

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 13 day of ~~SEPTEMBER~~ 1991, by and between Peoples Federal Savings Bank, Wooster, Ohio ("Peoples"), and the Office of Thrift Supervision ("OTS"), through its Regional Director for the Central Regional Office or designee ("Regional Director").

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Peoples, its directors, officers, employees, agents and service corporations. It is understood and agreed that this Agreement is a "written agreement" entered into with the Office of Thrift Supervision within the meaning of Section 8(b) and (i) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b) and (i) (Supp. I 1989).

Without admitting or denying any alleged violations of law or regulation, Peoples, nevertheless, in the interest of regulatory cooperation, is willing to enter into this Agreement.

NOW THEREFORE, IT IS AGREED:

1. Within 60 days from the date of this Agreement, Peoples' Board of Directors shall adopt strategies for reducing the ratio of classified assets to tangible capital plus general valuation allowances to a level below 80%, and shall meet such ratio by no later than December 31, 1992.

- C Supervisory File
- C Corporate File
- C Holding Co. File #
- C OTS - Dockets
- C Examinations
- C Edwards, DRS, KDC(D)
- C FDIC - Chicago, IL
- C FDIC - Washington
- C Audit File
- C Circulating File
- C Membership File
- C Casrak, Brafman, Pritchard

9-16-91
(Date)

2. Within 30 days from the date of this Agreement, Peoples' Board shall submit to the Assistant Director, Cincinnati Office of OTS, written confirmation that assets classified "Loss" aggregating \$1,248,054, as detailed in the May 6, 1991 OTS Report of Examination, have been recognized. Those assets qualifying as in-substance foreclosures should be written down; all others shall have specific valuation allowances established.

3. Within 30 days from the date of this Agreement, Peoples' Board shall submit written confirmation that the OTS examiners' asset classifications have been incorporated into a revised March 31, 1991 Thrift Financial Report ("TFR"). Such confirmation shall also include verification that the March 31, 1991 TFR has been amended to correct the inaccuracies noted in the May 6, 1991 OTS Report of Examination. Peoples shall also implement procedures to prevent such inaccuracies or other errors in future TFRs.

4. Within 30 days from the date of this Agreement, Peoples' shall establish general valuation allowances of at least \$2.5 million and appropriately adjust the level of general valuation allowances thereafter.

5. Within 30 days from the end of each quarter, Peoples shall submit to the Assistant Director, a listing of all classified assets, including those designated "Special Mention." Such listing shall include: the identity of each such asset by name and type; the gross balance of each asset; if appropriate, any specific reserve and the resulting net balance; the classification of each such asset; any actions take by Peoples; and the status of each such asset. In addition, Peoples shall submit to the

Assistant Director, within 30 days from the end of each quarter, a discussion of changes in the general and specific valuation allowances and an explanation of changes in the balances of "Substandard," "Doubtful," and "Loss" assets.

6. Within 30 days from the date of this Agreement, Peoples' Board shall adopt and submit policies to the Assistant Director for approval, and management shall implement procedures to insure uniform and improved loan underwriting requirements and guidelines for indirect automobile lending.

7. Within 30 days from the date of this Agreement, Peoples' Board shall adopt an Investment Policy. Such Policy shall, at a minimum, describe investment objectives and strategies, set guidelines for liquidity, types of investments, quality requirements for investments, lines of authority, and internal controls, in accordance with Section 571.19 of the OTS Regulations.

8. Within 90 days from the date of this Agreement, Peoples' Board shall adopt and submit for approval to the Assistant Director a comprehensive three-year Business Plan. Such Plan shall incorporate and make reference to the strategies, policies and procedures required under paragraphs 1, 6, and 7 above. In addition, the Plan shall outline strategies for reducing interest rate risk and addressing concerns noted on pages 17 and 18 of the May 6, 1991 OTS Report of Examination. The Board shall review Peoples' performance toward meeting the goals and objectives of the Plan on at least a quarterly basis, with such review being noted in the minutes from the appropriate Board meeting.

9. Peoples' Board shall notify the Assistant Director prior to entering into any new lending activities. The notification shall include the Board of Directors' approved policies and procedures relating to the new activity and shall be submitted 30 days prior to the initiation of any such activity.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act, Federal Deposit Insurance Act or OTS Memoranda, as amended, and all such technical words or terms used in this Agreement, and undefined by the statutes, rules and regulations, shall have meanings that accord with the best custom and usage in the savings and loan industry.

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. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through its Regional Director.

IN WITNESS WHEREOF, the parties have executed this Agreement by their Board of Directors or designated agent. A certified copy of the resolution of the Board of Directors of Peoples authorizing the execution of this Agreement is attached hereto and made a part hereof.

OFFICE OF THRIFT SUPERVISION

PEOPLES FEDERAL SAVINGS BANK
WOOSTER, OHIO
by a majority of its directors

By

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~~_____~~
Stuart M. Brafman
Regional Director
Central Regional Office

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CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Peoples Federal Savings Bank, Wooster, Ohio, hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on Sept 13, 1991, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of Peoples Federal Savings Bank, Wooster, Ohio. The officers and employees of Peoples Federal Savings Bank are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Peoples Federal Savings Bank this 13th day of Sept., 1991.

JS
Secretary