborhood organizations, block clubs, minority organizations, small business groups, and consumer groups.

50. Within 90 days from the Effective Date, the Board, utilizing the analysis required by Paragraph No. 49 shall review and, if necessary, amend and readopt its Policy and Procedures for Compliance with the Community Reinvestment Act submitted to to OTS on May 6, 1991, in order to ensure that the credit needs of the community are satisfied. The policy shall include procedures for investigating participation in government-insured, guaranteed or subsidized loan programs, improving marketing and advertising strategies, correcting Lincoln Park's CRA community delineation and subsequently the CRA statement, and to remain consistent with the safe and sound operation of Lincoln Park. The policy shall, at a minimum, contain the following:

- (a) a description of the various types of credit that Lincoln Park is prepared to extend within the community;
- (b) a description of the methods that Lincoln Park will use to communicate the availability of its credit services to the community; such methods may include utilizing media targeted to the community such as neighborhood or minority newspapers and radio stations;
- (c) a marketing program designed to encourage applications for loans in Lincoln Park's community, particularly in low- and moderate-income neighborhoods;
- (d) an accurate CRA statement of what types of credit Lincoln Park makes available to its community;
- (e) procedures for the Board to periodically monitor the effectiveness of and Lincoln Park's adherence to the policy;
- (f) procedures for an annual Board review and/or revision of Lincoln Park's community delineation and CRA policy. A copy of Lincoln Park's community delineation and the CRA policy, including any revisions to the CRA policy, shall be retained at Lincoln Park for review by OTS examiners; and

- (g) procedures to monitor the geographic distribution of Lincoln Park's credit extensions, credit applications, and credit denials such that the Board may determine whether Lincoln Park is meeting the credit needs of the community, particularly low- and moderate-income neighborhoods.

51. After the policy required pursuant to Paragraph No. 50 is reviewed and, if necessary, amended and readopted by the Board, Lincoln Park shall adhere to it in all respects.

Closings

- 52. (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 or Deputy Regional Director, the Board has the ultimate responsibility for proper and sound management of Lincoln Park. 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 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 Lincoln Park, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.
- (c) Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement. Unless otherwise provided for. Such time limitations may be extended by the Deputy Regional Director or his/her designee 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.
- (e) 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.

