

SUPERVISORY AGREEMENT

OTS DOCKET # 4072  
94982

This Supervisory Agreement ("Agreement") is made and is effective this 3 day of March 1992 ("Effective Date"), by and between Ohio Savings Bank ("Ohio Savings" or "Institution") (OTS No. 4072), Cleveland, Ohio 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).

**WHEREAS**, the OTS is of the opinion based on the results of the Report of Examination dated May 6, 1991, that grounds exist for the initiation of proceedings against Ohio Savings by the OTS pursuant to 12 U.S.C. Section 1818(b); and

**WHEREAS**, the OTS is willing to forbear at this time from the initiation of proceedings pursuant to 12 U.S.C. Section 1818(b) on the matters 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, Ohio Savings by its Board of Directors ("Board"), without admitting that grounds for proceedings pursuant to 12 U.S.C. Section 1818(b) exist, is willing to enter into this Agreement to avoid the initiation of such proceedings;

**NOW, THEREFORE**, in consideration of the above-stated forbearance by OTS,

it is agreed between the parties hereto as follows:

Classification of Assets

1. Within 60 days of the effective date of this Agreement, the Board shall submit a written Asset Classification Reduction Plan ("Plan") to properly evaluate and minimize problem assets, including those which have been criticized as special mention, and classified as substandard, doubtful, or loss. Such Plan shall be acceptable to the Assistant Director, OTS-Cincinnati. For a period of at least two years, this Plan shall include quarterly targeted levels for both classified assets and the projected ratio of substandard and doubtful assets to tangible capital and general valuation allowances, demonstrating a ratio of not more than 50% by March 31, 1994.

2. Within 30 days following the end of each quarter, the Board shall submit a Summary Report to the Assistant Director comparing actual classification levels and ratios with those projected in the Asset Classification Reduction Plan, submitted pursuant to Paragraph 1 above.

3. Within 30 days of the effective date of this Agreement, and within 30 days of the close of each quarter thereafter, Ohio Savings shall submit to the Assistant Director, a listing of all classified assets greater than \$500,000, including those designated as "Special Mention". The listing should include at a minimum the identity of each such asset by name and type; the gross balance of each asset; if appropriate, any specific reserve and the resulting net balance; the classification of each such asset; any actions taken by Ohio Savings; and the status of each asset. Specific assets removed/added during the quarter to the listing shall be clearly identified and explained in the submitted listing.

In addition, the total amount of general and specific valuation allowances should be included along with an explanation of any significant changes in these balances.

#### Asset Valuation

4. No later than 30 days from the effective date of this Agreement, the Board shall adopt written policies and procedures designed to ensure proper analysis and valuation of assets, especially those which are criticized in the Report of Examination and/or those held by Ohio Savings as real estate owned. The policies and procedures shall include at a minimum:

(a) An analysis of current financial statements, obtained at least annually from all commercial real estate borrowers. Cash flow analysis should also be prepared when loans are to be repaid from operations; and

(b) A review by management to ensure that all loan modifications and extensions are being reviewed for consideration as a troubled debt restructuring (TDR). If the loan qualifies as a TDR, transaction reporting must be reviewed for compliance with Generally Accepted Accounting Principles and the asset shall be considered for classification purposes.

#### Commercial Lending

5. Within 60 days of this Agreement, the Board shall submit a marketing plan for each commercial real estate owned property greater than \$500,000. For each asset, the plan shall provide sufficient detail to allow the reader to fully understand the asset and its known potential problems, including detail as to the optimum way to protect the Institution from loss and adequate supporting rationale for the procedures to be followed. The

board of directors shall review and update this marketing plan at least quarterly and shall submit a report of its review and any update to the Assistant Director immediately thereafter.

6. As of the effective date of this Agreement, Ohio Savings shall cease originating, purchasing, or investing in all participation loans and commercial real estate loans with collateral located outside of the states of Ohio or Florida, provided that Ohio Savings may originate or invest in loans to any customer having its principal place of business in Ohio or Florida and secured in whole or in part by residential real property outside of such states if such customers are not obligors on any loans that are at that time classified assets of Ohio Savings. Evidence of such place of business shall be included in Ohio Savings' loan documentation files. Real estate owned is exempted from the above prohibition.

#### General Valuation Allowances

7. No later than 30 days from the effective date of this Agreement, the Board shall adopt a written general valuation allowance (GVA) policy to ensure that an adequate GVA level is established and maintained. The guidelines of Section 260 of the Thrift Activities Handbook should be reviewed and incorporated into this policy.

#### Appraisals

8. Within 60 days of the effective date of this Agreement, the Board shall establish appropriate review procedures to insure that:

- a) all appraisal reports and appraisal updates conform with internal policies; and
- b) appraisal reports relating to commercial real estate owned parcels must include holding costs in each estimation of fair value, and shall include a discounted cash flow analysis.

### Board Review

9. Within 60 days of the effective date of this Agreement, the Board or a delegated Committee thereof consisting of a majority of outside directors, shall establish policies and procedures to ensure that the Board or such Committee reviews the following within the specified time frames:

(a) At least annually, all assets greater than \$500,000 for classification purposes as required by Ohio Savings' Asset Classification Policy;

(b) At least quarterly, the effectiveness of actions taken by management to dispose of commercial REO properties; and

(c) Prior to approval of any renewal, modification and/or extension of credit over \$1,000,000, the Board or such Committee must review such requests and document its approval and the analysis justifying such action.

### Closings

11. Any policies and procedures required by this Agreement are to be strictly adhered to by the Institution, its directors, officers and employees.

12. (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, except for the forbearance specifically granted by the "Whereas" clauses of this Agreement.

(c) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time limitations may be suspended, terminated, or extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.

(d) The phrase "commercial real estate" as used in this Agreement shall include all loans collateralized by real estate, except those improved or intended to be improved with 1-4 family residential units. All other 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, 525 Vine Street, Suite 700, Cincinnati, Ohio 45202, Attn.: Assistant Director. 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 Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Regional Director and Ohio Savings Bank, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION  
Cincinnati, Ohio

By: Stuart M. Brafman  
Regional Director

OHIO SAVINGS BANK  
Cleveland, Ohio

By: Director

By: Director