

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

OHIO DIVISION OF FINANCIAL INSTITUTIONS  
COLUMBUS, OHIO

Written Agreement by and among

MARBLEHEAD BANCORP  
Marblehead, Ohio

MARBLEHEAD BANK  
Marblehead, Ohio

OHIO DIVISION OF FINANCIAL  
INSTITUTIONS  
Columbus, Ohio

and

FEDERAL RESERVE BANK OF  
CLEVELAND  
Cleveland, Ohio

Docket Nos. 23-032-WA/RB-HC  
23-032-WA/RB-SM

WHEREAS, Marblehead Bancorp (“Bancorp”), Marblehead, Ohio, a registered bank holding company, owns and controls Marblehead Bank (the “Bank”), Marblehead, Ohio, a state-chartered bank that is a member of the Federal Reserve System;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor of Bancorp and the Bank;

WHEREAS, the Ohio Division of Financial Institutions (the “Division”) is the appropriate state supervisor for the Bank;

WHEREAS, the most recent examination of the Bank, dated September 18, 2023, conducted by the Federal Reserve Bank of Cleveland (the “Reserve Bank,” together with the Division, the “Supervisors”) identified certain deficiencies at the Bank;

WHEREAS, it is the common goal of Bancorp and the Bank to maintain the financial soundness of the Bank and to have Bancorp serve as a source of strength to the Bank;

WHEREAS, Bancorp and the Bank and the Supervisors have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, the undersigned are authorized to enter into this Agreement on behalf of Bancorp and the Bank, respectively, and consenting to compliance with each and every provision of this Agreement by Bancorp and the Bank.

NOW, THEREFORE, Bancorp, the Bank, the Division, and the Reserve Bank agree as follows:

**Source of Strength**

1. Bancorp’s board of directors shall take appropriate steps to fully utilize Bancorp’s financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act (the “FDI Act”) (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with this Agreement, and any other supervisory action taken by the Bank’s federal or state regulators.

## **Board Oversight**

2. Within 60 days of the effective date of this Agreement, the board of directors of the Bank shall submit a written plan to the Supervisors to strengthen board oversight of the management and operations of the Bank. The plan shall include the following four items:

(a) the actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including, but not limited to, investment portfolio management, interest rate risk management, liquidity and funds management, capital, and earnings;

(b) the responsibility of the board to establish an investment strategy and review the investment strategy on at least an annual basis;

(c) the responsibility of the board of directors to monitor management's adherence to applicable laws and regulations, approved policies and procedures, and to exceptions to approved policies and procedures; and

(d) steps to improve the comprehensiveness, quality, and granularity of the information and reports reviewed by the board of directors in its oversight of the operations and management of the Bank.

## **Management Review**

3. (a) Within 60 days of the effective date of this Agreement, the board of directors of the Bank shall retain an independent third party acceptable to the Supervisors to complete an assessment of the Bank's staffing needs and management, including the qualifications and performance of each senior officer (the "Management Review") and to prepare a written report of findings and recommendations (the "Management Report"). The Management Review shall include the following two items:

(i) an evaluation of each senior officer to determine whether the individual possesses the ability, experience, and other qualifications necessary to perform competently present and anticipated duties, including the ability to comply with applicable laws and regulations, adhere to the Bank's established policies and procedures, restore and maintain the Bank to a safe and sound condition, and comply with the requirements of this Agreement; and

(ii) an analysis of present and future management and staffing needs for each area of the Bank, particularly in the areas of risk management, investment portfolio management, interest rate risk management, and liquidity and funds management.

(b) Within 10 days of the Supervisors' approval of the Bank's independent third party, the Bank shall submit an engagement letter to the Supervisors for approval. The engagement letter shall require the independent third party to submit the Management Report within 90 days of regulatory approval of the engagement letter and a commitment that the Management Report and any drafts thereof will be provided to the Supervisors at the same time that it is provided to the Bank's board of directors.

(c) Within 30 days of receipt of the Management Report, the Bank's board of directors shall submit a written management plan to the Supervisors that fully addresses the findings and recommendations in the Management Report and describes the specific actions that the board of directors will take to strengthen the Bank's management and staffing, and to hire, as necessary, additional or replacement officers or staff to properly oversee, manage and operate the Bank.

## **Investment Policy**

4. Within 90 days of the effective date of this Agreement, the Bank shall submit an enhanced written investment policy acceptable to the Supervisors. The policy shall include the following five items:

- (a) establishment of acceptable concentrations and maturities for each category of investment;
- (b) standards for portfolio diversification;
- (c) procedures to mitigate risk and control loss exposure;
- (d) periodic analysis of the investment portfolio, including, but not limited to the assessment of market risk, credit risk, interest rate risk, and liquidity risk of the underlying investments; and
- (e) measures to ensure that the board of directors reviews exceptions and breaches of the investment policy.

## **Investment Portfolio Management**

5. Within 60 days of the effective date of this Agreement, the Bank shall submit a written plan to improve the management of the Bank's investment portfolio acceptable to the Supervisors. The plan shall include the following four items:

- (a) a reduction in risk exposure of the investment securities portfolio;
- (b) measures to ensure that appropriate written analysis is conducted of each proposed investment purchase, including documentation demonstrating the proposed investment's alignment with the Bank's investment policy;
- (c) procedures to project and quantify exposures in the investment portfolio and policies regarding the board of directors' response; and

(d) contingency planning for the supervision and administration of the investment portfolio.

6. The Bank shall continue to submit monthly written progress reports to the board of directors detailing the progress made in improving the composition and management of the investment portfolio. The board of directors shall ensure that documentation of its review is contained in the minutes of the board of directors' meeting.

### **Interest Rate Risk Management**

7. Within 60 days of the effective date of this Agreement, the Bank shall submit a written plan acceptable to the Supervisors to enhance interest rate risk management practices that are appropriate for the size and complexity of the Bank. The plan shall include the following three items:

(a) appropriate guidelines and systems, including effective modeling, to measure, monitor, and control the Bank's interest rate risk;

(b) an adequate system to model and control the vulnerability of net interest income to changes in interest rates; and

(c) measures to ensure that interest rate risk management practices are consistent with the Interagency Advisory on Interest Rate Risk dated January 11, 2010 (SR 10-1).

### **Liquidity and Funds Management**

8. Within 60 days of the effective date of this Agreement, the Bank shall submit an enhanced liquidity risk management program acceptable to the Supervisors that, at a minimum, includes steps to diversify sources of funding, enhanced liquidity stress test scenarios, and

periodic independent review and evaluation of all components of the Bank's liquidity risk management process.

9. Within 60 days of the effective date of this Agreement, the Bank shall submit a revised written contingency funding plan acceptable to the Supervisors that is consistent with the Interagency Policy Statement on Funding and Liquidity Risk Management, dated March 17, 2010 (SR 10-6), as amended in August 2023, and includes adverse scenario planning.

### **Capital Plan**

10. Within 60 days of the effective date of this Agreement, the Bank shall submit a written plan acceptable to the Supervisors to maintain sufficient capital. The plan shall include the following three items:

(a) the Bank's current and future capital requirements, including compliance with the applicable requirements of Regulation Q of the Board of Governors, Capital Adequacy of Board-Regulated Entities (12 C.F.R. Part 217);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the allowance for credit losses ("ACL"), current and projected asset growth, projected earnings, and anticipated and contingency funding needs; and

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements.

11. (a) The Bank shall notify the Supervisors, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, common equity Tier 1, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit a written plan acceptable

to the Supervisors that details the steps it will take to increase its capital ratios to or above the approved capital plan's minimums.

(b) During the term of this Agreement, the Bank shall not enter into any agreement to sell or purchase any loan or other asset that, in the aggregate, would exceed 5 percent of the Bank's total assets at the end of the prior quarter without the prior written approval of the Supervisors.

(c) All requests for prior written approval shall be received at least 30 days prior to the proposed sale or purchase. All requests shall contain, at a minimum, a description of the terms of the proposed sale or purchase, the identity of the proposed purchaser or seller; current and projected information on the Bank's capital, asset quality, earnings, and ACL needs, and the identification of the sources of funds for any proposed purchase or sale.

### **Capital Conservation**

12. (a) Effective immediately, Bancorp shall not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, trust preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. Effective immediately, the Bank shall not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, trust preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Supervisors and the Director of Supervision and Regulation of the Board of Governors. All requests for prior approval shall be received in writing at least 30 days prior to



the earlier of the proposed declaration, payment, or distribution date, or required notice of deferral, and shall contain, at a minimum, current and projected information, as appropriate, on Bancorp and the Bank's respective capital, earnings, and cash flow; the Bank's asset quality, earnings, and ACL; and identification of the source(s) of funding for the proposed payment or distribution.

(b) Effectively immediately, Bancorp shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. Effective immediately, the Bank shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Supervisors. All requests for prior approval shall be received at least 30 days prior to the proposed transaction date and contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

### **Compliance with Laws and Regulations**

13. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Bancorp and the Bank shall comply with the notice provisions of section 32 of the FDI Act, as amended, (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Bancorp and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. § 359).

## **Progress Reports**

14. Within 45 days after the end of each calendar quarter following the date of this Agreement, the board of directors of Bancorp shall submit to the Reserve Bank, and the board of directors of the Bank shall submit to the Supervisors, written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

## **Approval and Implementation of Plans and Programs**

15. (a) The Bank shall submit the written plans, programs, and policies that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 2, 3(c), 4, 5, 7, 8, 9, and 10 of this Agreement. Each plan, program, and policy shall contain a timeline for full implementation of the plan, program, or policy with specific deadlines for the completion of each component of the plan, program, or policy. Independent third parties acceptable to the Supervisors shall be retained in accordance with the Supervisors' requirements by the Bank within the time periods set forth in paragraph 3(a) of this Agreement. Engagement letters shall be submitted to the Supervisors within the time periods set forth in paragraph 3(b) of this Agreement.

(b) Within 10 days of approval by the Supervisors, the Bank shall adopt the approved plans, program, and policy. Upon adoption the Bank shall promptly implement the approved plans, program, and policy and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, program, policy, and engagement letters shall not be amended or rescinded without the prior written approval of the Supervisors.

## **Communications**

16. All communications regarding this Agreement shall be sent to:

- (a) Mr. Richard Eckert  
Banking Supervisor  
Mr. Kyle Evans  
Attorney  
Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, Ohio 44101
- (b) Mr. Todd Tappel  
Regional Supervisor  
Mr. John Coady  
Assistant Division Counsel  
Ohio Division of Financial Institutions  
77 South High Street, 23<sup>rd</sup> Floor  
Columbus, Ohio 43215
- (c) Mr. Tyler Brown  
President and CEO  
Marblehead Bancorp  
709 West Main Street  
Marblehead, Ohio 43440
- (d) Ms. Deborah Stephens  
Interim President and CEO  
Marblehead Bank  
709 West Main Street  
Marblehead, Ohio 43440

## **Miscellaneous**

17. Notwithstanding any provision of this Agreement, the Supervisors, as applicable, may in their sole discretion, grant written extensions of time to Bancorp or the Bank to comply with any provision of this Agreement.

18. The provisions of this Agreement shall be binding upon Bancorp, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act

(12 U.S.C. §§1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

19. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Supervisors, as applicable.

20. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Division, or any other federal or state agency from taking any other action affecting Bancorp or the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

21. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

22. For purposes of further enforcement, this Agreement constitutes a “written agreement” under Ohio Revised Code sections 1121.32(A)(2)(c), 1121.33(A)(1)(a)(iv), and 1121.35(A)(1)(d).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 14<sup>th</sup> day of December, 2023.

MARBLEHEAD BANCORP

FEDERAL RESERVE BANK  
OF CLEVELAND

By: /s/ Jacqueline Bird  
Jacqueline Bird  
Chairperson

By: /s/ Nadine Wallman  
Nadine Wallman  
Vice President

MARBLEHEAD BANK

OHIO DIVISION OF  
FINANCIAL INSTITUTIONS

By: /s/ Jacqueline Bird  
Jacqueline Bird  
Chairperson

By: /s/ Kevin Allard  
Kevin Allard  
Superintendent