July 8, 1997

VIA FACSIMILE AND BY CERTIFIED RETURN RECEIPT REQUESTED

Board of Trustees
Peoples Home Savings Bank
1427 Seventh Avenue
Beaver Falls, Pennsylvania 15010

Board of Trustees:

The notice of intent to convert from mutual to stock form filed on behalf of Peoples Home Savings Bank, Beaver Falls, Pennsylvania, has been reviewed by the Federal Deposit Insurance Corporation ("FDIC") pursuant to section 303.15 of the FDIC Rules and Regulations, 12 C.F.R. § 303.15. Based on the information and representations presented, the FDIC poses no objection to the proposed conversion transaction.

Please notify our New York Regional Office in writing when the proposed transaction has been consummated.

Sincerely,

/s/
Cottrell L. Webster
Acting Associate Director

cc: Gregory A. Gehlmann
Malizia, Spidi, Sloane, and Fisch, P.C.
1301 K Street, N.W., Suite 700 East
Washington, D.C. 20005
Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act ("FDI Act"), an application has been filed on behalf of Peoples Home Savings Bank, Beaver Falls, Pennsylvania ("Mutual Institution"), currently a mutually-owned Savings Association Insurance Fund ("SAIF") member, state-chartered institution with total resources of $202,220,000 and total deposits of $176,547,000 as of December 31, 1996, for the FDIC's consent to merge with Peoples Home Interim Savings Bank, Beaver Falls, Pennsylvania ("Interim Bank"), a proposed new interim state-chartered stock savings bank.

This transaction is the result of the Mutual Institution's Plan of Mutual Holding Company Reorganization and Stock Issuance ("Plan") which includes the formation of a Pennsylvania-chartered mutual holding company, PHS Bancorp, MHC, Beaver Falls, Pennsylvania ("MHC"), which will be capitalized with $1,000,000. An application for the establishment of MHC as a bank holding company has been filed with the Federal Reserve Bank of Cleveland. A Notice of Mutual Holding Company Reorganization has been filed with the Pennsylvania Department of Banking. The Plan describes the structure of the proposed transaction as follows: Mutual Institution will organize an interim stock savings bank as its wholly-owned subsidiary. This bank will then organize another interim stock savings bank ("Interim Bank") as its wholly-owned subsidiary. The Mutual Institution will exchange its charter for a Pennsylvania stock savings bank charter, and the first interim bank formed will cancel its outstanding stock charter for the charter of a mutual holding company. Interim Bank will merge with and into Mutual Institution, with the resulting institution having Mutual Institution's newly acquired stock savings bank charter. A majority of the initially issued stock of the resulting bank will be transferred to MHC. The resulting bank will operate with the title of Peoples Home Savings Bank, Beaver Falls, Pennsylvania ("PHSB" or "the Bank"). Following consummation of the merger, PHSB will operate the same banking business with the same management at the same locations now being served by Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market currently served by Mutual Institution. PHSB's principal office will be at 1427 Seventh Avenue, Beaver Falls, Pennsylvania. Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act.

A review of available information, including the Community Reinvestment Act ("CRA") Statement of Mutual Institution discloses no inconsistencies with the purposes of the CRA. The Bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.
In connection with the application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the resultant Bank, and the convenience and needs of the community to be served. Having found favorably on these statutory factors and having considered other relevant information, including any reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, or the Attorney General of the United States, it is the FDIC's judgement that the application should be and hereby is approved, subject to the following conditions:

1. That the transaction may not be consummated unless the Plan receives prior approval by an affirmative vote of at least a majority of the total votes eligible to be cast by the Mutual Institution's depositors;

2. That the proposed transaction may not be consummated unless and until the FDIC issues a nonobjection letter to the Notice filed on behalf of the applicant pursuant to section 303.15 of the FDIC's Rules and Regulations concerning the mutual-to-stock conversion portion of this transaction;

3. That any dividends waived by MHC must be retained by PHSB and segregated, earmarked, or otherwise identified on its books and records; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of MHC to stock form; such amounts shall not be available for payment to or the value thereof transferred to minority shareholders, by any means including through dividend payments or at liquidation;

4. That within three years from the date of conversion, any stock option plan or management or employee stock benefit plan, prior to establishment and implementation, must be approved by an affirmative vote of at least a majority of the total votes eligible to be cast by the Bank’s shareholders, other than the shares owned by the parent mutual holding company;

5. That any changes in proposed management, including the board of directors or proposed ownership (ten per cent or more of the stock and new acquisitions of or subscriptions to ten per cent or more of the stock), will render this approval null and void unless such proposal is approved by the Regional Director (Supervision) of the FDIC's New York Regional Office prior to the consummation of the proposed transaction;

6. That the proposed transaction may not be consummated unless and until the resultant Bank has authority to conduct a banking business, and that its establishment and operation as a stock savings bank have been fully approved by the Pennsylvania Department of Banking and that its holding company, PHS Bancorp, MHC is granted approval to become a bank holding company by the Board of Governors of the Federal Reserve System;
7. That the transaction shall not be consummated less than fifteen calendar days after the date of this Order or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and

8. That until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to delegated authority.

Dated at Washington, D.C., this 12th day of May, 1997.

/s/

Steven K. Scholzen
Acting Associate Director
Division of Supervision