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OPERATING AGREEMENT

This Operating Agreement ("Agreement") is made and is effective this 23rd day of July, 1991, by and between The Cumberland Federal Savings Bank, Louisville, Kentucky (hereinafter "Cumberland"), 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 Cumberland, its directors, officers, employees, agents and service corporations. It is understood and agreed that this Agreement is a "written agreement" entered into with the Office of Thrift Supervision within the meaning of 12 U.S.C.A. § 1818(b)(1) and (i)(2) (West 1989).

NOW, THEREFORE, IT IS AGREED between the parties hereto as follows:

1. By August 31, 1991, Cumberland shall submit to the Deputy Regional Director or his designee ("Deputy Regional Director") a detailed plan acceptable to the Deputy Regional Director which reflects an increase in tangible capital to 5.0% of total adjusted assets to be accomplished by December 31, 1991, and thereafter maintained. The plan must contain comprehensive narrative discussions of each significant activity and strategy to be used, and corresponding pro-forma financial projections.

2. Cumberland agrees and acknowledges that it shall be subject to any and all changes and modifications to the capital regulations, currently defined in 12 C.F.R. Part 567, as amended which may require higher capital levels than that amount stated in Item 1 of this Agreement.
3. Cumberland shall develop and implement written procedures acceptable to the Deputy Regional Director to assure that an adequate GVA is fully funded in conjunction with quarterly evaluation of all assets.
4. Cumberland shall fully segregate the personnel and functions of the loan approval committee and the internal credit review department to ensure effective control of lending decisions in a manner acceptable to the Deputy Regional Director. Effective control of the lending process includes the implementation of internal controls to ensure (i) weaknesses identified prior to lending commitments are adequately addressed, and (ii) lending approval conditions stipulated prior to loan closing are followed.

5. Cumberland shall cease new commercial real estate lending without prior written approval of the Deputy Regional Director or his designee, except for any legally binding commitments outstanding as of the effective date of this Agreement, until:

- (i) commercial real estate lending policies and procedures acceptable to the Deputy Regional Director are in place, and
- (ii) tangible capital is increased to and maintained at a minimum of 5% of adjusted total assets.

6. By August 31, 1991, Cumberland shall develop and implement a detailed written plan acceptable to the Deputy Regional Director to properly evaluate and minimize problem assets over \$200,000, including assets which have been classified special mention, substandard, doubtful or loss, and assets qualifying as slow loans. This plan should include time frames and targets for a reduction of net classified assets as a percentage of tangible capital plus GVA's to 75% by December 31, 1991; to 65% by June 30, 1992; and 50% by December 31, 1992.

7. Cumberland shall not declare or pay any dividends or make any capital distributions until:

- (i) full compliance with Items 1 and 3 of this Agreement is reached as determined by the Deputy Regional Director,
- (ii) classified assets are, as a ratio, less than or equal to 65% of tangible capital plus GVAs prior to and after any such dividend payment, and
- (iii) prior written approval of the Deputy Regional Director or his designee is obtained.

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 Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act, Federal Deposit Insurance Act or OTS Memoranda, and all such technical words or terms used in this Agreement, and undefined by said statutes, rules and regulations, shall have meanings that accord with the best custom and usage in the savings and loan industry. 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.

This Agreement shall remain in effect until terminated by the OTS, acting through its Deputy Regional Director. Any decision to amend or modify the Agreement is left to the discretion of the OTS Deputy Regional Director.

IN WITNESS WHEREOF, the parties have executed this Agreement by their Board of Directors or designated agent. A certified copy of the resolution of the Board of Directors of Cumberland authorizing the execution of this Agreement is attached hereto and made a part hereof.

OFFICE OF THRIFT SUPERVISION

**THE CUMBERLAND FEDERAL SAVINGS BANK
LOUISVILLE, KENTUCKY**

By: 151
Deputy Regional Director
Cincinnati District Office

By a majority of its directors;

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**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly qualified Secretary of The Cumberland Federal Savings Bank, Louisville, Kentucky, hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on July 23, 1991, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of The Cumberland Federal Savings Bank. The officers and employees of Cumberland are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Cumberland this 23 day of July, 1991.

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Secretary