

SUPERVISORY AGREEMENT

This Agreement ("Agreement") is made and is effective this 16th day of September 1992 ("Effective Date"), by and between Home City Federal Savings and Loan Association of Springfield (OTS No. 01830), Springfield, Ohio (hereinafter "Home City" or "Institution") 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 Home City. 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) (Supp. I 1989).

WHEREAS, the OTS is of the opinion that Home City has engaged in unsafe and unsound practices in conducting the business of Home City, as set forth in the Report of Examination dated April 13, 1992, and has not complied with certain regulations to which Home City is subject in conducting the business of the Institution, specifically 12 C.F.R. §§ 545.32(b)(1), 563.35(d)(2), 563.93(c)(2) and (f)(2), 563.96, 563.170(c), 563.172(a), 563.176(d) and (e), 563.190, 564.4(a)(4)(i), 564.8(c)(3), 571.18(h)(1), and 571.19(b)(2) thereby providing grounds for the initiation of the cease and desist proceedings against Home City by the OTS.

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Home City for its failure to comply with regulations, and unsafe and/or unsound practices as set forth in the Institution's Report of Examination dated April 13, 1992, for so long as the Institution is in compliance with the provision of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Home City 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, IT IS AGREED between the parties hereto as follows:

1. The Board shall correct all violations cited in the April 13, 1992 Report of Examination, specifically: 12 C.F.R. §§ 545.32(b)(1), 563.35(d)(2), 563.93(c)(2) and (f)(2), 563.96, 563.170(c), 563.172(a), 563.176(d) and (e), 563.190, 564.4(a)(4)(i), 564.8(c)(3), 571.18(h)(1), and 571.19(b)(2)

2. The Board shall perform a quarterly review of management's implementation of and adherence to Board approved operating policies. The review must be documented in the minutes of the Board meetings. The Board shall take whatever action is necessary to ensure management's adherence to its operating policies and to ensure that any material deviations from established policies receive prior approval from the Board.

2. Home City shall, at all times, adhere to the regulatory limit on loans-to-one-borrower. Home City shall within 90 days of the Effective Date of this Agreement, bring the loan to The High Street Church of the Nazarene into compliance with the regulatory lending limitation.

3. Home City shall, prior to committing to purchase or originate any real estate loan for which an appraisal is required by regulation, obtain an appraisal report which conforms to 12 C.F.R. §§ 564.1 to 564.8, any other regulatory requirements and to its Board approved appraisal policy. A commitment may be executed without receipt of such appraisal only if disbursement is specifically conditioned upon prior receipt of such appraisal.

4. Home City shall, within 30 days of the Effective Date of this Agreement, obtain appraisals on the collateral properties known as The High Street Church of the Nazarene and The Maiden Lane Church of God.

5. Home City shall, within 60 days the Effective Date of this Agreement, develop a construction lending policy which is acceptable to the OTS, and which incorporates each of the items specifically addressed in the April 13, 1992 Report of Examination. Home City shall not commit to any new construction loans until the OTS has approved Home City's policy. To the extent possible, the items discussed in section 1.D. on page 8 of the April 13, 1992 Report of Examination must be implemented immediately with respect to any construction loan in process.

6. Home City shall immediately increase its total general valuation allowance to not less than \$143,000. Management shall present to the Board on a quarterly basis, an analysis of the adequacy of the general valuation allowance. The analysis shall extend beyond historical losses and shall incorporate inherent risk in the lending portfolio. Any necessary increase in the general valuation allowance shall be recorded immediately; any decrease in the general valuation allowance to below the \$143,000 level must receive the prior approval of the OTS.

7. Home City shall, within 30 days of the Effective Date of this Agreement, establish policies and procedures, acceptable to the OTS to ensure that Thrift Financial Reports will be prepared timely and accurately according to report instructions.

8. Home City shall, within 30 days of the Effective Date of this Agreement, establish policies and implement procedures for administration of its real estate owned portfolio. Said policies and procedures shall be acceptable to the OTS and shall address the disposition of real estate owned parcels and the proper maintenance of the real estate during the holding

period, i.e., coverage by hazard insurance, payment of real estate taxes, accounting for rental income, and physical maintenance of the properties so the real estate retains its fair market value.

9. Home City shall obtain appraisals, within 60 days of the Effective Date of this Agreement, for each existing real estate owned parcel. Upon receipt of the appraisals Home City shall perform fair value calculations and immediately record any necessary adjustments to the carrying values. Home City shall obtain conforming appraisals for future real estate owned parcels, and perform fair value calculations and record any necessary adjustments at the earlier of repossession in substance or acquisition of the property.

IT IS FURTHER AGREED AS FOLLOWS:

(a) Although the Board is, by this Agreement, required to submit certain proposed actions and programs for the review or approval of the OTS, 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 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 provision 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 Title 12 of the Code of Federal Regulation). 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 notice 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, 525 Vine Street, Suite 700, Cincinnati, Ohio 45202, Attn: Assistant Director John Heckman. 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.

