

## SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 18th day of January, 2000 (the "Effective Date"), by and between Union Savings Bank ("Union" or the "Association") OTS Docket No. 08109, a state chartered stock association, having its main office located at 8534 East Kemper Road, Cincinnati, Ohio 45249 and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C. 20552, acting through its Central Regional Director or his designee ("Regional Director"). 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. §§ 1818(b)(1) and (i)(2).<sup>1</sup>

**WHEREAS**, the OTS is the primary federal regulator of Union; and

**WHEREAS**, based on the Report of Compliance Examination dated November 2, 1998 ("Compliance ROE"), the OTS is of the opinion that Union has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which Union is subject, and/or (ii) are considered to be unsafe and unsound; and

**WHEREAS**, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against Union; and

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

**WHEREAS**, Union, acting through its Board of Directors (the "Board"), wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations, and (ii) engage in safe and sound practices.

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

### COMPLIANCE MANAGEMENT

#### 1. Compliance Officer.

Within thirty (30) days of the Effective Date, the Board shall provide the OTS with written certification that it has appointed a qualified individual to act as the Association's Compliance Officer. The Board shall ensure that the Association maintains the position of Compliance Officer, whose duties and responsibilities shall be consistent with the provisions contained in paragraph 2.

<sup>1</sup> All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

## 2. Compliance Program.

A. Within sixty (60) days of the Effective Date, the Compliance Officer shall develop, and the Board shall adopt, a written compliance program (the "Compliance Program") designed to ensure that the Association is operating in compliance with nondiscrimination, consumer protection, and other public interest laws and regulations. The Compliance Program shall include, but not necessarily be limited to, the following:

- i. policies and procedures covering nondiscrimination, consumer protection and public interest laws and regulations for use by Association personnel. Particular emphasis shall be placed on the Association's compliance with the Truth-in-Lending Act, the Flood Disaster Protection Act, the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act and OTS Nondiscrimination regulations;
- ii. provisions for the adequate training of Association personnel as to their duties and responsibilities under nondiscrimination, consumer protection, and other public interest laws and regulations;
- iii. provisions for ongoing periodic internal or external compliance audits to monitor the Association's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations. Such compliance audits shall include transactional testing;
- iv. procedures to ensure that exceptions noted in the compliance audits and through the Compliance Program are immediately addressed and corrected by appropriate Association personnel;
- v. mechanisms for effective Board oversight, which shall include, at a minimum, quarterly regulatory compliance reports presented to the Board by the Compliance Officer;
- vi. a provision ensuring unrestricted access for the Compliance Officer to the Board; and
- vii. procedures for amending the Compliance Program to address changes to nondiscrimination, consumer protection, and other public interest laws and regulations, and as needed for new products and services offered by the Association.

B. Once the Compliance Program required under paragraph 2.A. has been adopted by the Board, the Association shall adhere to it in all material respects.

## COMPLIANCE LAWS AND REGULATIONS

### 3. Truth-in-Lending.

A. The Board shall ensure that the Association complies with the disclosure requirements set forth in the Truth-in-Lending Act ("TILA"), 15 U.S.C. § 1601 et seq. and Regulation Z, 12 C.F.R. Part 226.

B. Within thirty (30) days of the Effective Date, the Association, under the direction of the Board, shall conduct and complete a loan file search of its adjustable rate mortgage loan portfolio and all fixed rate loans with private mortgage insurance, originated since April 20, 1998. This review, which shall include paid off loans, will identify consumers who received TILA disclosures with the cost of credit understated outside of the statutory tolerances. Upon completion of the file search, the Association shall immediately prepare a list of borrowers who received inaccurate TILA disclosures since April 20, 1998. The list shall indicate the borrower's name, loan number, and the amount of restitution required.

C. Within forty-five (45) days of the Effective Date, the Association shall notify all borrowers identified under paragraph 3.B. that they received inaccurate TILA disclosures and shall provide reimbursement to these borrowers.

D. Within thirty (30) days of the Effective Date, the Association, under the direction of the Board, shall conduct and complete a review of its home equity line of credit portfolio, for all accounts active or subject to periodic statement disclosure requirements since November 18, 1996, to identify borrowers who have been overcharged. Upon completion of the review, the Association shall immediately prepare a list of borrowers who were required to pay a finance charge in excess of the amount permitted under the terms of his/her loan contract. The list shall indicate the borrower's name, loan number, and the amount of the overcharge.

E. Within forty-five (45) days of the Effective Date, the Association shall notify all borrowers identified under paragraph 3.D. that they had been charged in excess of the amount permitted under the terms of their loan contract and shall provide each borrower with the appropriate monetary adjustment.

F. The Association, under the direction of the Board, shall conduct ongoing and regular transactional testing to ensure that it is providing consumers with accurate TILA disclosures that comply with the terms of the legal obligations.

### 4. Flood Disaster Protection Act.

The Board shall ensure that flood hazard determinations are conducted on mortgage loans as required under 12 C.F.R. Part 572. All flood hazard determination forms shall be kept in the appropriate corresponding loan files.

5. Home Mortgage Disclosure Act.

The Board shall ensure that the Association will comply with the data collection and reporting requirements set forth under 12 C.F.R. Part 203.

6. Equal Credit Opportunity Act.

Within forty-five (45) days of the Effective Date, the Association shall send adverse action notices to all applicants, beginning from January 1, 1998, who received incomplete or inaccurate notices or no notice, in violation of 12 C.F.R. Part 202.

7. Real Estate Settlement Procedures Act.

The Board shall ensure that the Association will maintain escrow accounts in accordance with the requirements set forth under 24 C.F.R. § 3500.17.

GENERAL

8. Violations of Law.

The Board shall immediately take all steps necessary to correct each violation of law, rule or regulation cited in the Compliance ROE. The Board shall provide a written notice to the OTS immediately after all of the corrections have been effected, describing the date and manner in which each correction has been effected.

9. Director Responsibility.

Notwithstanding the requirements of this Agreement that the Board submit various matters to the OTS for consideration, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the OTS as required by this Agreement.

10. Compliance with Agreement.

A. The Board and officers of Union 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 Union to continue to carry out the provisions of this Agreement.

B. The Board, on a quarterly basis, shall adopt a board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the

immediately preceding calendar quarter, Union has complied with each provision of this Agreement currently in effect, except as otherwise stated.

The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.

C. The minutes of the meetings of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption, and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.

D. The Board shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Agreement.

### MISCELLANEOUS

#### 11. 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, 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 said 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.

#### 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 and references to successor provisions as they become applicable.

#### 13. Notices.

A. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

- i. the OTS, by Union, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to Mr. Christopher A. Lombardo, Assistant Director, Office of Thrift Supervision, Department of the Treasury, 200 West Madison Street, Suite 1300, Chicago, Illinois 60606, or telecopied to (312)

917-5002 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

- ii. the Association, by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to Mr. Harry G. Yeaggy, President, Union Savings Bank, 8534 East Kemper Road, Cincinnati, Ohio 45249 or telecopied to (513) 247-0137, and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. 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 the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

#### 14. Duration, Termination or Suspension of Agreement

A. This Agreement shall become effective upon its execution by the OTS, through its authorized representative whose signature appears below. The Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

B. The Regional Director, in his sole discretion, may, by written notice, suspend any or all of the provisions of this Agreement.

#### 15. Time Limits

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

#### 16. Effect of Headings

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

#### 17. 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.

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

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

19. 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, express 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.

20. 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 the subject matter.

21. Enforceability of Agreement.

Union 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 Association. Union acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director, and Union hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By: RS  
Ronald N. Karr  
Central Regional Director

UNION SAVINGS BANK

By: 151  
Harry G. Yeaggy  
President and Director

By: 151  
Louis S. Beck  
Director

By: 151  
Thomas J. Grainger  
Director

By: 151  
Jerry C. Fletcher  
Director

By: 151  
Robert M. Williams  
Director

By: 151  
Robert D. Beck  
Director