

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of

SUPERIOR BANK FSB
Oakbrook Terrace, IL
OTS No.: 8566

Order No. CHI-01-01

Date: February 14, 2001

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Superior Bank FSB, Oakbrook Terrace, Illinois (the "Savings Bank"), is a federally chartered savings association that is regulated by the Office of Thrift Supervision ("OTS"); and

WHEREAS, Section 38 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1831o, and Part 565 of the OTS Regulations thereunder, 12 C.F.R. Part 565, require institutions that are undercapitalized to file a capital restoration plan specifying the steps the institution will take to become at least adequately capitalized; and

WHEREAS, Section 565.7 of the OTS Regulation, 12 C.F.R. § 565.7, provides for the issuance by the OTS of directives to take prompt corrective action to resolve the problems of insured depository institutions and to restore their capital; and

WHEREAS, the OTS, on February 12, 2001, notified the Savings Bank that it was significantly undercapitalized for purposes of the prompt corrective action ("PCA") provisions of Section 38 of the FDIA, 12 U.S.C. § 1831o; and

WHEREAS, the Savings Bank also is not in compliance with the capital standards required by Section 5(t) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. § 1464(t); and

WHEREAS, Section 5(t)(6)(B)(ii) of the HOLA, 12 U.S.C. § 1464(t)(6)(B)(ii), requires any savings association not in compliance with the capital standards to comply with a capital directive issued by the OTS; and

WHEREAS, the OTS has determined to issue this Prompt Corrective Action Directive ("Directive") and to make it immediately effective in order to resolve the Savings Bank's problems at the least possible long-term loss to the deposit insurance fund, thereby effectuating the purpose of Section 38 of the FDIA.

NOW THEREFORE, pursuant to 12 U.S.C. § 1831o (including but not limited to subsection (f) thereof) and 12 C.F.R. § 565.7, the OTS directs the Savings Bank and its Board of Directors to do the following:

PART I - OPERATING RESTRICTIONS

Section 1.1. Compliance with Mandatory Restrictions.

The Savings Bank shall comply with all of the mandatory prompt corrective action provisions contained in Section 38 of FDIA, 12 U.S.C. § 1831o, that automatically apply to the Savings Bank based upon the Savings Bank's prompt corrective action capital category. These provisions are set forth at 12 U.S.C. §§ 1831o(d)(1) (capital distributions restriction), (d)(2) (management fees restriction), (e)(2) (file an acceptable capital restoration plan by March 14, 2001) (e)(3) (asset growth restriction), (e)(4) (restrictions on acquisitions, branching, and new lines of business), (f)(4) (senior executive officers' compensation restriction). However, if the Savings Bank should improve from a lower to a higher PCA capital category, it must continue to comply with the previously applicable mandatory sanctions of the lower category, until such time as approval to cease compliance with the lower category sanctions is requested of and received from the Regional Director.

Section 1.2. Asset Sales.

In any thirty day period beginning February 15, 2001, the Savings Bank shall not engage in any sale or series of sales of assets, except sales provided by Section 1.4., in excess of five percent of total assets without the prior written approval of the Regional Director. The OTS imposes this restriction pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and 1831o(f)(2)(J).

Section 1.3. Escrow Account.

- a. The Savings Bank shall not originate any loans during a calendar week unless Superior Holdings, Inc. and/or Coast-To-Coast Financial Corporation (together the "Holding Companies") has established an account at the Savings Bank of which the Savings Bank shall be the sole beneficiary and over which the Savings Bank shall have the sole authority to withdraw amounts deposited therein (the "Escrow Account"). The Escrow Account shall be maintained by the Holding Companies throughout the term of this Directive; and
- b. The Escrow Account shall have on deposit at all times during the term of this Directive a sum of money equal to two times (2X) the aggregate amount of any loss the Savings Bank reasonably projects it will incur on the sale pursuant to Section 1.4. below of all loans originated by the Savings Bank during the current calendar week, or \$5,000,000, whichever is greater (the "Loss Amount"). On or before the first business day after the issuance of the Directive, the Holding Companies shall deposit into the Escrow Account a sum equal to the Loss Amount. Thereafter, on the first business day of each calendar week, the Loss Amount shall be recalculated and, on the first business day of each calendar week, any amount required to restore the balance in the Escrow Account to the Loss Amount shall be paid into the Escrow Account by the Holding Companies; and

- c. During the term of this Directive the Savings Bank shall, on the first business day of each calendar week, withdraw and credit to capital an amount equal to any loss actually realized by the Savings Bank from the sale pursuant to Section 1.4. below of loans originated by the Savings Bank during the previous calendar week (the "Actual Loss"); and
- d. The Savings Bank shall maintain documentation to support its calculation of the Loss Amount and the Actual Loss incurred. This documentation shall be readily accessible to the OTS for review.
- e. The OTS imposes this restriction pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and 1831o(f)(2)(J).

Section 1.4. Loan Sales.

On the first business day of each week, the Savings Bank shall sell on a non-recourse basis all loans it originated during the prior week, unless otherwise notified by OTS. The OTS imposes this restriction pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and 1831o(f)(2)(J).

PART II - REPORTING

2.1. Reports of Compliance.

Pursuant to 12 U.S.C. § 1831o(e)(1) the Savings Bank will provide the OTS with a summary report on a weekly basis beginning February 23, 2001 which demonstrates compliance with the restrictions and requirements of 12 U.S.C. § 1831o, including but not limited to:

- a) regulatory liquidity;
- b) loan originations;
- c) loan or asset sales;
- d) securitizations of loan packages;
- e) deposit activity;
- f) transactions with affiliates outside the normal course of business; and
- g) borrowing activity, including Federal funds purchased and Federal Home Loan Bank advances.

PART III - GENERAL PROVISIONS

Section 3.1. Jurisdiction.

This Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

Section 3.2. Definitions.

All technical words or terms used in this Directive, for which meanings are not specified or otherwise provided by the provisions of this Directive, shall, insofar as applicable, have meaning as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA or OTS Publications. Any such technical words or terms used in this Directive 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.

Section 3.3. Successor Statutes, Regulations, Guidance Amendments.

Reference in this Directive to provisions of statutes and regulations shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date hereof, and references to successor provisions as they become applicable.

Section 3.4. Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Directive to be made upon, given or furnished to, delivered to, or filed with the OTS or the Savings Bank shall be in writing and sent by first class U.S. mail (or by reputable overnight courier, electronic facsimile transmission, or hand delivery via messenger) addressed as follows:

<u>To the OTS</u>	<u>To the Savings Bank</u>
Office of Thrift Supervision Regional Director - Central Region 1 South Wacker Drive, Suite 2000 Chicago, IL 60606	Superior Bank FSB Attention: Board of Directors 1 Lincoln Centre, Suite 600 Oakbrook Terrace, IL 60181

Section 3.5. Duration, Termination or Suspension of the Directive.

(a) The terms and provisions of this Directive shall be binding upon the Savings Bank and its successors in interest.

(b) The Directive shall remain in effect until terminated, modified or suspended in writing by the OTS.

(c) The OTS, in its discretion, may by written notice suspend any or all provisions of the Directive, except for Section 1.1.

Section 3.6. Effect of Headings.

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

Section 3.7 Separability Clause.

In case any provision in this Directive 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 OTS, in its sole discretion, determines otherwise.

Section 3.8. No Violations Authorized; Consequences of Directive.

Nothing in this Directive, including, without limitation, any of the time-frames for actions set forth in Part I, shall be construed as: (i) allowing the Savings Bank to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting the OTS from taking such actions as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, actions pursuant to Section 38 of the FDIA, or taking any other type of supervisory, enforcement, or resolution action that the OTS determines to be appropriate.

Section 3.9. Appeal Rights.

The Savings Bank may file with the OTS a written appeal to the issuance of the Directive within 14 calendar days, pursuant to 12 C.F.R. § 565.7(a)(2). The OTS shall consider any such appeal, if filed in a timely matter, within 60 days of receiving the appeal. During such period of review, the Directive shall remain in effect.

Section 3.10. Effective Date of this Directive.

This Directive (including all the requirements and limitations herein) is effective immediately on the date of issuance of the Directive (the "Effective Date"), which date is indicated below.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION
By:

Dated: February 14, 2001

/s/

Ronald N. Karr
Regional Director