

OTS-CHICAGO.IL

UNITED STATES OF AMERICA

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Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of

Republic Savings Bank, FSB
Matteson, Illinois

Re: Resolution No. CHI-91-4
Date: April 17, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Chicago District Office, OTS, and Republic Savings Bank, FSB, Matteson, Illinois ("Institution"), hereby stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against the Institution pursuant to Section 8(b) of the Federal 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. 1818(b)). The Institution desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against the Institution with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction. (a) The Institution is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1813(c)).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of the OTS is the appropriate "Federal Banking Agency" to maintain an enforcement proceeding against such a savings association. Therefore, the Institution is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)).

3. Consent. The Institution consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies

with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)). Upon its issuance by the Regional Director for the Chicago District Office, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(i)).

5. Waivers. The Institution waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(h)), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing and intending to be legally bound hereby, the OTS, by and through its Regional Director for the Chicago District Office, OTS, and the Institution, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

REPUBLIC SAVINGS BANK, FSB
MATTESON, ILLINOIS
by a majority of its
directors

By: /S/
Stuart M. Braiman
Regional Director
Chicago District Office

Date: 4/17/91

/S/

/S/

/S/

/S/

Date: April 15, 1991

UNITED STATES OF AMERICA

Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of

Republic Savings Bank, FSB
Matteson, Illinois

Re: Resolution No. CHI-91-4
Date: April 17, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Republic Savings Bank, FSB, Matteson, Illinois, ("Institution"), through its board of directors ("Board"), has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Central Regional Office ("Regional Director"); and

WHEREAS, the Institution, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) 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. 1818(b)).

NOW THEREFORE, IT IS ORDERED THAT the Institution and its directors, officers, employees, agents, and service corporations shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of:

1. 12 C.F.R. Part 563.93;
12 C.F.R. Part 584.3;
12 C.F.R. Part 567.2; and
12 U.S.C. Section 1464(c)(2)(A).

IT IS HEREBY FURTHER ORDERED THAT:

Capital

2. Within 30 days from the date of this Order, the Institution shall submit a revised Capital Plan to the OTS. The Capital Plan shall provide:

- (a) that the Institution will be recapitalized through a sale or merger or capital transaction with a third party;
- (b) specific time frames for the obtaining of a letter of intent, definitive agreement and submission of all appropriate regulatory applications on or before December 31, 1991 and document the anticipated consummation date;
- (c) within 25 days after each calendar quarter, beginning with the first calendar quarter after submission of the revised Capital Plan, that a capital enhancement report be filed with the OTS which describes the current status of negotiations between the Institution and all potential acquirors, investors, and other sources of capital.

Asset Quality

3. The Institution's level of classified assets ("Substandard and Doubtful" as reported in the OTS Thrift Financial Reports) to tangible capital plus general valuation allowances will be reduced to a ratio of 225% by December 31, 1991, to 150% by December 31, 1992 and to 75% by December 31, 1993.

4. The Institution shall take immediate and continuing action to protect its interest with regard to those assets criticized in the Report of Examination as of May 21, 1990 ("Report of Examination"), or any subsequent report of examination.

5. Within 30 days from the date of this Order, 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 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 of criticism and the time frame for its accomplishment.

6. On a quarterly basis, a similar program shall be adopted for all additional assets which are criticized by the Institution's internal asset classification policy. Once adopted, a copy of the program for all criticized assets shall be forwarded to the OTS within 30 days following the quarter end.

7. 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 portion thereof;
- (b) management's adherence to the program pursuant to the above Articles;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

8. A copy of each review required by Article 7. shall be forwarded to the OTS on or before the 25th day following the preceding month end.

9. The Institution shall not extend credit, directly or indirectly, including renewals, to any borrower whose loans or other extensions of credit are criticized in the Report of Examination or any other subsequent report of examination.

10. The immediately preceding paragraph shall not apply if:

- (a) the Institution's failure to extend further credit to a criticized borrower would be substantially detrimental to the best interest of the Institution;
- (b) a comparison to the written programs shows that the Institution's formal plan to collect or strengthen said criticized asset is not compromised; and
- (c) 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 the Institution. A copy of the Board certification shall be maintained in the credit file of the affected borrower(s).

11. The Institution shall immediately cease lease funding to Peach Tree Bancard Corporation. The Institution shall provide a written plan to the OTS, within 30 days from the date of this Order, describing the specific methods and time frames by which this investment will be reduced to within 10 percent of tangible capital.

12. The Institution shall not purchase finance leases or engage in other leasing activities until the Board develops and implements an adequate written leasing policy. This policy shall address the deficiencies in the Institution's procedures as set forth in the Report of Examination. In addition, the Board shall provide for a periodic review of the Institution's adherence to the revised leasing policy. A copy of the revised policy shall be forwarded to the OTS for review, and the Institution shall implement and adhere to the revised policy.

Management

13. No bonuses shall be paid to officers or employees without the prior written approval of the OTS.

Employment Contracts

14. Neither the Institution nor any of its subsidiaries shall enter into any employment contracts unless prior written approval is sought and received from the OTS.

15. Within 60 days of the date of this Order, the Board shall complete and forward to the OTS an analysis of the employment contract that exists between Mr. Douglas Crocker II and the Institution. The analysis shall be in writing and include, at a minimum:

- (a) documentation and/or information to support and/or justify the terms of the contract; and
- (b) an opinion from the Institution's legal counsel as to whether the contracts could be restructured or rescinded with no detriment to the Institution.

Affiliates

15. The Institution 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 enter into or engage in any transaction which obligates the Institution 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 the Institution to engage in such action, and that the 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, after reviewing the Board's independent review of the action, has notified the Institution of her/his intent not to disapprove the action.

Loans to One Borrower

16. Within 30 days of the date of this Order, the Institution and its subsidiaries shall adopt procedures to comply with the provisions of the loans to one borrower regulation set forth in 12 C.F.R. Part 563.93 (1990). Once adopted, the Institution and its subsidiaries shall comply with the procedures in all respects.

Asset Limitations

17. Within 30 days of the date of this Order, the Institution and its subsidiaries shall adopt procedures to comply with the percentage of asset limitations as set forth in 12 U.S.C. Section 1464(c)(2)(A) (1990). Once adopted, the Institution and its subsidiaries shall comply with the procedures in all respects.

General Valuation Allowances

18. Within 30 days of the date of this Order, the Board shall submit a general valuation allowance policy to the OTS for approval. The policy shall require that:

- (a) based on the current level of classified assets a minimum of \$2,000,000 of general valuation allowances ("Allowances") will be maintained and that an adequate level of Allowances will be established and maintained at all time; and
- (b) there be a review of the Allowances by the Board at least once each calendar quarter. Any deficiency in the Allowances shall be remedied in the quarter it is discovered. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowances.

Closings

19. Any report or other document required by this Order to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 111 East Wacker Drive, Suite 800, Chicago, Illinois 60601, Attn: OTS Manager. All reports and other documents shall be deemed filed when received by the OTS.

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

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

22. Any time limitations imposed by this Order shall begin to run from the effective date of this Order unless otherwise provided for. Such time limitations may be extended by the OTS for good cause upon written application by the Board.

23. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, or as such definition is amended after the execution of this Order. Any such technical words or terms used in this Order and undefined in the Code of Federal Regulations shall have meanings that accord with the best custom and usage in the thrift industry.

24. The provisions of this Order are effective upon issuance of this Order by the OTS, through its authorized representative whose signature appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated by the OTS.

IT IS SO ORDERED, this 17th day of April, 1991.

THE OFFICE OF THRIFT SUPERVISION

By: /S/

Stuart M. Brafman
Regional Director
Central Regional Office