

## SUPERVISORY AGREEMENT

OTS Docket No.: 01409

This Supervisory Agreement (“Agreement”) is made, as of this 31<sup>st</sup> day of December, 2005 (the “Effective Date”), by and between **CINCINNATI FEDERAL SAVINGS AND LOAN ASSOCIATION** (the “Association”, OTS Docket No. 01409), a federally chartered savings association having its main office located at 4310 Glenway Avenue, Cincinnati, Ohio 45205, and the **OFFICE OF THRIFT SUPERVISION** (“OTS”), a federal bank regulatory agency within the United States Department of the Treasury, which is acting through its Northeast Regional Director or his designee (“Regional Director”) and has its Northeast Regional Office located at Harborside Financial Center Plaza Five, Suite 1600, Jersey City, New Jersey 07311.

**WHEREAS**, the OTS is the primary federal regulator of the Association pursuant to the Home Owners’ Loan Act (“HOLA”), 12 U.S.C. §§ 1461 *et seq.*, and is the Association’s appropriate Federal banking agency for purposes of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. §§ 1811 *et seq.*,<sup>1</sup> and

**WHEREAS**, based on the findings set out in the Report of Examination for the regulatory examination of the Association that was started on August 9, 2005 (the “2005 Report of Examination”), the OTS is of the opinion that the Association has engaged in one or more violations of compliance laws and regulations and has operational weaknesses warranting correction; and

**WHEREAS**, the OTS is of the opinion that: (i) grounds exist for the initiation of administrative proceedings against the Association, and (ii) it is appropriate to take measures intended to ensure that the Association will comply with applicable laws and regulations; and

**WHEREAS**, the Association, acting through its Board of Directors (the “Board”), without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, wishes to cooperate with the OTS and to evidence its commitment to operate prudently and to comply with all applicable laws and regulations.

**NOW THEREFORE**, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

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<sup>1</sup> All references herein to the United States Code (U.S.C.) and the Code of Federal Regulations (C.F.R.) are as amended, unless otherwise indicated.

1. Compliance with Laws and Regulations. The Association shall comply fully with the following laws and regulations:

- i) 31 C.F.R. § 103.100 (concerning responses to FinCEN inquiries);
- ii) 31 C.F.R. § 103.121 (concerning customer identification);
- iii) 12 C.F.R. § 203.4 (concerning the HMDA loan application register); and
- iv) 12 C.F.R. § 229.16 and 229.19 (Regulation CC, Expedited Funds Availability,).

2. Compliance Management Enhancement.

By no later than the ninetieth (90<sup>th</sup>) calendar day following the Effective Date hereof (or such later date as may be permitted by the OTS in writing), the Association shall: (i) complete a compliance risk assessment relative to Compliance Laws and Regulations that are pertinent to its operations,<sup>2</sup> and (ii) adopt written amendments to its written compliance management program (which shall address each of the six SMAART components identified in the table below<sup>3</sup>) to provide for an appropriate comprehensive self-assessment schedule and program. Thereafter, the Association shall implement the compliance management program, as amended.

<b>Systems</b>	The embodiment of task-specific procedures and internal controls that ensure that transactions are conducted and recorded in compliance with legal obligations and customer-service goals.
<b>Monitoring</b>	The process of supervising the day-to-day or week-to-week functioning of the Association's compliance systems to assure real-time execution in accordance with program standards.
<b>Assessment</b>	The periodic review of system records and operations to identify transactional violations and program deficiencies.
<b>Accountability</b>	The arrangement of responsibility, authority and reporting relationships that provides direction to staff for implementing institution compliance policy and appraises senior management and the directors about compliance program performance.
<b>Response</b>	The process of addressing consumer complaints, remedying regulatory violations, amending procedures and controls, correcting internal oversight deficiencies, and implementing policy and system revisions or updates.
<b>Training</b>	The communication to appropriate Association personnel of compliance policies, procedures, directives, regulatory requirements, product information and service goals. Also addressed by this component is the commitment and manner in which the Savings Association develops and maintains staff expertise.

3. Management of Compliance Program.

(a) The Association's Compliance Management Program shall be managed and implemented by a full-time Association officer or employee (other than the President), who shall

<sup>2</sup> Many potentially pertinent Compliance Laws and Regulations are identified in the Overview of Laws and Regulations in the OTS guidebook entitled "Compliance: A Self-Assessment Guide".

<sup>3</sup> These are described further in "Compliance: A Self-Assessment Guide"

be referred to herein as the Compliance Officer. The individual designated to serve as the Compliance Officer may have other duties to perform on behalf of the Association.

(b) Within forty-five (45) days of the Effective Date hereof (or such later date as may be permitted by the OTS in writing), the Board of Directors shall designate (in duly adopted and recorded board meeting minutes) an appropriate officer or employee to serve as the Association's Compliance Officer. The person appointed to serve as Compliance Officer must be qualified and trained to perform the day-to-day responsibilities of a banking institution compliance officer.

(c) Within sixty (60) days of the Effective Date hereof (or such later date as the OTS may permit in writing), the Association shall provide the OTS with a letter that: (i) identifies the person designated as the Compliance Officer; (ii) provides details about the actions the Board has implemented to increase resources dedicated to the Association's compliance program; and (iii) summarizes each of the actions taken, since receipt of the 2005 Report of Examination, to enhance compliance with the each of the compliance laws and regulations specifically identified in the 2005 Report of Examination, including but not limited to, the Bank Secrecy Act/Anti-Money Laundering laws and regulations, 31 U.S.C. §§ 5311 *et seq.*, 12 C.F.R. § 563.177, and 31 C.F.R. Part 103, and the OFAC regulations, 31 C.F.R. Part 500.

(d) The Association's Compliance Officer, shall be responsible for: (i) developing, overseeing and managing the Association's Compliance Management Program, and (ii) serving as the Association's designated BSA Officer. On no less than a quarterly basis, the Compliance Officer also shall report to the Board on activities and developments relative to the Compliance Management Program.

(e) On no less than a semi-annual basis, the Compliance Officer shall report to the Board on whether any amendments or enhancements to the Compliance Management Program should be adopted and implemented to further the Association's adherence to the compliance laws and regulations, in view of any change in circumstances (including any changes in laws, regulations, regulatory guidance, or industry best practices) and the Association's experience in implementing the Compliance Management Program.

(f) The Association's Board shall ensure that the Compliance Officer has sufficient authority, competency, time, staff (which may include outsourced staff) and resources to perform his/her assigned BSA-related and other compliance management responsibilities on a day-to-day

basis. The Association's Board and executive management also shall assure that such person is provided adequate resources (included budgeted funds) and ongoing training (on no less than an annual basis), in order to perform his/her compliance officer duties effectively.

4. Independent Testing and Prompt Correction of Identified Deficiencies.

(a) The Association shall continue to engage and utilize the services of a qualified and independent consultant ("Testing Consultant") to perform, on a quarterly basis, the independent testing required by the Association's written BSA Compliance Program (regarding the Anti-Money Laundering laws and regulations, as amended, and the OFAC regulations). The Association shall require the Testing Consultant to promptly provide the Association's BSA Compliance Officer and Board of Directors with a detailed written report of findings of each quarterly independent test.

(b) The Association (including its Board of Directors and Management) shall promptly address and correct all deficiencies identified in each quarterly report submitted by the Testing Consultant.

(c) On a quarterly basis (within forty-five (45) days of each quarterly report submitted by the Testing Consultant), the Association shall provide the OTS with: (i) a copy of the most recent quarterly report of the Testing Consulting, (ii) a written document that describes all actions taken and remaining to be taken by the Association, as determined by the Board of Directors, in view of the findings and recommendations set out in the quarterly report submitted by the Testing Consultant.

5. Management Plan.

As provided by the Management-Plan-related resolutions adopted by the Board of Directors on December 21, 2005, the Association shall develop, adopt and commence implementation of a written Management Plan that shall be acceptable to the OTS. By April 15, 2006 (or such later date as the OTS may permit in writing), the Association shall submit its proposed Management Plan to the OTS for review, comment, and non-objection. The terms of the above-mentioned Board resolutions are hereby incorporated into this Paragraph of the Supervisory Agreement.

6. Compliance With Agreement; Board Compliance Committee.

(a) The Association's Board and officers shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or

appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.

(b) The Association shall correct, and the Board shall require Management to correct, all deficiencies identified in the 2005 Report of Examination, including but not limited to those identified in the section entitled "Matters Requiring Board Attention". To the extent there is any conflict between requirements specified in this Agreement and those specified in the Report of Examination the requirements in this Agreement shall prevail and be applicable.

(c) Within fifteen (15) days of the Effective Date hereof, the Board shall appoint a committee (the "Compliance Committee") comprised of 3 or more directors, the majority of whom shall be outside directors, to monitor and coordinate the Association's compliance with the provisions of this Agreement.

(d) Within thirty (30) days after March 31, 2006, and within thirty (30) days after the end of each calendar quarter thereafter (June 30, September 30, December 31, and March 31), the Compliance Committee shall submit a written progress report to the Board of Directors detailing the actions taken to comply with each provision of this Agreement and the results of those actions.

(e) Within forty-five (45) after March 31, 2006, and within forty-five (45) days after the end of each calendar quarter thereafter, the Board of Directors shall: (i) forward to the OTS a copy of the above-required quarterly progress report of the Compliance Committee, together with any additional comments made by the Board of Directors, to the OTS, and (ii) submit a written certification stating, except as otherwise disclosed, that each director has reviewed said quarterly report.

7. Submission of Required Documents to the OTS/Compliance with Required Plans.

(a) The Association, when required by this Agreement to submit documents to the OTS, shall submit them as follows:

<u>The original to:</u> James G. Price, Assistant Director Office of Thrift Supervision 1 South Wacker Drive, Suite 2000 Chicago, Illinois 60606	<u>A copy to:</u> David Payne, Field Manager Office of Thrift Supervision 8260 Northcreek Drive, Suite 160 Cincinnati, Ohio 45236
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(b) With respect to any plan, policy or procedure that is timely filed and prepared with reasonable diligence by the Association, but nevertheless requires modification to accommodate

input by OTS occurring after the due date, no violation will be found to exist for so long as the Association: (i) makes diligent and good faith efforts to incorporate such modifications and (ii) complies with subsequent OTS direction concerning the due dates for implementing such modifications.

(c) Except with the prior written non-objection of the Regional Director (or his designee) during the term of this Agreement, the Association shall not rescind or make any material changes to any plans, policies, and procedures that: (i) have been submitted to OTS for its approval or non-objection pursuant to this Agreement and (ii) have been approved or deemed to be not objectionable by OTS.

#### 8. Definitions.

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, the Home Owners' Loan Act ("HOLA"), the FDI Act or published OTS guidance (including the Examination Handbooks and Memoranda). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDI Act, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

#### 9. Successor Statutes, Regulations, Guidance, Amendments.

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

#### 10. Time Limits.

Time limitations for compliance with the terms of this Agreement run from the Effective Date unless otherwise noted.

#### 11. Rules of Interpretation.

(a) Nothing in this Agreement shall be construed as allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject.

(b) The paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Agreement 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 determines otherwise in the exercise of its discretion.

12. Integration Clause: Relationship to Other Regulatory Actions.

This Agreement represents, as of the Effective Date, the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date. The provisions of this Agreement shall not bar, estop, or otherwise prevent the OTS from taking any other action (including, without limitation, any type of supervisory, enforcement or resolution action) affecting the Association or any of its current or former institution-affiliated parties.

13. Successors In Interest/Benefit.

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. Nothing in this Agreement, expressed or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

14. Enforceability of Agreement: Director Attestation.

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of the Association. Each director signing this Agreement at Appendix A hereof attests, by such act, that she or he, as the case may be, voted in favor of the Board resolutions (copies submitted to the OTS) authorizing the execution of this Agreement by the Association. Counterparts.

This Agreement may be executed in separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

15. Statutory Basis for Agreement.

This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act, 12 U.S.C. § 1818.

16. Effective Date; Duration; Termination or Suspension of Agreement.

This Agreement shall be effective and enforceable as of the Effective Date, which date appears on the first page of this Agreement. This Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting by and through its Regional Director or other authorized representatives. The OTS may suspend any or all provisions of this Agreement by providing written notice of such action to the Association.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement.

**CINCINNATI FEDERAL SAVINGS  
AND LOAN ASSOCIATION**

**OFFICE OF THRIFT SUPERVISION**

By: Joseph Bunke  
Joseph Bunke  
President & Chief Executive Officer

By: Michael F. Simon  
for Robert C. Albanese  
Regional Director, Northeast Region

Date: December 21, 2005

Date: The Effective Date shown on page 1

**APPENDIX A TO SUPERVISORY AGREEMENT**

The undersigned individuals, each being directors of CINCINNATI FEDERAL SAVINGS AND LOAN ASSOCIATION, acknowledge that each, following his/her review and consideration of the foregoing Agreement, has voted in favor of the Board resolutions authorizing the Association to execute the foregoing Agreement and to perform the responsibilities required by the Agreement.

Robert Bedinghaus  
Robert Bedinghaus

Edward H. Kopf  
Edward H. Kopf

Harold L. Anness  
Harold L. Anness

Stuart H. Anness  
Stuart H. Anness

Henry C. Dolive  
Henry C. Dolive

Ronald A. Roth  
Ronald A. Roth

Charles G. Skidmore  
Charles G. Skidmore