

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

JAMES R. CRUCE)

Former Chairman of the)
Board of Directors of)
Peoples Heritage Federal)
Savings and Loan)
Association)
Salina, Kansas)

Re: Enforcement Review
Committee Resolution
No. ERC 89-118,
dated October 13, 1989

STIPULATION AND CONSENT TO
ISSUANCE OF ORDER OF
PROHIBITION

The Office of Thrift Supervision ("OTS"), by and through its Enforcement Review Committee ("ERC"), and James R. Cruce ("CRUCE"), former Chairman of the Board of Directors of Peoples Heritage Federal Savings and Loan Association, Salina, Kansas, ("PEOPLES"), hereby stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that the grounds exist to initiate an administrative proceeding against CRUCE pursuant to Section 8(e)(1) of the Federal Deposit Insurance Act, as amended ("FDIA"), by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"), (to be codified at 12 U.S.C. § 1818(e)(1)). CRUCE desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, and without any adjudication

of any issue of fact or law, hereby stipulates and agrees to the following terms in consideration of the forbearance of OTS from initiating such administrative removal and prohibition litigation against CRUCE, arising out of or related in any way to association with Peoples or with any affiliate thereof.

2. Jurisdiction. PEOPLES is a savings association as that term is used in Section 3 of the FDIA, as amended by FIRREA. OTS is of the opinion that CRUCE, as a former officer and director of PEOPLES, is subject to the administrative jurisdiction and authority of the OTS to institute and maintain a removal and prohibition proceeding against him pursuant to Section 8(e) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(e)). Except for the sole purpose of the entry of the accompanying Order of Prohibition ("Order"), CRUCE does not so stipulate, and reserves the right to contest the authority and administrative jurisdiction of the OTS in any subsequent enforcement proceeding.

3. Consent. CRUCE consents to the issuance by the OTS of the accompanying Order. He further agrees to comply with its terms upon issuance and stipulates that the order complies with all requirements of law, except as to the reserved issue of jurisdiction as set forth in paragraph 2 above.

4. Finality. The Order is issued under Section 8(e)(1) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(e)(1)), and except as to a possible challenge of jurisdiction as set forth in paragraph 2 above, upon its issuance shall be a final order, which is fully effective as of the date of

the above-captioned ERC resolution, which resolution causes the Order to be issued on behalf of the OTS. It is fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)).

5. Waivers. CRUCE waives his right to a notice of intention to remove and prohibit and the administrative hearing provided by Section 8(e) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(c)), and further waives his right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(h)), or otherwise to challenge the validity of the Order, except as to jurisdiction as set forth in paragraph 2 above.

WHEREFORE, in consideration of the foregoing, the ERC, on behalf of the OTS, Cruce execute this Stipulation and consent to Issuance of Order of Prohibition.

OFFICE OF THRIFT SUPERVISION

"CRUCE"

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Rosemary Stewart
Secretary, Enforcement
Review Committee and
Director, Office of Enforcement

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James R. Cruce

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Re: Enforcement Review
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ORDER OF PROHIBITION

WHEREAS, James R. Cruce has executed a Stipulation and Consent to Issuance of Order of Prohibition ("Stipulation"), which is accepted and approved by the Office of Thrift Supervision ("OTS"); and

WHEREAS, James R. Cruce, in the Stipulation has consented and agreed to the issuance of this Order of Prohibition ("Order") pursuant to Section 8(e)(1) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), Pub L. No. 101-73, 103 Stat. 183,

NOW THEREFORE, IT IS ORDERED that:

1. James R. Cruce is prohibited from further participation, in any manner, in the conduct of the affairs of Peoples Heritage Federal Savings and Loan Association, Salina, Kansas, or its subsidiaries. Conduct prohibited by this Order includes, inter alia the solicitation or exercise of any voting

rights with respect to any securities issued by the savings association or its subsidiaries.

2. Without the prior written approval of the OTS (and, if appropriate, another Federal financial institutions regulatory agency), James R. Cruce may not hold any office in, or participate in any manner in the conduct of the affairs of any institution or other entity as set forth in Section 8(e)(7)(A) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(e)(7)(A)).

3. (a) Within thirty (30) days following the effective date of this Order, James R. Cruce shall cause Peoples Federal Bancshares, Inc. to place its stock in Peoples Heritage Federal Savings and Loan Association in a trust, evidenced by a written trust indenture acceptable to the OTS, providing inter alia, for (i) legal ownership of the stock to be vested in a trustee acceptable to the OTS, and (ii) beneficial ownership of the stock to be retained by Peoples Federal Bancshares, Inc.

(b) The terms of the trust indentures shall be consistent with the terms of this Order.

(c) A trust indenture or a trustee shall not be deemed acceptable to the OTS unless the OTS, by and through the Director of the Office of Enforcement, in writing, advises James R. Cruce (or his counsel) that the trust agreement or trustee is acceptable to the OTS.

4. The Stipulation is made a part hereof and is incorporated by reference herein.

5. This Order is subject to the provisions of Section 8(e)(6) and 8(j) of the FDIA, as amended by FIRREA (to be codified at §§ 1818(e)(6) and (j)), and shall become effective on the date it is issued.

THE OFFICE OF THRIFT SUPERVISION

JS
Rosemary Stewart
Secretary, Enforcement Review
Committee and
Director, Office of Enforcement

Agreed to by:

JS
James R. Cruce

Date: _____