

95179 #5901

AGREEMENT

This Agreement ("Agreement") is made and is effective this 17th day of September 1991 ("Effective Date"), by and between Pekin Savings and Loan Association, Pekin, Illinois ("Institution"), the Office of Thrift Supervision ("OTS") and the Office of the Commissioner of Savings and Residential Finance ("OCSRF"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS and OCSRF within the meaning of Section 8(b)(1) and (i)(2) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b)(1) and (i)(2).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject, specifically 12 U.S.C. § 375b (3), and has engaged in unsafe or unsound practices in conducting the business of the Institution thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OCSRF is of the opinion that, based on the results of the Report of Examination as of February 11, 1991, and as recited in the Supervisory Letter, dated May 20, 1991, transmitting the Report of Examination, grounds exist for the issuance of formal orders against the Institution by the OCSRF; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings and the OCSRF is willing to forbear at this time from the issuance of formal orders against the Institution for its failure to comply with regulations and unsafe and/or unsound practices set forth in the Institution's Report of Examination, dated February 11, 1991, for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution, 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 the Institution, it is agreed between the parties hereto as follows:

- 1. The Institution shall correct existing violations cited in this document and the Report of Examination, dated February 11, 1991, and shall not initiate any action which would result in a violation of, or the aiding and abetting of any violation of:

12 U.S.C. § 375b (3), pertaining to transactions with affiliated persons.

Affiliated Transactions

2. Within fifteen (15) days, the Board shall submit to the OTS Manager and the OCSRF for review and written approval its formally adopted policy to ensure that the Institution complies with section 22(h) of the Federal Reserve Act, 12 U.S.C. § 375b.
3. Upon receiving approval by the OTS Manager and the OCSRF of the policy required by paragraph 2, the Board shall adhere to such policy in all respects.

Criticized Assets

4. Within twenty-five (25) days of the last day of each quarter, the Board shall submit to the OTS Manager and the OCSRF a written report that identifies the Institution's assets criticized as "Special Mention", "Substandard", "Doubtful" or "Loss" through the Institution's internal asset classification system or in the OTS Reports of Examination. At a minimum, such report shall address:
 - (a) the status of all loans that are at least 90 days delinquent;
 - (b) the status of the Institution's real estate in judgment and real estate owned;
 - (c) the Institution's collection efforts to reduce criticized assets;
 - (d) the general and specific reserves established as a result of the Board's monthly review of criticized assets; and
 - (e) the estimated date by which each criticized asset will improve to a nonclassified status.

General Valuation Allowances

5. Within thirty (30) days, the Board shall submit to the OTS Manager and the OCSRF for review and written approval its policy for establishing and maintaining general valuation allowances. At a minimum, such policy shall require that the Institution establish general valuation allowances based upon the current composition of its asset portfolio and upon the Institution's historical losses on its classified and non-classified assets.
6. Within twenty-five (25) days of the last day of each calendar quarter beginning with the quarter ending September 30, 1991, the Board shall review, and document in the minutes, the adequacy of its policy for establishing general valuation allowances.
7. Within fifteen (15) days of completing the review required by paragraph 6, the Board shall submit to the OTS Manager and the OCSRF for review and written approval any amendments to the Institution's policy regarding general valuation allowances that

specifically address those deficiencies noted in the Board's review.

8. Upon receiving approval by the OTS Manager and OCSRF of its policy regarding general valuation allowances and any amendments subsequently made thereto, the Institution shall adhere to such policy in all respects.

Real Estate Owned

9. Effective immediately, the Board shall value all real estate owned properties at their fair market value less the estimated disposition costs.

Stripped Mortgage Backed Securities

10. Effective immediately, the Board shall prohibit the Institution from investing in stripped mortgage backed securities without the prior written approval of the OTS Manager and the OCSRF.

Earnings

11. Within thirty (30) days, the Board shall submit to the OTS Manager and the OCSRF for review a report of its proposed actions to improve the Institution's net income. At a minimum, such report shall specifically address those measures the Board will undertake to reduce the Institution's expenses and increase earnings and core capital.

Closings

12. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy Regional Director or his/her designee and the OCSRF, the Board has the ultimate responsibility for proper and sound management of the Institution. 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 the Institution, 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. Such time limitations may be extended by the Deputy Regional Director or his/her designee and the OCSRF 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 such 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 such 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.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 111 East Wacker Dr., Suite 800, Chicago, Illinois 60601, Attn: Donald H. Sorensen. All reports and other documents shall be deemed filed when received by the OTS. Any report required by this Agreement to be submitted to the OCSRF shall be filed with the Office of the Commissioner of Savings and Residential Finance, 205 West Randolph, Suite 1900, Chicago, Illinois 60606-1811, Attn: J. Roger Copley.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

(j) This Agreement shall remain in effect until terminated, modified, waived, or suspended by the OTS and the OCSRF, acting through the Regional Director and the Commissioner or their designees.

IN WITNESS WHEREOF, the OCSRF, the OTS acting through the Regional Director, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

THE OFFICE OF THE COMMISSIONER
OF SAVINGS AND RESIDENTIAL
FINANCE
Chicago, Illinois

OFFICE OF THRIFT SUPERVISION
Chicago, Illinois

By: 151
Commissioner

By: 151
Stuart M. Brauman
Regional Director
Central Region Office

Date: 9/17/91

Date: 8/27/91

PEKIN SAVINGS AND LOAN ASSOCIATION
Pekin, Illinois

By: 151
Orville G. Deppert

By: 151
R. H. More

By: 151
Chester G. Hellyer

By: _____
Robert I. Paullin

By: 151
Arthur E. Krile, Jr.

By: 151
E. Glen Rittenhouse

By: 151
Paul N. Luft

By: 151
Donald W. Wilcox