

SUPERVISORY AGREEMENT

95002

This Supervisory Agreement ("Agreement") is made and is effective this 2nd day of APRIL 1992 ("Effective Date"), by and between Wayne Savings and Loan Company (OTS No. 04195), Wooster, Ohio ("Wayne" or "Institution") and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. sections 1818(b)(1) and (i)(2).

WHEREAS, the OTS is of the opinion that Wayne has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, thereby providing grounds for the initiation of proceedings against Wayne by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of proceedings against Wayne for (i) its failure to comply with certain regulations; (ii) its need to reduce its level of classified assets and enhance procedures for asset classification and loan review; and (iii) its failure to obtain current appraisals and financial statements where appropriate, for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Wayne, by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such proceedings pursuant to 12 U.S.C. Section 1818(b);

NOW, THEREFORE, in consideration of the above-stated forbearance by OTS from the initiation of such proceedings pursuant to 12 U.S.C., Section 1818(b) against Wayne, it is agreed between the parties hereto as follows:

1. No later than 30 days of the Effective Date of this Agreement, Wayne shall establish policies and procedures to ensure that the Board shall continue to review the adequacy of all reserves at least quarterly and so note its review and acceptance in the minutes.

2. Wayne shall review and submit to the OTS a quarterly report describing the status of each classified asset in excess of \$250,000, including sufficient detail to clearly identify the asset, related specific valuation allowance, and changes in the classified asset composition beginning with the Report of Examination or the preceding quarterly report.

3. Pursuant to the request of the OTS, Wayne has submitted to the OTS a plan outlining specific strategies for the reduction of classified assets, including targeted levels for classified assets and net income for each quarter over the next 3 years. Wayne shall submit a quarterly report to the OTS comparing Wayne's actual results with those projected in this plan.

4. No later than 30 days of the Effective Date of this Agreement, the Board shall adopt policies and implement procedures which shall provide for enhanced internal asset review, including at a minimum the following:

(a) the criteria for establishment of a problem asset which shall include delinquency status, as well as other pertinent indicators;

(b) a procedure to ensure the timely identification of problem assets or potential problem assets and ongoing review of said assets for classification purposes;

(c) the establishment of an independent asset review committee, consisting of outside directors and officers not involved in lending or investment decisions; and

(d) a requirement that the asset review committee maintain adequate records and documentation of its activities.

5. No later than 30 days of the Effective Date of this Agreement, Wayne shall adopt enhanced policies and procedures to ensure that current appraisal reports are obtained for those assets acquired by deed in lieu of foreclosure action, as well as those assets securing the loans that have been restructured. Any adjustment required to bring the book value in line with fair value shall be made immediately.

6. Wayne shall require, in the appropriate loan documents, that all commercial real estate borrowers submit personal and business financial statements and provide updated operating statements on the security property at least annually. Wayne shall also use its best efforts to obtain the above information on its existing commercial real estate borrowers. Wayne shall obtain current appraisals or inspection reports to ensure that all data is available to properly value loans.

7. Prior to any restructuring or refinancing of any commercial real estate loan, Wayne shall obtain the above appraisals, current financial statements and other data necessary to properly evaluate the collateral for such loan, restructuring or refinancing.

8. Wayne shall refrain from any violation of, or the aiding and abetting of any violation of 12 C.F.R. 563.43. Wayne shall adopt enhanced written policies, and implement procedures for ensuring compliance with affiliated person statutes and regulations, including Section 22(h) of the Federal

Reserve Act, 12 U.S.C. section 375b, and 12 C.F.R. 563.41-563.43.

9. Wayne shall prepare future Thrift Financial Reports ("TFRs") in substantial compliance with TFR instructions.

10. Any policies and procedures required by this Agreement are to be strictly adhered to by Wayne, its directors, officers and employees.

IT IS FURTHER AGREED AS FOLLOWS:

(a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy Regional Director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

(b) It is expressly and clearly understood that if, at any time, 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, nothing in this Agreement shall in any way inhibit, stop, bar, or otherwise prevent the OTS from doing so.

(c) Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement. Such time limitations may be extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.

(d) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provision of this

Agreement, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS, including, without limitation, Chapter V of Title 12 Code of Federal Regulation. Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(e) 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.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 525 Vine Street, Suite 700, Cincinnati, Ohio 45202, Attn: Assistant Director, unless the Institution is otherwise notified in writing. All reports and other documents shall be deemed filed when received by the OTS.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee. The Institution may request review, after the next full regular examination of Wayne and after each such examination thereafter, of the status of this Agreement and the progress Wayne has made in addressing the concerns identified therein.

IN WITNESS WHEREOF, the OTS, acting through its Regional Director and Wayne Savings and Loan Company, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

By: 151
Stuart M. Brafman
Regional Director

THE WAYNE SAVINGS AND LOAN COMPANY
WOOSTER, OHIO

By: 151
Director
151
Director
151
Director
151
Director
151
Director
151
Director
Donald L. Bowman (out of state)
Director