

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	
)	
PEOPLES FEDERAL SAVINGS AND LOAN ASSOCIATION,)	Re: Order No. NE 07-01
Sidney, Ohio (OTS No. 03917))	Dated: February 12, 2007
)	

**STIPULATION AND CONSENT
TO ISSUANCE OF AN ORDER TO CEASE AND DESIST**

This Stipulation and Consent to Issuance of an Order to Cease and Desist (“Stipulation”), which concerns the accompanying and above-referenced Order to Cease and Desist (the “Order”), is submitted by **PEOPLES FEDERAL SAVINGS AND LOAN ASSOCIATION**, Sidney, Ohio (the “Savings Association” or the “Association”, OTS No. 03917), to the Office of Thrift Supervision (“OTS”), which is acting through its Northeast Regional Director (“Regional Director”).

WHEREAS, the OTS, based upon information derived from the exercise of its regulatory responsibilities, has informed the Savings Association that the OTS is of the opinion that grounds exist to initiate administrative proceedings against the Savings Association pursuant to 12 U.S.C. § 1818;¹ and

WHEREAS, the Savings Association desires to cooperate with the OTS to avoid the time and expense of such administrative proceedings, and

WHEREAS, the Savings Association, while admitting that the OTS has jurisdiction with respect to this matter (as addressed in Paragraph 1 below), neither admits nor denies (i) that the above-mentioned grounds exist, or (ii) the OTS Findings of Fact (in Paragraph 2 below).

NOW, THEREFORE the Savings Association hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) Peoples Federal Savings and Loan Association is a "savings association" within the meaning of 12 U.S.C. §§ 1813(b) and 1462(4). Accordingly, the Savings Association is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

¹ All references in this Stipulation and in the Order are to the United States Code as amended.

(b) Pursuant to 12 U.S.C. § 1813(q), the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain administrative enforcement proceedings against savings associations. Therefore, the Savings Association is subject to the authority of the OTS to initiate and maintain administrative cease-and-desist proceedings against it pursuant to 12 U.S.C. § 1818(b).

2. OTS Findings of Fact.

These OTS findings, from its recent examination of the Savings Association, concern the Association's implementation of its Bank Secrecy Act compliance program ("BSA Compliance Program") during 2005 through August 2006. The OTS determined that the Association failed to fully comply with the requirements of 12 C.F.R. §§ 563.180(d), 563.177, and 31 C.F.R. § 103.18. This is because the OTS concluded that there were significant weaknesses in the "independent review" component of the Association's BSA Compliance Program, and that the Association had failed to identify and file Suspicious Activity Reports with respect to a few suspected instances of "structured" customer financial transactions.

3. Consent.

(a) The Savings Association hereby consents to the issuance by the OTS of the Order.

(b) The Savings Association further agrees to comply with the terms of the Order upon its issuance. The Savings Association further stipulates and agrees that the Order complies with all requirements of law, as applicable.

4. Finality.

The Order is issued by the OTS under the authority of 12 U.S.C. § 1818(b). Upon the issuance of the Order by the OTS, acting by and through the undersigned Regional Director (which term also shall refer to the Regional Director's authorized designees), the Order shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

The Savings Association hereby waives the following:

- (i) The right to be served with a written notice of the OTS' charges;
- (ii) The right to an administrative hearing of the OTS' charges; and
- (iii) The right to seek judicial review of either the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

6. Other Government Actions Not Affected.

The Savings Association acknowledges and agrees that its consent to the issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Savings Association that arise pursuant to this action or otherwise, and that may be or have been brought by any other government entity other than the OTS. The Savings Association further acknowledges and understands that its stipulation and consent to issuance of the Order only settles contemplated OTS administrative proceedings that the OTS could have started, pursuant to provisions of 12 U.S.C. § 1818, based on the OTS' findings summarized at paragraph 2 of this Stipulation.

7. Relation to Other OTS Regulatory Actions.

To the extent not already accomplished, the Savings Association remains obligated to take all corrective actions specified in the OTS Report of Examination for the examination of the Savings Association started on September 25, 2006. However, to the extent there are any conflicts between deadlines specified in that Report of Examination and deadlines specified in the Order, the deadlines in the Order shall prevail and be applicable.

8. Miscellaneous.

(a) The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

(b) All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

(c) The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order.

(d) The terms of this Stipulation and of the Order represent the final written agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

(e) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

WHEREFORE, the Savings Association executes this Stipulation, intending to be legally bound hereby.

**PEOPLES FEDERAL SAVINGS
AND LOAN ASSOCIATION**

s/ Douglas Stewart [copy]
By: _____
Douglas Stewart
President

Date: February 8, 2007

Accepted by:
OFFICE OF THRIFT SUPERVISION

s/ Robert C. Albanese [copy]
By: _____
Robert C. Albanese
Regional Director

Date: See the date in the caption hereof

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	
)	
)	Order No. NE 07-01
PEOPLES FEDERAL SAVINGS)	
AND LOAN ASSOCIATION,)	Date: February 12, 2007
Sidney, Ohio (OTS No. 03917))	
)	

ORDER TO CEASE AND DESIST

WHEREAS, **PEOPLES FEDERAL SAVINGS AND LOAN ASSOCIATION**, Sidney, Ohio (the "Savings Association", OTS No. 03917) has executed a Stipulation and Consent to Issuance of an Order to Cease and Desist ("Stipulation"); and

WHEREAS, the Savings Association, by its execution of the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to 12 U.S.C. § 1818(b);² and

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of Section 8 of Federal Deposit Insurance Act, 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED THAT:

1. Compliance With Laws and Regulations.

The Savings Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of:

The Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the "Bank Secrecy Act" or "BSA"), 31 U.S.C. §§ 5311 *et seq.*, and the regulations issued thereunder by the U. S. Department of the Treasury, 31 C.F.R. §§ 103.11 *et seq.*, and the related BSA regulations issued by the OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the "BSA Laws and Regulations"), including but not limited to:

- 12 C.F.R. § 563.177 (anti-money laundering program requires an effective "independent testing" component); and
- 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18 (Suspicious Activity Reports).

² All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

2. Adoption and Implementation of Corrective Plan Required.

(a) By no later than sixty (60) days of the Effective Date of this Order, the Savings Association shall adopt (by official action of its Board of Directors) and commence implementation of an appropriate written corrective action plan (“Corrective Plan”) reasonably designed to correct BSA-related deficiencies reported in the OTS Report of Examination for the examination started on September 25, 2006. Among other things, the Corrective Plan shall provide for:

- (i) Implementation of enhanced customer due diligence procedures for all “higher-risk” customers; such enhanced procedures shall be employed prior to account opening for new accounts of “higher-risk” customers;
- (ii) Additional employee training that shall be designed – (A) to facilitate employee identification of possible “structured transactions” and other suspicious transactions, and (b) to promote timely and accurate preparation and filing of Suspicious Activity Reports in accordance with 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18; and
- (iii) Effective independent testing for compliance by properly qualified and trained persons; and
- (iv) Timely implementation of all other corrective actions in response to BSA-related comments set out in the above-identified OTS Report of Examination.

(b) On no less than a monthly basis, the Savings Association’s Board (or an appropriate Board committee) shall monitor the Savings Association’s implementation of the Corrective Plan. In connection with such monitoring the Board (or committee) shall receive reports from appropriate Savings Association personnel and, if applicable, outside consultants. The monitoring by the Board (or committee) shall be duly reflected in the official minutes thereof.

(c) Starting no later than March 31, 2007 (or such later date as the OTS may permit in writing) and on a bi-monthly basis thereafter (until otherwise notified in writing by the OTS), the Savings Association’s Board (or an appropriate Board Committee) shall submit written status updates to the OTS relative to the Savings Association’s actions in response to the requirements of the preceding subparagraph.

(d) The Savings Association (including its Board, management, and employees) shall be responsive to OTS comments provided to the Savings Association relative to the contents and implementation of the Corrective Plan required by this Order.

(e) The Savings Association’s Board also shall monitor and update the BSA Compliance Program on an ongoing basis as necessary to adjust to: (i) changes in the Savings Association’s

operations that may impact on its compliance with the BSA and regulations thereunder and (ii) changes to the BSA Laws and Regulations (as well as related forms).

3. Definitions.

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 ("HOLA"), the Federal Deposit Insurance Act ("FDIA"), OTS Memoranda or other published OTS guidance. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, the HOLA, the FDIA, or OTS Memoranda/guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

4. Successor Statutes, Regulations, Guidance, Amendments.

Reference in this Order to provisions of statutes, regulations, OTS Memoranda, and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

5. No Violations Authorized; OTS Not Restricted.

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Savings Association to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that OTS determines to be appropriate, arising out of matters described in the most recent Report of Examination, or based on other matters.

6. Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated.

(a) Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

(b) The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Order is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the

remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

(d) The Stipulation is made a part hereof and is incorporated herein by this reference.

7. Effective Date; Duration.

This Order is and shall become effective on the date it is issued, *i.e.*, the Effective Date as shown on the first page hereof. This Order (including the related Stipulation) shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

s/ Robert C. Albanese [copy]

By: _____
Robert C. Albanese
Regional Director, Northeast Region