

OTS to avoid the time and expense of such administrative litigation, and without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against Postal Savings with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Postal Savings and Loan Association is a "savings association" within the meaning of Section 3 of the FDIA, 12 U.S.C.S. Section 1813 (Law. Co-op. Supp. 1991), and Section 2 of the Home Owner's Loan Act of 1933, 12 U.S.C.S. Section 1462 (Law. Co-op. Supp. 1991). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C.S. §1813(c) (Law. Co-op. Supp. 1991).

(b) Pursuant to Section 3 of the FDIA, the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Postal Savings is subject to the authority of the OTS to initiate and maintain a cease-and-desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1991).

3. Consent. Postal Savings consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1991). Upon its issuance by the Regional Director for the Midwest Regional Office, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C.S. 1818(i) (Law. Co-op. Supp. 1991).

5. Waivers. Postal Savings waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1991), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C.S. §1818(h) (Law. Co-op. Supp. 1991), or otherwise to challenge the validity of the Order.

6. Future Actions. The Institution agrees that the provisions of this Stipulation and Consent shall not inhibit, stop, bar, or otherwise prevent the OTS from taking any other action affecting the Institution, including actions against Institution-affiliated parties, if, at any time, the OTS acting through its Regional Director, deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by the several laws of the United States of America.

- A. Section 563.37 of the Rules and Regulations of the Office of Thrift Supervision ("OTS Regulations"), 12 C.F.R. § 563.37 (1991);
- B. Section 563.41 of the OTS Regulations, 12 C.F.R. § 563.41 (1991);
- C. Section 563.43 of the OTS Regulations, 12 C.F.R. § 563.43 (1991);
- D. Section 563.160 of the OTS Regulations, 12 C.F.R. § 563.160 (1991);
- E. Section 563.161 of the OTS Regulations, 12 C.F.R. § 563.161 (1991);
- F. Section 563.170 of the OTS Regulations, 12 C.F.R. § 563.170 (1991);
- G. Section 563.176 of the OTS Regulations, 12 C.F.R. § 563.176 (1991);
- H. Section 564.8 of the OTS Regulations, 12 C.F.R. § 564.8 (1991);
- I. Section 571.7 of the OTS Regulations, 12 C.F.R. § 571.7 (1991);
- J. Section 571.9 of the OTS Regulations, 12 C.F.R. § 571.9 (1991);
- K. Section 571.19 of the OTS Regulations, 12 C.F.R. § 571.19 (1991);
- L. Section 571.21 of the OTS Regulations, 12 C.F.R. § 571.21 (1991); and
- M. Section 22(h) of the Federal Reserve Act, 12 U.S.C.S. § 375b (Law. Co-op. Supp. 1991).

IT IS HEREBY FURTHER ORDERED that:

I. DEFINITIONS

1. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided for by the provisions of this Order, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations or as such definition is amended after the execution of this Order, and any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, shall have meanings that accord with their best custom and usage in the savings and loan industry. However, for the purposes of this Order, except as otherwise indicated, the following definitions shall apply:

- a. a "set" is a group of loans, participations, investments, securities, or other assets related, by being sold or pledged to, purchased from, or exchanged with any persons, entities, or Institutions acting together in a single transaction;
- b. "invest in" means to make, originate, purchase, acquire, guarantee, refinance, modify, extend, renew, or to commit to do any of these;
- c. "transfer" means to sell, assign, pledge, exchange, or to commit to do any of these;

- d. "real estate investment" means the net book value of real estate purchased, acquired by foreclosure or deed in lieu thereof, or owned in any manner, inclusive of any expenditures incurred in connection with holding or improving such real estate and following adjustment for any loss reserves or allowances;
- e. "affiliated person," as used in this Order, shall have the meaning as defined in 12 C.F.R. Section 561.5 (1991);
- f. "affiliate" shall have the meaning as defined in Section 23A of the Federal Reserve Act, 12 U.S.C.S. §371c (Law. Co-op. Supp. 1991);
- g. "independent" means a person or entity not related to the Institution, its subsidiaries, or its affiliated persons, who is not an affiliate or associate as those terms are defined in 12 C.F.R. §§ 563b.2(a)(2) and (5), and who is otherwise free of any relationship that would interfere with the exercise of independent judgment.
- h. "total assets" means consolidated total assets as reported in the Institution's Quarterly Thrift Financial Report.

2. The statutory and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Order, or as amended or renumbered thereafter.

II. MANAGEMENT

3. Within seventy-five (75) days of the date of this Order, the Board of Directors shall submit to the Regional Deputy Director a plan for the reorganization, replacement, and/or augmentation of the Institution's management and Board of Directors ("Management Plan"). The Management Plan shall, at a minimum, specifically provide for the replacement of George Hersh, Sr. as Chief Executive Officer and Chairman of the Board of Directors, and the replacement of the Treasurer, within one hundred twenty (120) days of the date of this Order, with new, independent individuals from outside the Institution, with appropriate experience in, and knowledge of, the savings and loan business or related businesses with the attendant commitment to safe and sound banking practices. The Management Plan shall also provide that the new Chief Executive Officer be vested with all powers, rights and authorities necessary to perform the duties of his/her office, that he/she be appointed a voting member of the Board of Directors, and that the size of the Board be increased within a reasonable period of time to include additional members who are qualified to sit as outside directors of the Institution. The Management Plan shall contain an organizational chart of the proposed management of the Institution, including the identity of all officers, a description of their respective responsibilities,

and the specific qualifications of each of the proposed officers. The Management Plan, before being implemented, shall be subject to the review and approval of the Regional Deputy Director.

At any time on or before the expiration of the seventy-five (75) day period following the date of this Order, the Institution may make a written request to the Regional Deputy Director for an extension of time of up to ninety (90) days in order to submit the Management Plan; provided the Institution has obtained and submits along with its written request copies of an executed letter of intent and an executed purchase agreement from a potential qualified investor. The determination whether a potential investor is "qualified" under this paragraph 3 shall be made by the OTS in its sole discretion. An additional extension of time beyond ninety (90) days may be requested in writing from the Regional Deputy Director; provided that all necessary applications and filings relating to the proposed acquisition have been made by the Institution and the qualified investor to the appropriate banking agencies.

4. The Institution shall submit to the Regional Deputy Director a review of the staffing needs of the Institution and each of its branches ("Staffing Plan") by March 31, 1992. The Staffing Plan shall discuss the current and proposed staffing needs of the Institution and describe the respective responsibilities, duties and qualifications for each staff position. The Staffing Plan shall, before implementation, be subject to the review and approval of the Regional Deputy Director, or his/her designee.

III. OPERATING RESTRICTIONS

5. The Institution shall not, and shall not allow any wholly or partly-owned subsidiary of the Institution to, make any payment, disbursement of funds, reimbursement, loan or extension of credit to, or purchase, sell, or lease any real or personal property from or to, George M. Hersh, John M. Hersh, George M. Hersh, II, Marjorie L. Hersh, Brian C. Hersh, Lisa A. Hersh, or any member of their immediate families, or any affiliate, or affiliated person of the Institution, without the prior written approval of the Regional Deputy Director or his designee. Regularly scheduled increases to salaries and year-end bonuses not to exceed 5% of current salaries, as well as reimbursements for direct expenses of the Institution related to mileage, educational seminars, or other miscellaneous items not to exceed One Hundred Dollars (\$100) are excepted from the restrictions of this paragraph 5.

6. The Institution shall submit all employment contracts for senior executive officers and directors to the Regional Director for review within thirty (30) days of the date of this Order, pursuant to Regulatory Bulletin No. 27, dated November 8, 1991.

7. The Institution shall not enter into contracts with consulting firms, investment bankers, attorneys, accountants, or any other third parties to provide services not usually required

in the normal course of business without the prior review by the Regional Director, pursuant to Thrift Bulletin No. 50, dated November 19, 1991.

8. Without the prior written approval of the Regional Director, the Institution shall not increase its total assets during any quarter in excess of an amount equal to net interest credited to the Institution's deposit liabilities during the quarter, pursuant to Regulatory Bulletin No. 3a-1, dated January 9, 1990.

9. Without the prior written approval of the Regional Deputy Director, the Institution shall not, and shall not allow any wholly or partly-owned subsidiary of the Institution to, invest in or transfer any loan where the primary obligor, secondary obligor, cosigner or guarantor on said loan is an officer, stockholder, director, member of the immediate family of a stockholder, officer, director, or affiliated person of the Institution.

10. The Institution shall bring each loan to a stockholder, director, executive officer, all companies controlled by such individuals, or affiliates outstanding as of the date of this Order into compliance with Section 22(h) of the Federal Reserve Act, 12 U.S.C. § 375b, within ninety (90) days of the date of this Order. Specifically, loans to George Hersh, II, and to Brian Hersh shall have terms revised to address specific deficiencies detailed in the Report of Examination as of July 29, 1991.

11. The Institution shall adhere to the policy statement guidelines set forth in 12 C.F.R. §§ 571.7 and 571.9 (1991) concerning conflicts of interest and usurpation of corporate opportunity. The Institution shall, within ninety (90) days of the date of this Order, revise its written policy concerning avoidance of conflicts of interest and usurpation of corporate opportunity to specifically address and correct the deficiencies noted in the Report of Examination as of July 29, 1991. At a minimum, such policy shall fully comply with 12 C.F.R. §§ 563.41, 563.42 and 563.43 (1991) as well as Sections 23A, 23B and 22(h) of the Federal Reserve Act, 12 U.S.C. §§ 371c, 371c-1, and 375b (Law. Co-op. Supp. 1991), respectively, and shall:

- a. Specify, by name, any director, stockholder, officer, employee, agent, or attorney whose occupation or business interests may create possible conflicts of interest or corporate opportunity abuses with the Institution;
- b. Identify specific areas in which such abuses could occur. This shall include, but not be limited to, overdrafts, loans, accounts receivable, and use of Institution property and personnel;
- c. Describe specific policies and actions that the Institution will adopt to avoid potential conflicts of interests and corporate opportunity abuses;
- d. Establish specific procedures for dealing with directors and management officials who violate the Institution's policies in these areas; and

- e. Set forth the steps that have been taken to eliminate any current or prevent future conflicts of interest (except for transactions specifically approved by the OTS), or the appearance of any conflicts of interest, or corporate opportunity abuses, or the appearance thereof.

Within thirty (30) days of the revision of said policy, the Board shall submit written certification to the Regional Deputy Director that the policy has been revised to correct deficiencies specified in the Report of Examination as of July 29, 1991, and has been approved by the Board. The Board shall also submit written certification, within the noted time frame, that any violation of 12 C.F.R. §§ 563.41 and 571.9 as identified in the Report of Examination as of July 29, 1991 has been eliminated. To the extent deviations from the policy are authorized by the Board (or otherwise), the Regional Deputy Director shall be notified of the reasons therefore and provided a list of the directors' votes authorizing and opposing such deviations.

12. The Institution shall take all actions necessary to sell on or before June 1, 1992, the two boats it now owns.

13. Without the prior written approval of the Regional Deputy Director, the Institution shall not purchase or commit to purchase any construction, golf course, or other related equipment.

14. No later than March 31, 1992, the Institution shall submit to the Regional Deputy Director a study of the feasibility of the Northland branch. This study shall make specific proposals

concerning the future of the Northland branch, include specific proposals to modify the current lease to reflect current market rates for such premises, and conclude whether the branch should be closed. The study shall also include information obtained from qualified independent sources (real estate broker, agent or appraiser) on market lease rates for the Northland branch office site.

15. The Institution shall use independent appraisers for appraisals required for loan underwriting and for valuation of real estate owned. With respect to current real estate owned, the Institution shall obtain independent appraisals compliant with applicable OTS Regulations, within ninety (90) days of the effective date of this Order, on each parcel which was owned by the Institution as of December 31, 1990 and not disposed of by December 31, 1991. In addition, the Institution shall comply with the requirements of 12 C.F.R. Section 563.172 (1991) as it pertains to the Institution's obligation to obtain an appraisal on each parcel of real estate owned at the earlier of in-substance foreclosure or at the time the Institution acquires such property and at such times thereafter as dictated by prudent management policy.

16. The Institution and its service corporations shall operate in such a manner to ensure the separate corporate existence of the Institution, as distinguished from its service corporations, as required by 12 C.F.R. §§ 563.37 and 571.21 (1991).

17. The Institution and Post Service Corporation shall collect interest at a rate not less than prime for the period dating from January 1, 1984 during which there were amounts outstanding in the accounts receivable from Northland Shopping Center, Inc. The Institution shall notify the Regional Deputy Director within forty-five (45) days of the date of this Order of the amounts collected and the interest rates used to calculate such amounts. Evidence of collection efforts shall be included in the notification sent hereunder.

18. The Institution shall determine the value of all accounting, check-writing, and other services provided by employees of the Institution for the personal benefit of George Hersh, II. The Institution shall bill and collect reimbursement for providing such services to George Hersh, II, to the extent that payment for such services has not already been received by the Institution from George Hersh, II. The Institution shall notify the Regional Deputy Director within forty-five (45) days of the date of this Order of the value of services provided, amounts collected prior to this Order, and the amounts billed and collected after the date of this Order. Such bill and evidence of collection efforts shall be included in the notification sent hereunder.

19. The Institution shall obtain and provide to the Regional Deputy Director within sixty (60) days of the effective date of this Order an opinion from an independent attorney or accountant addressing the Institution's responsibilities for reporting the transactions described in paragraph 18 of this Order under the

relevant tax codes. All appropriate reporting to taxing authorities shall be accomplished as soon as practicable, but no later than February 28, 1992.

20. The Institution shall, within one hundred twenty (120) days of the effective date of this Order, adjust its books and records to accurately reflect the fixed assets currently owned by the Institution. To assist in accomplishing this end, the Institution shall conduct a physical inventory of its fixed assets to ascertain which assets on its books and records are no longer owned and/or in the physical possession of the Institution.

IV. UNDERWRITING STANDARDS

21. Within ninety (90) days of hiring a new Chief Executive Officer as provided for under paragraph 3 of this Order, the Institution shall revise specific loan and investment policies and procedures that govern all loans, other extensions of credit, and loan investments made or purchased by the Institution or its subsidiaries ("Underwriting Standards") to address and correct the specific deficiencies and weaknesses detailed in the July 29, 1991 Report of Examination. These Underwriting Standards, at a minimum, shall require that prior to making or purchasing any loan, other extension of credit, or loan investment, the Institution or its subsidiaries must have obtained, as appropriate, each of the items listed in subsections (a) through (p) of paragraph 22 of this Order and in 12 C.F.R. § 563.170(c) (1991); provided, that any commitment to make or purchase any

loan, other extension of credit or loan investment shall be made subject to an agreement to obtain each of the items listed in subsections (a) through (c) of paragraph 22 and in 12 C.F.R. § 563.170(c) (1991). Upon revision, the Board of Directors shall submit written certification to the Regional Deputy Director that Underwriting Standards have been revised to correct deficiencies detailed in the July 29, 1991 Report of Examination, are compliant with minimum regulatory standards, and have been approved by the Board of Directors.

22. Until the Board of Directors has submitted the written certification of Underwriting Standards to the Regional Deputy Director, as described in paragraph 21 of this Order, the Institution or any of its subsidiaries shall not make, purchase, renew, or modify any loan (other than one-to-four-family dwelling loans from FHLMC, FNMA, or GNMA supervised lenders), or other extension of credit or loan investment without having first obtained, as appropriate, each of the following:

- a. A written application signed by the borrowers and guarantors stating the purpose of the loan, extension of credit or investment, and the identity of the security property;
- b. Signed financial statements of the borrowers and guarantors;
- c. A signed statement disclosing the purchase price paid by the borrowers;

- d. Current credit reports for each borrower and guarantor together with a written report signed by an employee of the Institution responsible for analyzing the loan, extension of credit, or investment ("Underwriter") explaining all outstanding derogatory items in the report and reflecting compliance with the Equal Credit Opportunity Act;
- e. A written report, signed by the Underwriter, evidencing that material items in the borrowers' and guarantors' financial statements have been verified and analyzed to ensure that the borrowers and guarantors have sufficient assets and cash flow to retire the loan under the terms of the note and/or guaranty;
- f. In the case of a loan or extension of credit upon real property or real property interests, an appraisal report which complies with 12 C.F.R. § 563.170(c)(1)(iv) and 12 C.F.R. Part 564, and conforms to generally-acceptable appraisal policy and practice guidelines;
- g. In the case of a loan secured by property other than real estate, an appropriate statement of value of the security property prepared by a qualified person, a verification of the lien status of the security property current through the date of the loan or commitment decision and, where appropriate,

- documents verifying the existence of the proposed security property and that it is owned by and/or title is held by the proposed borrower;
- h. Written evidence, duly verified, that the borrower has invested cash or another form of equity, as appropriate, in the security property;
 - i. In the case of construction loans or multiple disbursement loans for improvements, written cost estimates and breakdowns prepared by a qualified engineer, architect, or other person qualified to prepare such an estimate;
 - j. Written market feasibility studies prepared by a qualified professional for all acquisition, development, and construction loans, as the phrase acquisition, development, and construction loan is defined in § 213 of the Thrift Activities Handbook, dated June 1990;
 - k. A written approval form showing when and by whom the loan, other extension of credit, or investment was approved and the terms and conditions of such approval;
 - l. Title insurance commitment or acceptable attorney's opinion establishing the quality and validity of the Institution's lien on any real estate securing the extension of credit, and subsequent to closing

of the loan, a title insurance policy or acceptable attorney's opinion reflecting the required quality and validity of the Institution's lien;

- m. Written documentation showing that the Institution, upon the closing of the loan, or other extension of credit, furnished the borrowers or guarantors a statement setting forth in detail all charges and fees paid and obligated to be paid, including, but not limited to, the loan settlement statement;
- n. A written record showing the status of taxes, assessments, insurance premiums, and other charges on the security of the loan, other extension of credit or investment;
- o. Written documentation evidencing hazard insurance, in full force and effect, to protect the Institution from loss, as outlined in the policy statement at 12 C.F.R. § 571.4 (1991); and
- p. The file for each loan granted or purchased by the Institution shall include a written certification by an officer or other employee of the Institution that upon actual review, knowledge, and belief the loan complies with all acceptable provisions of the OTS Regulations and this Order.

23. The Institution shall not disburse funds on existing participations, loans in process, loan investments or other extensions of credit, other than one-to-four-family residential loans acquired through secondary markets, and investments eligible

as assets qualifying for liquidity as defined in 12 C.F.R. § 566.1 (1991), without first having obtained, as appropriate, each of the items listed in subsections (a) through (p) of paragraph 22 of this Order. Furthermore, the Institution shall not disburse funds for any loan, participation, or other extension of credit unless it has obtained the following:

- a. Written documentation showing the date, amount, purpose, and recipient of every disbursement;
- b. Written documentation evidencing all modifications to the original contract, including appropriate approval of each modification; and
- c. Written documentation supporting all release of any portion of the collateral supporting the loan or other extension of credit.

Every disbursement of funds in an amount of Twenty-five Thousand Dollars (\$25,000) or more, except as specifically excluded above and except for one-to-four-family residential loans, shall be approved in advance by a committee established by the board, which committee shall consist of at least one outside director. The minutes of each meeting of such committee shall reflect such approval and shall adequately describe the nature and purpose of the disbursement.

24. The Institution shall comply in all respects with the limitations on loans-to-one-borrower and the maintenance of adequate records for multiple borrowers as set forth in 12 C.F.R. § 563.93 (1991).

V. PLANS AND POLICIES

25. The Institution shall, within thirty (30) days of the effective date of this Order, close any securities trading accounts, sell or transfer to the Institution's investment portfolio any security which is held in a trading account, and cease any further involvement in trading activities in securities without either: (a) the prior written approval of the Regional Deputy Director; or (b) the prior written approval of the Regional Deputy Director of specific investment policies for the Institution which allow involvement in trading activities.

26. The Institution shall, within ninety (90) days of hiring a new Chief Executive officer as provided for under paragraph 3 of this Order, develop or revise comprehensive plans, policies, procedures, or guidelines to specifically address and correct each of the identified deficiencies or weaknesses detailed in the July 29, 1991 Report of Examination for the following areas:

- a. Internal asset classification as required by 12 C.F.R. § 563.160 (1991). This policy shall also include procedures by which the Board of Directors will formally assess the adequacy of general valuation allowances on at least a quarterly basis;
- b. Management and disposition of real estate owned;
- c. Collection of loans in default; and
- d. Loan modifications for troubled debt restructuring. This policy shall state the terms and conditions upon which modifications will be considered, the

levels of approval required and a commitment to following generally accepted accounting principles in recording and reporting modified loans.

Upon revision, the Board shall submit written certification for each of the policies, that these policies have been revised to correct deficiencies identified in the July 29, 1991 Report of Examination, are compliant with minimum regulatory standards, and have been approved by the Board of Directors. The Board shall review and monitor these policies on a continuing basis. The minutes of the Board meetings shall disclose the extent of the Board's involvement in this monitoring process. At a minimum, all policies shall be reviewed by the Board on an annual basis.

27. Within ninety (90) days of hiring a new Chief Executive Officer, as provided for under paragraph 3 of this Order, the Institution shall revise policies and procedures to address and correct the specific identified deficiencies or weaknesses as detailed in the July 29, 1991 Report of Examination, for the following areas:

- a. Management of interest rate risk. This policy shall include procedures by which the Board of Directors will formally monitor the level of interest rate risk on an ongoing basis;
- b. Asset/liability management; and
- c. Real estate appraisals.

Upon revision, the Board shall submit written certification for each of the policies, that these policies have been revised to correct deficiencies identified in the July 29, 1991 Report of Examination, are compliant with minimum regulatory standards, and have been approved by the Board of Directors.

28. The Institution shall submit to the Regional Deputy Director or his designee, for approval, a comprehensive one-year business plan within ninety (90) days of hiring a new chief executive officer as provided for under paragraph 3 of this Order. Such plan shall address the implementation of the Institution's plans, policies and procedures, and shall include pro forma financial statements, including a budget. Once approved by the Regional Deputy Director or his designee, the Board shall monitor compliance with the business plan on at least a quarterly basis and shall obtain from management an explanation for all material deviations from the plan. The minutes of the Board meetings shall disclose the extent of the Board's involvement in this monitoring process. Reports to the Board on compliance with the plan shall also be submitted to the Regional Deputy Director or his designee within 30 days of the end of each quarter.

VI. GENERAL PROVISIONS

29. The Board shall take prompt action to cause the Institution to fully comply with this Order. At least monthly, the Board shall evaluate the Institution's compliance with this Order and the conditions set forth in this Order. This review

shall be documented in the minutes of a regular meeting of the Board. All documentation considered by the Board in performing its review shall be explicitly referenced in the minutes of the meeting at which the review was undertaken.

30. No later than the final day of each calendar month, the Board of Directors of the Institution shall file with the Regional Deputy Director a resolution, similar to the attached resolution, signed by each individual Director, certifying that the Institution has fully complied with all conditions of this Order for the preceding calendar month. If full compliance is found not to exist, the resolution shall specify in detail all instances of non-compliance with this Order.

31. The Institution shall file all financial reports required by the OTS, including monthly and quarterly reports, by the required due date and such other reports requested by the Regional Deputy Director by the requested due date. In addition to these reports, the Institution shall submit a quarterly report beginning March 31, 1992. At a minimum, this report shall include the following:

- a. Loans classified at the July 29, 1991 examination or subsequently classified:
 1. original loan amount;
 2. current book value, detailing any established valuation allowance;
 3. major terms of loan;
 4. description and valuation of collateral;
 5. delinquency status;

6. amount of accrued interest;
 7. an estimate of the Institution's loss exposure;
 8. the interest paid to date; and
 9. status of collection efforts and litigation, if applicable.
- b. Real Estate and other Repossessed Collateral:
1. description of property;
 2. current book value, detailing the basis used for valuation allowance;
 3. valuation of property, detailing the basis for valuation; and
 4. status of disposition efforts.
- c. Evidence of the Institution's efforts to comply with paragraphs 10 and 15 of this Order.

The quarterly report should be submitted to this Office within 30 days after the end of each three-month period. The first report is due by April 30, 1992.

32. The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

33. It is understood that the Institution is subject to the provisions of Section 32 of the FDIA, 12 U.S.C.S. § 1831(i) (Law. Co-op. Supp. 1991), thereby requiring it to provide the Regional Director with prior written notice of the proposed addition of any individual to the Board of Directors or the employment of any individual as a senior executive officer.

34. It is expressly and clearly understood that if, at anytime, 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, including actions against Institution-affiliated parties, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

35. Nothing in this Order shall be construed as allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject.

36. The provisions of this Order are effective upon issuance of this Order by the OTS, through its authorized representative whose hand appears below. This Order shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

OFFICE OF THRIFT SUPERVISION

/S/

Billy C. Wood
Regional Director
Midwest Regional Office

RESOLUTION

WHEREAS, the Board of Directors of Postal Savings and Loan Association, Topeka, Kansas has been required to make certain certifications regarding the activities as outlined in the Order to Cease and Desist dated _____, 1992, and

WHEREAS, the Board of Directors has reviewed certain activities and transactions with the senior officers of the Institution occurring during the month of _____, 1992;

NOW, THEREFORE, BE IT RESOLVED, that based upon reports and information provided to the undersigned directors by the senior officers of the Institution, the undersigned members of the Board of Directors hereby certify that, to the best of our knowledge and belief, Postal Savings and Loan Association, has fully complied with all conditions of the Order to Cease and Desist during the month of _____, 19__.

DATE: _____