

**SUPERVISORY AGREEMENT**

This Supervisory Agreement (Agreement) is made and is effective this 5th day of June, 2007 (Effective Date), by and between **Universal Savings Bank, F.A., Milwaukee, Wisconsin** (OTS Docket No. 08399) (the Bank or Universal), a federal stock savings bank, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Midwest Regional Director or his designee (Regional Director).

**WHEREAS**, OTS is the primary federal regulator of the Bank;

**WHEREAS**, based upon the Bank's February 6, 2006 Report of Examination (ROE) and the Bank's March 8, 2007 Limited Scope Report of Examination, and ongoing monitoring, OTS is of the opinion that the Bank has engaged in acts and practices that: (i) have resulted in violations of certain laws or regulations to which the Bank is subject; and (ii) are considered to be unsafe and unsound;

**WHEREAS**, OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Bank pursuant to 12 U.S.C. §§ 1464(d) and 1818(b);

**WHEREAS**, OTS is of the view that it is appropriate to take measures intended to ensure that the Bank will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices;

**WHEREAS**, the Bank wishes to continue to cooperate with OTS and to evidence its intent to continue to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

**WHEREAS**, the Bank, acting through its Board of Directors (Board) enters into this Agreement, without admitting or denying that such grounds exist to initiate an administrative proceeding.

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

1. **Compliance With Laws and Regulations**

The Bank and its directors, officers, employees, and agents shall continue its efforts to comply with 12 C.F.R. § 563.161(a) (financial policies).

2. **Resolution**

A. By **June 4, 2007**, as previously directed by OTS, the Bank shall submit to OTS an acceptable voluntary liquidation plan in accordance with the requirements of 12 C.F.R. § 546.4 and Section 460 (Voluntary Dissolution) of the OTS Applications Handbook that provides for the elimination of all deposits by **July 31, 2007**.

- B. The Bank's voluntary liquidation plan filed pursuant to **Paragraph 2** hereof shall provide for (1) the sale or transfer of all deposits, (2) the sale or transfer of all assets, (3) immediate cessation of acceptance of any deposits, (4) the filing of branch closing notices, and (5) compliance with the requirements of this Agreement.
- C. By **June 30, 2007**, the Bank shall file any required application under 12 C.F.R. § 563.22 with OTS.
- D. Without the prior written notice of non-objection of OTS, the Bank shall not enter into a letter of intent or a binding agreement for either: (1) an acquisition by a depository institution holding company or other qualified entity; (2) a merger into another depository institution; or (3) the sale of substantially all of the Bank's assets and liabilities to another depository institution, a depository institution holding company, or other acquired entity.
- E. The Bank shall submit a notice to the Federal Deposit Insurance Corporation immediately upon the sale or transfer of all deposits pursuant to 12 C.F.R. § 307.2.
- F. By the **fifteenth (15<sup>th</sup>) and thirtieth (30<sup>th</sup>) day of each month** beginning with the month ending **May 31, 2007**, the Board shall submit a report to OTS, which summarizes: (1) provides current prompt corrective action capital ratios as set forth in 12 C.F.R. § 565.4 and the Bank's current capital amount and demonstrates compliance with **Paragraph 3** hereof; and (2) status of liquidation of the Bank, including, but not limited to, (a) the sale of brokered deposits, (b) the sale of the credit card receivables, and (c) sale of mortgage loans.

3. **Capital**

Universal shall, at a minimum, maintain core capital of at least 10 percent as defined in 12 C.F.R. Part 567, at all times.

4. **Restrictions on Asset Growth and Product Lines Expansion**

- A. Except as otherwise permitted by a written notice of non-objection of the OTS, the Bank shall not increase its assets in any calendar quarter in excess of the amount of the net interest credited on its deposit liabilities during that calendar quarter. Any such request shall include: (1) documentation showing that the growth will be supported by an increase in the applicable tangible, core, and risk-based capital, and (2) documentation of the sources and uses of funds.
- B. The Bank shall not expand its current product lines or business activities, offer new product lines, or engage in a new business activity.
- C. The Bank shall not engage in any credit card solicitations or mailings without the prior written notice of non-objection of the OTS.

- D. The Bank shall not enter into any contractual obligation that would require an outlay of cash or any form of payment over a period greater than **60 calendar days**, except for obligations incurred in ordinary course of business that do not exceed \$20,000, without the prior written notice of non-objection of OTS.
- E. The Bank shall not accept, renew, or rollover brokered deposits as defined in 12 C.F.R. § 337.6.
- F. The Bank shall not accept any deposits.
- G. Without the prior written notice of non-objection of OTS, the Bank shall not make any payments or incur any obligations on behalf of its holding company, Universal Savings Banc Holdings, Inc., Milwaukee, Wisconsin (USBHI) or remit any funds to USBHI.

5. **Dividends**

The Bank shall not declare, pay, or commit to pay any dividend.

6. **Corporate Governance**

- A. The Bank shall not enter into any written employment contract, including renewal or restructuring of any employment contracts or contractual arrangement, related to compensation or benefits with any director or senior executive officer of the Bank, until and unless the Bank receives a written notice of non-objection from OTS. Any such employment contract must comply with 12 C.F.R. Part 359, §§ 563.39 and 563.161(b), and Section III of Appendix A to 12 C.F.R. Part 570, and satisfy the guidelines for compensation arrangements set forth in Section 310 (Management) of OTS Examination Handbook. For purposes of this section, the term “employment contract” includes any contract by the Bank with an individual to pay compensation in any form for any past, current, or anticipated future services as an officer, director, or a consultant or agent who exercises significant influence over, or participates in, major policymaking decisions, whether or not hired as an employee or given a title.
- B. Without the prior written notice of non-objection of OTS, the Bank shall not (1) employ any new person at a rate of compensation which, on an annualized basis, exceeds \$100,000 per year; (2) increase the salary or other compensation of officers or make or commit to make any increase in the salary or other compensation to any officers, except for individual merit increases in accordance with its standard personnel policy adopted prior to the effective date of this Agreement and normal periodic employee salary and wage increases scheduled prior to the date of this Agreement; and (3) increase the compensation to senior executive officers and directors.

- C. The Bank shall comply with 12 C.F.R. § 563.560, regarding the employment or designation of senior executive officers, the appointment or replacement of any director, or a change in responsibilities of a senior executive officer.
- D. The Bank shall not make any “golden parachute payments” (as that term is defined in 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359), except as permitted under 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359.
- E. By **June 30, 2007**, the Board shall submit to OTS a report regarding the Board’s efforts to address compliance with 12 C.F.R. § 552.6-1(b).

7. **Third Party Contracts**

- A. The Bank shall not enter into any new third party contracts outside the normal course of business pursuant to Section 310 (Management) of the OTS Examination Handbook, and in accordance with guidelines of Thrift Bulletin 82a, dated September 1, 2004, unless it first (i) provides a minimum of **30 calendar days prior notice** of a proposed transaction and (ii) receives a written notice of non-objection from OTS. Such notice shall set forth how the third party arrangement complies with OTS Thrift Bulletin 82a, dated September 1, 2004.
- B. The Bank shall notify OTS in writing of any contracts or arrangements with service providers or third parties for an authorized service, regardless whether such service is performed on or off its premises, as required by 12 U.S.C. § 1464(d)(7)(D)(ii). The Bank must submit such notice to the Regional Director no later than **30 calendar days** following the earlier of the date the service provider becomes a party to a contract for such service (if there is a contract) or the date on which the performance of the service is initiated.

8. **Asset Review**

- A. The Bank shall, at all times, maintain adequate valuation allowances, as required by 12 C.F.R. § 560.160, and in accordance with its revised Allowance for Loan Losses Reserves Policy and Procedures.
- B. By the **last day of the succeeding month**, beginning with the month of **May 31, 2007**, management shall submit to the Board for review, with a copy to OTS, in the form similar to the reports provided to OTS as of April 2007: (1) a report regarding the adequacy of the Allowance for Loans and Lease Losses (ALLL) for held-to-maturity and available-for-sale credit card portfolios and roll forward of ALLL; (2) report of charge-off of delinquent credit card accounts in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Policy Statement on Retail Credit Classification and Management Policy, dated June 6, 2000 and FFIEC Account Management and Loss Allowance Guidance for Credit Card Lending, dated January 8, 2003; (3) the status of all classified assets including, but not limited to, (a) asset classification category; (b) the current value of collateral, if secured; (c) date of

the financial information on borrower; and (d) status of workout plan; and (4) delinquent loans.

9. **Reports**

By the **23<sup>rd</sup>** day of the succeeding month, beginning with the month ending **May 31, 2007**, management shall submit to the Board, with a copy to OTS, in the same or similar format to the financial reports for the month of April, that sets forth: (a) month-to-date division statement of operations, (b) year-to-date division statement of operations, (c) gain or sale of mortgage loans analysis, (d) gain or sale of credit card loans analysis, (e) deposit summary, and (f) loans receivable.

10. **Compliance with Agreement**

- A. All policies, procedures, corrective actions, plans, programs, agreements, reviews and systems required by this Agreement (collectively referred to as Plans and Policies) shall conform to all applicable statutes, regulations and, OTS policy and guidance. The Board shall revise such Plans and Policies as required by OTS with **30 calendar days** of receipt of written direction from OTS. The Plans and Policies shall be incorporated into this Agreement, and any deviation from such Plans and Policies shall be a violation of this Agreement.
- B. The Board and officers of the Bank shall take immediate action to cause the Bank to comply with the terms of this Agreement and shall take all actions necessary or appropriate to cause the Bank to continue to carry out the provisions of this Agreement.
- C. This Agreement requires the Bank to receive approval, notice of non-objection, or notice of acceptability from OTS for certain Board actions. The Board affirms that such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Bank, at all times, including compliance with OTS's determinations as required by this Agreement.
- D. **By the last day of the succeeding month**, beginning with the month ending **June 30, 2007**, the Board shall adopt and submit to OTS a certified copy of a board resolution (Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including a report from Bank's management regarding the Bank's compliance with each provision of this Agreement), to the best of its knowledge and belief, during the immediately preceding **month**, the Bank has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (1) specify in detail how, if at all, full compliance was found not to exist; and (2) identify all notices of exemption or non-objection issued by OTS that were outstanding as of the date of its adoption. In the event that one or more directors do not agree with the representations set forth in a

Compliance Resolution, such disagreement shall be noted in the Compliance Resolution.

11. **Definitions**

- A. 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 (HOLA), Federal Deposit Insurance Act (FDIA), or OTS Publications. Any such technical words or terms used in this Agreement and undefined in Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. For purposes of this Agreement, nothing shall be deemed "acceptable" to the Regional Director or OTS unless the Regional Director, or the assigned Regional Deputy Director or Assistant Director, has stated, in writing, that it is acceptable or has provided a written notice of non-objection to it.
- C. The term "qualified entity" is defined to include an individual, a group of individuals, a partnership, a corporation, or any other form of business organization that may, under applicable statutes and regulations, merge with or acquire USBHI or the Bank or purchase all of or substantially all assets and liabilities of USBHI or the Bank.
- D. The terms "depository institution" and "depository institution holding company" are defined in 12 U.S.C. §§ 1813(c)(1) and (w)(1), respectively.

12. **Successor Statutes, Regulations, Guidance, Amendments**

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

13. **Notices**

- A. Except as otherwise provided herein, any request, demand, authorization, directive, notice, consent, waiver or other document provided or permitted by this Agreement to be made upon, given or furnished to, delivered to, or filed with:
  - 1. OTS, by Universal, shall be addressed to the Assistant Director, Office of Thrift Supervision, Department of the Treasury, 225 East John Carpenter Freeway, Suite 500, Irving, Texas 75062-2327 or telecopied to (972) 277-9500; and

2. Universal, by OTS, in each case shall be addressed to the Chief Executive Officer or the Board of the Bank, at 754 North 4<sup>th</sup> Street, Milwaukee, Wisconsin 53203-2102 or telecopied to (414) 220-8801.

B. Such delivery shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid; sent via overnight delivery service; physically delivered; or means of electronic transmission. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, then, in the event such notice was sent by United States mail, there shall be a presumption that the notice was received two (2) business days after the date of the postmark on the envelope in which the notice was enclosed.

14. **Effect of Headings**

The section or paragraph headings herein are for convenience only and shall not affect the construction hereof.

15. **Separability Clause**

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 Regional Director, in his sole discretion, determines otherwise.

16. **No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted**

Nothing in this Agreement shall be construed as: (a) allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject; or (b) restricting OTS from taking such action(s), including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate in fulfilling the responsibilities placed upon it by law.

17. **Time Limits**

The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may extend time frames in this Agreement by a written notice that expressly provides for such extension.

18. **OTS Review of Actions Required**

The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may request additional information and provide written notice of non-objection or objection with respect to any submission required by this Agreement.

19. **Duration, Termination or Suspension of Agreement**

- A. This Agreement shall: (1) become effective upon its execution by OTS, through its authorized representative, whose signature appears below; and (2) remain in effect until terminated, modified or suspended in writing by OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
- B. The Regional Director, in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

20. **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 and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

21. **Integration Clause**

This Agreement represents 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, with respect to such subject matter.

22. **Enforceability of Agreement**

The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Bank. The Bank acknowledges that this Agreement is a "written agreement" entered into with OTS within the meaning of 12 U.S.C. §1818.

23. **Counterparts**

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

24. **Termination of November 27, 2006 Supervisory Agreement**

Upon execution of this Agreement by the Regional Director, the Supervisory Agreement entered into with OTS, effective November 27, 2006, is hereby terminated.

25. **Effective Date**

This Agreement is and will become effective on the Effective Date as defined herein.

26. **Signature of Directors**

Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board resolution authorizing the execution of this Agreement by the Bank. A copy of the resolution of the Board of Directors authorizing the execution of the Agreement shall be delivered to OTS along with the executed original of the Agreement.

**IN WITNESS WHEREOF**, OTS, acting by and through the Regional Director, and the Bank, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date, evidence the Bank's agreement with every provision of this Agreement.

**OFFICE OF THRIFT SUPERVISION**

By:

\_\_\_\_\_/s/  
Frederick R. Casteel  
Regional Director

**UNIVERSAL SAVINGS BANK, F.A., MILWAUKEE, WISCONSIN**  
Accepted by its directors

\_\_\_\_\_/s/  
David C. Beck, Chairman of the Board  
and Director

\_\_\_\_\_/s/  
Arthur E. Thompson, EVP, CFO  
and Director

\_\_\_\_\_/s/  
Charles W. Kearns, Director

