

UNITED STATES OF AMERICA  
before the  
OFFICE OF THRIFT SUPERVISION

In the Matter of  
The Potters Savings and Loan  
Company  
East Liverpool, Ohio

Resolution No.: CIN 91- 15  
Dated: May 23, 1991

STIPULATION AND CONSENT TO ISSUANCE OF  
ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS") by and through its Deputy Regional Director for the Cincinnati District Office of OTS and The Potters Savings and Loan Company, East Liverpool, Ohio ("Potters"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative Cease and Desist proceeding against Potters pursuant to the Federal Deposit Insurance Act, § 8(b), 12 U.S.C.A. § 1818(b) (West 1989). Potters desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting 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 Potters with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Potters is a "savings association" and an "insured depository institution" as defined by 12 U.S.C.A. §§ 1462 and 1813 (West 1989 and Supp. 1990).

(b) The OTS is the "appropriate Federal Banking agency" to maintain a cease and desist proceeding against such savings association, pursuant to 12 U.S.C.A. § 1818(b) (West 1989), therefore, Potters is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it.

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

4. Finality. The Order is issued under 12 U.S.C.A. § 1818(b) (West 1989). Upon its issuance by the Cincinnati District Office, OTS, it shall be a final Order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C.A. § 1818(i) (West 1989).

5. Waivers. Potters waives its right to a notice of charges and the administrative hearing provided by 12 U.S.C.A. § 1818(b) (West 1989), and further waives its right to seek judicial review of the Order, including any such right provided by 12 U.S.C.A. § 1818(h) (West 1989), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Deputy Regional Director for the Cincinnati District Office, OTS, and Potters by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

The Potters Savings and Loan Company  
East Liverpool, Ohio  
by a majority of its directors

/S/

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Thomas A. Hamilton  
Deputy Regional Director  
Cincinnati District Office  
Office of Thrift Supervision

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East Liverpool, Ohio )

Resolution No.: CIN 91- 15  
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CONSENT CEASE AND DESIST ORDER

WHEREAS, Potters Savings and Loan Company, East Liverpool, Ohio ("Potters" or "Institution") through its directors, has executed a Stipulation and Consent to Issuance of a Consent Cease and Desist Order ("Stipulation") that is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Deputy Regional Director for the Cincinnati District and is incorporated herein by reference; and

WHEREAS, Potters in the Stipulation, has consented and agreed to the issuance of this Order ("Order") pursuant to the Federal Deposit Insurance Act, Section 8(b) as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), 12 U.S.C.A. Section 1818(b)(West 1989) and has agreed to be bound by its terms.

NOW THEREFORE, IT IS ORDERED that Potters and its directors, officers, employees, agents, and service corporations comply with the following provisions of this Order:

THE BOARD OF DIRECTORS AND MANAGEMENT

1. Within sixty (60) days after the effective date of this Order, the Board of Directors shall develop and adopt a written policy that

addresses the minimum oversight activities and duties which the Board believes constitutes adequate fulfillment of each Director's fiduciary responsibilities. The policy shall address the level and timing of Board direction to management through the development and implementation of comprehensive policies and procedures and the level of board oversight of management to ensure that the strategies, goals and objectives contained in Board-adopted policies and procedures can be achieved satisfactorily. Such a policy shall be in a form acceptable to the Deputy Regional Director or designee. The Board's deliberations of the policy contents shall include, at a minimum, consideration of the OTS publication entitled "Director Information Guidelines" which was distributed to the thrift industry in December 1989.

2. Within sixty (60) days after the effective date of this Order, the Board of directors shall establish a policy for director attendance and participation at all Board and committee meetings. Such policy shall address director resignation or removal for lack of attendance and for lack of active participation. The Board shall consider whether any new directors with any particular area of expertise would be advantageous to Potters. The Board shall seek any new director(s) with such expertise. Until notified otherwise, the Board shall submit monthly progress reports, which detail the Board's efforts to strengthen its membership, to the Deputy Regional Director or designee.

3. Within sixty (60) days of the effective date of this Order, the Board of directors shall:
  - a) Approve revisions to the existing asset classification policies to ensure enhanced internal asset review and classification practices.
  - b) Revise existing loss allowance policies to ensure current and future compliance with the appropriate recognition of general valuation allowances. Potters shall immediately establish specific valuation allowances, or write-off, those assets classified as Loss in the OTS Report of Examination dated February 4, 1991.
  - c) Initiate procedures to assure appropriate correction of the violations of law and/or regulation disclosed in both the most recent FDIC examination report and the February 4, 1991 OTS examination reports. The requirement to address deficiencies in the FDIC report shall be 60 days from the date of receipt of that report.
4. Within ninety (90) days of the effective date of this Order, the Board shall revise its adopted written mortgage lending policies and procedures to include at a minimum:
  - a) A prohibition on all out-of-area income property lending not within 75 miles of Potters' home office. Refinancing of existing portfolio income property loans and loans to facilitate the sale of income property; however, are permitted provided that prior approval of the Deputy Regional Director or his designee is obtained;

- b) All loan document files to contain complete applicant(s) credit information, analysis of applicant(s) loan repayment capacity, loan repayment schedule, and collateral property documentation standards;
  - c) Revised legal lending documents which permit Potters to require annual financial statements from borrowers of commercial mortgages;
  - d) Procedures to maintain complete and current credit files for all commercial and income-property borrowers; and
  - e) Residential mortgage loans may be made on property located within the State of Ohio and/or within 75 miles of Potters' home office.
5. Potters shall not appoint, elect, or hire any former officer or director to serve as a director, officer, consultant, or in any other capacity for the institution or its subsidiaries. Severance compensation for executive officers and directors, if any, will be subject to prior approval by the Deputy Regional Director or designee.
6. The Board shall hire a qualified individual to supervise the commercial mortgage lending portfolio. The Board shall send monthly reports to the District Director or designee, detailing Potters' hiring efforts. The qualifications of the candidate selected for this position will be submitted to OTS for review prior to her/his employment. This corporate officer's primary responsibilities are to focus on the performance and work-out resolutions of the Colorado loans and Colorado real estate owned properties. She/He will coordinate and supervise the efforts of the existing consultant and any other work-out specialists

retained by Potters. The Board will ensure that this individual has adequate support staff to carry out his/her assigned responsibilities.

ASSET QUALITY

7. Within sixty (60) days after the effective date of this Order, the Board shall prepare, approve, and submit a detailed Asset Quality Enhancement Plan, for all criticized assets with balances of at least \$200,000, to the Deputy District Director or his designee for approval. The Plan for the assets noted in subparagraph (d) of this section, shall contain comprehensive narrative discussions of monitoring and collection strategies to enhance and sustain the quality of Potter's asset portfolios. At a minimum, the Plan must provide objectives which address the following major components:
- a) The reduction of levels of credit concentrations which were criticized in the OTS February 4, 1991 Report of Examination;
  - b) The reduction of the volume of adversely classified assets to an acceptable level, such reduction to be consistent with the capital restoration plan required under this Order;
  - c) Potters shall supplement its relationship with the existing consultant and contract with a regional or national work-out firm, (within 90 days of the effective date of this Order), to assist Potters in disposing of out-of-state commercial real estate loans and real estate owned properties in Colorado;
  - a) The correction of deficiencies in those assets designated Special Mention in the OTS February 4, 1991 Report of Examination and the concurrent FDIC examination report. The

requirement to address in the plan, deficiencies in the FDIC examination report, shall be sixty (60) days from the date of receipt of that report by Potters.

8. Potters shall immediately cease to make additional investments in purchase of, or originations of mobile home loans from or through Mobile Consultants Inc. (MCI) Alliance, Ohio. This abstention includes modification of terms, restructurings, refinancings, extensions, workouts, and other similar arrangements, unless prior written approval of the Deputy Regional Director or designee has been obtained.
9. Within sixth (60) days after the effective date of this Order, the Board shall prepare, approve, and submit a comprehensive plan to the Deputy Regional Director or his designee detailing its efforts to remedy the concerns expressed in the OTS Report of Examination dated February 4, 1991, concerning Potter's relationship with MCI. Such a comprehensive plan shall include the Board's descriptive analyses of the two following alternatives:
  - a) Retention of the existing mobile home loan portfolio; or,
  - b) Sale of the mobile home loan portfolio and associated servicing rights, if any.

#### CAPITAL AND OPERATIONS

10. Within sixty (60) days of the effective date of this Order, the Board shall submit a business plan, acceptable to the Deputy Regional Director or designee, in accordance with OTS Business Plan Guidelines, issued on 12/31/89 as OTS Thrift Bulletin 89-62. This business plan

shall be projected through December 31, 1994 and include the business strategies to achieve required capital levels. The business plan shall demonstrate compliance with contemporaneous capital requirements in addition to a minimum core capital requirement equal to 6% of adjusted tangible assets. This minimum level of core capital, based upon the current asset portfolio's risk, shall be achieved no later than December 31, 1991. Potters shall not implement material changes to the activities and strategies outlined in this plan without the written approval of the Deputy Regional Director or designee.

11. Nothing contained in this Order shall prevent the Office of Thrift Supervision from taking additional supervisory action on matters not specifically covered by this Order, as deemed appropriate under the then present circumstances. Potters and its directors and its officers shall comply with all supervisory directives issued by the OTS in an accurate, complete, and timely manner. Upon request, Potters shall furnish the OTS with such written reports, that in the opinion of OTS, are necessary to assure the OTS of Potters' compliance with this Order.

All technical words or terms used in this Order, for which meanings are not specified or otherwise provided 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, the Home Owners' Loan Act or Federal Deposit Insurance Act, and any such technical words or terms used in this Order, and undefined by the statutes, rules and regulations contained in said Code of Federal Regulations, HOLA, FDIA or OTS Memoranda, shall have meanings that accord with the best custom and usage in the savings and loan industry.

**THE OFFICE OF THRIFT SUPERVISION**

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Thomas A. Hamilton, Jr.  
Deputy Regional Director  
Cincinnati District Office  
Office of Thrift Supervision