

SUPERVISORY AGREEMENT

14th This Supervisory Agreement ("Agreement") is made and is effective this day of May 1992 ("Effective Date"), by and between Damen Federal Bank for Savings (OTS No. 3004), Chicago, Illinois ("Institution") for itself 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 the Institution. 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); however, it is not a written agreement which would cause the Institution to be deemed a problem association within the meaning of RB27.

WHEREAS, the OTS is of the opinion that, based on the results of the Report of Examination, as of September 16, 1991, and the Report of Compliance Examination as of September 16, 1991, ("Reports of Examination") grounds exist for the initiation of formal enforcement action pursuant to 12 U.S.C. Section 1818(b) against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution on the subjects covered by this Agreement 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"), has agreed to enter into this Agreement to avoid the initiation of such cease and desist proceedings.

NOW, THEREFORE, in consideration of the above-stated forbearance, it is agreed between the parties hereto as follows:

Statutes and Regulations

1. The Institution shall correct existing violations cited in this section and the Reports of Examination, dated September 16, 1991, and shall not initiate any action which would result in a violation of, or the aiding and abetting of a violation of any regulation or statute cited in the Reports of Examination.

Internal Controls

2. Within thirty (30) days from the Effective Date of this Agreement, the Board shall establish an Internal Audit function and employ a person to act as an Internal Auditor. An Internal Audit Program ("Program") should be reduced to writing and submitted to the OTS Manager for approval. The Internal Auditor's responsibilities, as outlined in the Program, shall include, but not be limited to, surprise cash counts, review of officer/director account activity, review of internal controls in the teller area, and compliance with laws and regulations and policies and procedures established by the Board. The Internal Auditor shall also be responsible for determining that the Bank Secrecy Officer has been checking various reports and submitting any required Currency Transaction Reports. Monthly reports on the Internal Auditor's findings shall be submitted to the Audit Committee of the Board beginning with the first month following the establishment of the Internal Audit function. The Audit Committee shall meet monthly to discuss findings and determine corrective actions. The Chairman of the Audit Committee will then report to the OTS Manager within fifteen (15) calendar days of its meeting, noting the problems identified and the steps taken to correct the deficiencies.

Classified Assets

3. Within thirty (30) days from the Effective Date of this Agreement, the Board will revise the Institution's Asset Classification Policy to state that all assets are subject to classification. A copy of the revised Asset Classification Policy shall be submitted to the OTS Manager. In addition, the Institution shall classify the Jorman Partners loan Substandard in accordance with the Policy and the Report of Examination. The classification of this loan will be reviewed by the OTS when the deed to the property is acquired by the institution and it is reclassified as a fixed asset.

4. After the Asset Classification Policy is revised as required in Paragraph No. 4, the Institution shall adhere to it in all respects. Nothing in this Agreement shall prevent the Institution from reviewing and modifying the Policy from time to time, except, that in the event of any such modifications, copies of the modifications shall be forwarded to the OTS Manager.

5. Within ten (10) days from the date of receiving written notification from the OTS that the previously submitted appraisal report has been rejected ("Rejection Date"), the Institution agrees to engage the services of an independent, certified appraiser to provide a current market value for the Damen Building, Schaumburg, Illinois, which is security for the Jorman Partners loan. This appraisal will be completed within sixty (60) days from the Rejection Date, within the conditions set forth in the written notification. Certification by the Board attesting to the completion of this appraisal will be forwarded to the OTS Manager for review and approval within thirty (30) days from the completion of the appraisal. The Institution agrees to charge off or establish a specific valuation allowance for any amount by which this asset's book value exceeds its market value. The general valuation allowance should not be used to establish the specific valuation allowance.

General Valuation Allowances

7. As of the Effective Date of this Agreement, the Institution, under the direction of the Board, shall establish a General Valuation Allowance of at least \$125,000 which includes a provision for the Jorman Partners loan.

8. Within thirty (30) days from the Effective Date of this Agreement, the Board shall revise and submit to the OTS Manager for comment, its General Valuation Allowance Policy as it pertains to commercial loans (including the Jorman Partners loan). The Board shall re-evaluate the risk inherent in this type of lending.

9. Within thirty (30) days from the date of approval by the OTS Manager, required in Paragraph No. 8, the Board shall establish and maintain General Valuation Allowances as calculated by the Board's methodology.

Business Plan

10. Within sixty (60) days from the Effective Date of this Agreement, the Board shall amend its business plan to provide greater details and support for the growth figures used therein. The growth in lending should also address the relationship with the Community Reinvestment Act. The revised business plan should also include a section addressing the Board's acceptable levels for interest rate risk and what strategies the Institution will implement to attain those levels. Upon written completion and Board adoption, a copy of the amended business plan is to be submitted to the OTS Manager for review and comment.

The Board shall also establish procedures to monitor, on at least a quarterly basis, Damen's actual results against the projections and provide for appropriate adjustments to the budget and business plan.

Interest Rate Risk

11. The Board shall reduce the Institution's interest rate risk to those levels indicated in the above referenced business plan as approved by the OTS Manager and shall continue to use all reasonable efforts to maintain the Institution's interest rate risk exposure in accordance with the exposure set forth in the business plan referred to in the preceding paragraph.

Bank Secrecy Act

12. Within thirty (30) days from the Effective Date of this Agreement, the Board shall reaffirm its program and procedures for compliance with the Currency and Foreign Transactions Reporting Act, 12 U.S.C. Section 5311 et seq., and the regulations promulgated thereunder at 31 C.F.R. Part 103, ("Bank Secrecy Act") to ensure compliance with the Bank Secrecy Act. The Bank Secrecy Officer shall be responsible for administration of the Institution's Bank Secrecy Act program. The Internal Auditor shall monitor adherence to the Bank Secrecy Act program to determine that it is applied to customers, employees, officers, and directors. Monthly reports of Bank Secrecy Act activity and/or violations shall be reported by the Internal Auditor to the Audit Committee of the Board.

President's Salary

13. Within sixty (60) days from the Effective Date of this Agreement, the Board shall authorize and complete a study to determine a salary level for President Mary E. Poronsky that is commensurate with the amount of time she devotes to the Institution as well as the functions she performs for the Institution. The study shall detail the duties that President Poronsky performs. The results of the Board's study shall be submitted to the OTS Manager upon completion.

Community Reinvestment Act

14. Within thirty (30) days from the Effective Date of this Agreement, the Board shall revise its written Community Reinvestment Act ("CRA") statement to include each of the credit products that the Institution is prepared to extend within the local community in accordance with 12 C.F.R. Section 563e.4(b)(2).

15. Within sixty (60) days from the Effective Date of this Agreement, based on the Institution's CRA community delineation, the Board shall develop and adopt a CRA plan designed to satisfy the Institution's continuing and affirmative obligation to help meet the credit needs of the local communities in which it is chartered. The CRA plan, at a minimum, should:

- (a) incorporate the revised CRA statement required by Paragraph No. 14;
- (b) include a written analysis of the credit needs of the Institution's communities. The analysis should specifically address the needs of the southeast portion of the Chicago office's community as well as the Burbank community.
- (c) include a description of the methods that the Institution will use to effectively communicate and market the availability of its credit services to all sectors of its delineated community;
- (d) establish procedures for management to monitor the geographic distribution of the Institution's credit extensions, credit applications, and credit denials such that the Board may determine whether any lending disparities exist; and
- (e) provide for the Board to periodically monitor the effectiveness of and the Institution's adherence to the CRA plan, as well as annual Board review and/or revision of the CRA plan and community delineation.

16. After the CRA plan required pursuant to Paragraph No. 15 is adopted by the Board, the Institution shall adhere to it in all respects.

Electronic Funds Transfer Act

17. Within sixty (60) days from the Effective Date of this Agreement, the Board shall develop and adopt a policy to ensure compliance with all applicable Electronic Funds Transfer Act ("EFT") disclosure and error resolution notification requirements of 12 C.F.R. Sections 205.7(a)(1 to 10) and 205.8(b). 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 EFT disclosure and error resolution notification requirements necessary to achieve compliance; and
- (c) procedures to monitor the effectiveness of the Institution's compliance with these requirements.

18. After the policy required pursuant to Paragraph No. 17 is adopted by the Board, the Institution shall comply with it in all respects.

Closings

19. (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, 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, 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.
- (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 E. Wacker Drive, Suite 800, Chicago, Illinois 60601, Attn: Manager, Cheryl G. Petty. All reports and other documents shall be deemed filed when received by the OTS.

- (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, or suspended by the OTS, acting through the Deputy Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Deputy Regional Director, and the Institution, by its Board of Directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION
Chicago, Illinois

By: 151
Chester A. Biedron
Deputy Regional Director

DAMEN FEDERAL BANK FOR SAVINGS
Chicago, Illinois

By: 151
Director Edward R. Tybor

By: 151
Director Mary E. Poronsky

By: 151
Director Mary Beth Stull

By: 151
Director Charles Caputo

By: 151
Director Carol Diver

By: 151
Director Dr. Mark C. Guinan