

SUPERVISORY AGREEMENT

95085

This Agreement ("Agreement") is made and is effective this 8th day of October 1992 ("Effective Date"), by and between Charter Oak Financial Corporation (OTS No. H-1116), Cincinnati, Ohio ("COFC") for itself 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 corporation. 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 (1)(2) (Supp. I 1989).

WHEREAS, the OTS is of the opinion that COFC has not complied with certain of the regulations to which the corporation is subject in conducting the business of the corporation, specifically 12 C.F.R. §§ 584.1(f) and 584.2-1(a), and has engaged in unsafe or unsound practices in conducting the business of the corporation, thereby providing grounds for the initiation of cease and desist proceedings against COFC by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against COFC for its failure to comply with regulations and the conducting of unsafe and unsound practices as set forth in the corporation's Reports of Examination dated December 17, 1991 and May 4, 1992 for so long as the corporation is in compliance with the provision of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, COFC 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, in consideration of the above-stated forbearance by OTS from the initiation of cease and desist proceedings against COFC, it is agreed between the parties hereto as follows:

1. COFC shall not resume speculative trading activities discussed in the most recent OTS Reports of Examination dated December 17, 1991 and May 4, 1992, nor engage in unsuitable investment practices as defined by Thrift Bulletin 52. COFC shall engage in only such investment activity as has received the prior approval of its board of directors, and for which the board has developed policies and procedures. COFC shall immediately develop policies and procedures for any investment practices it will engage in as outlined in Thrift Bulletin TB 52. The Board shall be responsible for the approval of investment strategies, the prioritization of investment objectives, and the establishment of definitive lines of authority and management responsibilities with regard to investments. COFC investment strategies and activities shall be reviewed by the board, and such review shall be documented in detail, on at least a quarterly basis to ensure that activities are consistent with COFC policies and in accordance with its procedures.

2. COFC shall immediately comply with 12 C.F.R. 584.1(f) (1992), the OTS Regulation concerning books and records. COFC shall immediately develop and maintain such accounting systems, records, and controls, as shall provide an accurate and complete record of all business transactions as well as its past and present financial condition. Corporation reports, books, records, and controls shall be developed and prepared in accordance with generally accepted accounting principles. Each director shall, on a quarterly basis, certify that the books and records are complete and accurately reflect the activities of COFC. A copy of said certificates shall be submitted to the OTS.

3. COFC shall not receive any payment of dividends, tax payments or any other types of payment, in cash or other form whatsoever from Charter Oak Federal Savings Bank or First Trust Savings Bank, FSB without the prior written approval of the OTS.

4. COFC shall pay to Charter Oak Federal Savings Bank \$1,725,000 and applicable interest. The details of the transactions giving rise to this liability from COFC to Charter Oak Federal Savings Bank are discussed in the COFC Report of Examination as of May 4, 1992 and the Charter Oak Federal Savings Bank Report of Examination as of April 27, 1992. This requirement may be satisfied in part by the filing of an application with OTS for the transfer of First Trust Savings Bank, Jacksonville, Florida from COFC to Charter Oak FSB. At the Effective Date of this Agreement, COFC has executed all documents necessary for the filing of that application. Charter Oak FSB shall file the application within 5 days of the Effective Date of this Agreement. The difference between the appraised value of First Trust SB at the time of filing, the application and \$1,725,000 (approximately \$591,000) shall be paid to Charter Oak FSB by September 30, 1992 in the following manner. Charter Oak FSB shall establish a receivable for such amount with interest to be paid quarterly at Charter Oak FSB's prime rate of interest. The receivable will be secured by an assignment of COFC's interest in a 9% subordinated debenture, in the amount of \$820,000 which debenture is secured by zero coupon bonds in the face amount of \$820,000 which have been deposited with The Provident Bank.

IT IS FURTHER AGREED AS FOLLOWS:

(a) Although the Board is required by this Agreement 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 corporation. 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, theOTS 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 corporation, nothing in this Agreement shall in any way inhibit, stop, 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 Regional Deputy Director or his/her 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 of Title 12 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 notices that are contemplated by the corporation.

(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 Jerry M. Benham. 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) 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 COFC, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

Charter Oak Financial Corporation
Cincinnati, Ohio

By: _____

15/
Ronald N. Karr
Regional Director

By: _____

15/
Director

By: _____

Director

By: _____

Director

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THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

Charter Oak Financial Corporation
Cincinnati, Ohio

By:

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Ronald N. Karr
Regional Director

By:

Director

By:

151
Director

By:

Director

