

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FIRST AMENDMENT TO FORM 1-A /A

REGULATION A OFFERING STATEMENT
UNDER THE SECURITIES ACT OF 1933

PORTAGE BANCSHARES, INC.

(Exact name of issuer as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or organization)

1311 East Main Street
Ravenna, Ohio 44266
(330) 296-8090

(Address and telephone number of registrant's principal executive offices)

William E. Hale, President
Portage Bancshares, Inc.
1311 East Main Street
Ravenna, Ohio 44266
(330) 296-8090

(Name, address and telephone number of agent for service)

Copy to:

Mark A. Peterson, Esq.
Plank & Brahm
A Legal Professional Association
145 East Rich Street
Columbus, Ohio 43215
(614) 228-4546

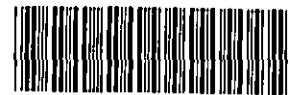
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(Primary Standard Industrial
Classification Code Number)

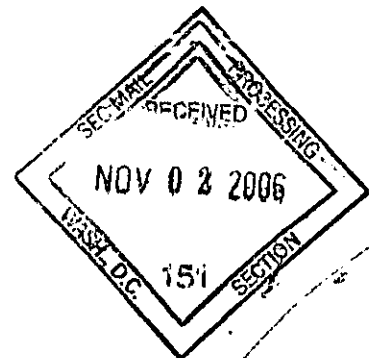
31-1506911

(I.R.S. Employer
Identification Number)

This offering statement shall only be qualified upon order of the Commission, unless a subsequent amendment is filed indicating the intention to become qualified by operation of the terms of Regulation A.



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PART 1 - NOTIFICATION

ITEM 1. Significant Parties

(a) The names and business and residential addresses of the issuer's directors are as follows:

<u>Director</u>	<u>Business Address</u>	<u>Residential Address</u>
Richard J. Coe	1311 East Main Street Ravenna, Ohio 44266	249 Lawrence Street Ravenna, Ohio 44266
Timothy E. Crock	413 Fairchild Avenue Kent, Ohio 44240	1489 Jacobs Lane Kent, Ohio 44240
Emilio D. Ferrara	1930 State Route 59 Kent, Ohio 44240	1436 Lake Roger Drive Kent, Ohio 44240
Paul L. Ferrara	533 East Main Street Ravenna, Ohio 44266	4918 Sunnybrook Road Kent, Ohio 44240
William E. Hale	120 East Main Street Ravenna, Ohio 44266	1494 Howe Road Kent, Ohio 44240
Margaret F. Mascio-Medzie	1900 West Market Street Akron, Ohio 44313	771 East Riddle Avenue Ravenna, Ohio 44266
Lawrence W. Relyea	N/A	17530 Haskins Road Bainbridge, Ohio 44023
Thomas S. Siciliano	974 East Main Street Ravenna, Ohio 44266	3762 New Milford Road Rootstown, Ohio 44272

(b) The names of the issuer's officers and their business and residential addresses are as follows:

<u>Officer</u>	<u>Business Address</u>	<u>Residential Address</u>
William E. Hale President	120 East Main Street Ravenna, Ohio 44266	1494 Howe Road Kent, Ohio 44240
Margaret F. Mascio-Medzie Secretary, Vice President	1900 West Market Street Akron, Ohio 44313	771 East Riddle Avenue Ravenna, Ohio 44266
Thomas S. Siciliano Treasurer, Vice President	974 East Main Street Ravenna, Ohio 44266	3762 New Milford Road Rootstown, Ohio 44272

(c) Not applicable.

(d) Record owners of 5 percent or more of any class of the issuer's equity securities are as follows:

<u>Owner</u>	<u>Business Address</u>	<u>Residential Address</u>
William E. Hale	120 East Main Street Ravenna, Ohio 44266	1494 Howe Road Kent, Ohio 44240

(e) Beneficial owners of 5 percent or more of any class of issuer's equity securities are as follows:

<u>Owner</u>	<u>Business Address</u>	<u>Residential Address</u>
William E. Hale	120 East Main Street Ravenna, Ohio 44266	1494 Howe Road Kent, Ohio 44240

(f) The names and business and residential addresses of the promoters of the issuer are as follows:

<u>Promoter</u>	<u>Business Address</u>	<u>Residential Address</u>
Richard J. Coe	1311 East Main Street Ravenna, Ohio 44266	249 Lawrence Street Ravenna, Ohio 44266
Timothy E. Crock	413 Fairchild Avenue Kent, Ohio 44240	5809 Rhoads Road Kent, Ohio 44240

Emilio D. Ferrara	1930 State Route 59 Kent, Ohio 44240	1436 Lake Roger Drive Kent, Ohio 44240
Paul L. Ferrara	533 East Main Street Ravenna, Ohio 44266	4918 Sunnybrook Road Kent, Ohio 44240
William E. Hale	120 East Main Street Ravenna, Ohio 44266	1494 Howe Road Kent, Ohio 44240
Margaret F. Mascio-Medzie	1900 West Market Street Akron, Ohio 44313	771 East Riddle Avenue Ravenna, Ohio 44266
Lawrence W. Relyea	N/A	17530 Haskins Road Bainbridge, Ohio 44023
Thomas S. Siciliano	974 East Main Street Ravenna, Ohio 44266	3762 New Milford Road Rootstown, Ohio 44266

(g) Portage Community Bank
1311 East Main Street
Ravenna, Ohio 44266

Portage Bancshares Capital Trust I
1311 East Main Street
Ravenna, Ohio 44266

(h) Counsel to the issuer with respect to the proposed offering:

Mark A. Peterson, Esq.
Plank & Brahm
A Legal Professional Association
145 East Rich Street
Columbus, Ohio 43215

(i) Not applicable.

(j) Not applicable.

(k) Not applicable.

(l) Not applicable.

- (m) Not applicable.

ITEM 2. Application of Rule 262

(a) None of the persons identified in response to Item 1 are subject to any of the disqualification provisions of Rule 262.

- (b) Not applicable.

ITEM 3. Affiliate Sales

Not applicable.

ITEM 4. Jurisdictions in Which Securities Are to be Offered

- (a) Not applicable.

(b) The securities will be offered by officers and directors of the issuer and officers, directors and employees of its wholly-owned subsidiary, Portage Community Bank. Offers will be made primarily through direct mail but also through personal contact. The issuer may also advertise the issue as permitted under Rule 251(d)(1)(C). The issuer presently intends for the securities to only be offered in the State of Ohio. However, if necessary in order to sell all of the securities, the issuer may make limited offers and sales to existing shareholders in other states to the extent permissible under such states' securities laws. Existing shareholders of the Company currently reside in Arizona, California, Colorado, Florida, Georgia, Kentucky, Maryland, Ohio, Pennsylvania, South Carolina, Tennessee and Texas.

ITEM 5. Unregistered Securities Issued or Sold Within One Year

- (a)(1) Portage Bancshares, Inc.

(a)(2) 53,000 stock options for no par common stock pursuant to the Portage Bancshares, Inc. 2004 Stock Incentive Plan. In addition to the foregoing, the issuer has entered into an Agreement with Richard J. Coe to issue Mr. Coe 500 shares of the issuer's common stock as a bonus for accepting employment with Portage Community Bank, a wholly-owned subsidiary of the issuer. Such shares have not been issued to Mr. Coe although the issuer is obligated to do so.

(a)(3) All 53,000 options were granted by the issuer to key employees and directors of the issuer and Portage Community Bank. The options provide for an exercise price of \$42.25 or \$45.00 per share.

(a)(4) The names and identities of the persons to whom the options were granted are as follows:

<u>Name of Holder</u>	<u>Title and Amount of Securities Called for by Option</u>	<u>Price</u>	<u>Date</u>
Dominic Bellino	no par common 400	\$42.25	6/15/05
Individual	no par common 400	\$45.00	11/16/05
Connie M. Bennett	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,400	\$45.00	11/16/05
Douglas Blay	no par common 500	\$45.00	11/16/05
Individual			
Thomas Biltz	no par common 400	\$45.00	11/16/05
Individual			
Renee Booher	no par common 500	\$45.00	11/16/05
Individual			
Richard J. Coe	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,112	\$45.00	11/16/05
Jill M. Conard	no par common 800	\$42.25	6/15/05
Individual	no par common 900	\$45.00	11/16/05
James V. Damicone	no par common 100	\$42.25	6/15/05
Individual	no par common 1,111	\$45.00	11/16/05
Emilio D. Ferrara	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,111	\$45.00	11/16/05
Paul L. Ferrara	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,111	\$45.00	11/16/05
John S. Forberg	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,200	\$45.00	11/16/05
John Gargan	no par common 400	\$42.25	6/15/05
Individual	no par common 400	\$45.00	11/16/05
William E. Hale	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,111	\$45.00	11/16/05
Donald D. Herman	no par common 1,000	\$42.25	6/15/05
Individual	no par common 1,200	\$45.00	11/16/05
Richard L. Leonard	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,111	\$45.00	11/16/05
Kevin T. Lewis	no par common 1,400	\$42.25	6/15/05
Individual	no par common 1,400	\$45.00	11/16/05

Steven McDonald Individual	no par common 1,000 no par common 1,000	\$42.25 \$45.00	6/15/05 11/16/05
Margaret F. Mascio-Medzie Individual	no par common 1,400 no par common 1,111	\$42.25 \$45.00	6/15/05 11/16/05
Aaron A. Moats Individual	no par common 100 no par common 1,111	\$42.25 \$45.00	6/15/05 11/16/05
E. Pritchard Individual	no par common 100	\$45.00	11/16/05
James C. Shank Individual	no par common 400 no par common 400	\$42.25 \$45.00	6/15/05 11/16/05
Thomas S. Siciliano Individual	no par common 1,400 no par common 1,111	\$42.25 \$45.00	6/15/05 11/16/05
Tracy Sites Individual	no par common 800 no par common 800	\$42.25 \$45.00	6/15/05 11/16/05
Michelle Spellman Individual	no par common 400	\$45.00	11/16/05

(b)(1) Portage Bancshares, Inc.

(b)(2) 1,900 shares of no par common stock were sold within one year prior to the filing of this form.

(b)(3) The 1,900 shares were sold at the price set forth in the table in Section (b)(4) below.

(b)(4) The names and identities of the persons to whom the securities were issued are as follows:

<u>Name of Buyer</u>	<u>Title and Amount of Securities Purchased</u>	<u>Date of Purchase</u>	<u>Price per Share</u>
Richard J. Coe Individual	no par common 200	7/18/05	\$42.25
James V. Damicone Individual	no par common 200	7/18/05	\$42.25
Emilio D. Ferrara Individual	no par common 200	7/18/05	\$42.25
Paul L. Ferrara Individual	no par common 200	7/18/05	\$42.25

William E. Hale	no par common 200	7/18/05	\$42.25
Individual	no par common 500	11/15/05	\$45.00
Richard L. Leonard	no par common 200	7/18/05	\$42.25
Individual			
Margaret F. Mascio-Medzie	no par common 200	8/3/05	\$42.25
Individual			

(c) The securities were offered and sold in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933 and/or Rule 701 promulgated under Section 3(b) of the Securities Act of 1933. Each recipient of such securities was a key employee and/or director of the issuer and/or Portage Community Bank, the issuer's wholly-owned subsidiary. Each recipient who was not an accredited investor at the time (as defined by Rule 501) was determined by the issuer to have such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment.

ITEM 6. Other Present or Proposed Offerings

The issuer has entered into an Agreement with Richard J. Coe to issue Mr. Coe 500 shares of the issuer's common stock as a bonus for accepting employment with the issuer's subsidiary bank. The issuer has not yet issued any of such shares to Mr. Coe although the issuer is presently obligated to do so.

ITEM 7. Marketing Arrangements

- (a) None.
- (b) Not applicable.

ITEM 8. Relationship with Issuer of Experts Named in Offering Statement

Not applicable.

ITEM 9. Use of a Solicitation of Interest Document

Not applicable.

OFFERING STATEMENT
PORTAGE BANCSHARES, INC.
100,000 Common Shares

This Offering Statement relates to the offering of 100,000 common shares, without par value (the "Shares"), of Portage Bancshares, Inc., an Ohio corporation (the "Company"). See "SECURITIES BEING OFFERED". The Shares are being offered by the Company to its existing shareholders and the public on a "best-efforts" basis at a price of \$50.00 per Share (the "Offering"). The Shares will be offered for sale by the officers and directors of the Company and the officers, directors and employees of the Bank who will not be paid a selling commission. The Offering will not be underwritten. The Company may engage the services of underwriters or brokers if the Company is unable to obtain subscriptions for all of the Shares without such services.

The Company was incorporated on March 17, 1997. The principal business of the Company is operating an Ohio-chartered commercial bank named Portage Community Bank (the "Bank"). The Bank is a wholly-owned subsidiary of the Company. The Bank's main office is located in Ravenna, Ohio and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). The executive offices of the Company are located at 1311 East Main Street, Ravenna, Ohio 44266 and its telephone number is (330) 296-8090.

A minimum of 50,000 Shares must be sold in the Offering. The Company will offer the Shares to existing shareholders of the Company and to the public. If the minimum number of Shares is not sold by December 31, 2006, this Offering will be terminated, unless extended by the Company to no later than March 31, 2007. All Shares will be offered on a first come, first served basis. The minimum purchase for existing shareholders shall be 100 Shares or \$5,000.00. The minimum purchase for new shareholders is 500 Shares or \$25,000.00. The maximum purchase for existing shareholders is the number of Shares which, when added to such shareholder's current Shares (and unexercised stock options, if any), would result in the shareholder owning a total of 16,000 Shares in the aggregate. The maximum purchase for new shareholders is 16,000 Shares or \$800,000.00. The Company will not accept subscriptions from more than 50 persons who were not shareholders of the Company as of June 30, 2006. The Company reserves the right to change any of the foregoing offer dates and/or minimum or maximum purchase limitations at any time without notice. In the event that the Company changes the minimum number of Shares which must be sold in the Offering, the Company shall provide each person who has subscribed to purchase Shares with an opportunity to rescind their investment and receive a prompt refund. The Offering will not be extended beyond March 31, 2007.

Until the minimum number of Shares is sold, all funds received by the Company will be placed in escrow. If the minimum number of Shares is not sold, this Offering will be terminated, the sale of any Shares made pursuant hereto will be rescinded and the escrow agent will promptly return to each investor all funds received from such investor for the purchase of Shares, with interest. See "PLAN OF DISTRIBUTION".

There is currently only a limited local market for the Company's Shares.

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OFFERED SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

THESE SECURITIES ARE NOT DEPOSITS. THESE SECURITIES ARE NOT INSURED BY THE FDIC OR ANY OTHER AGENCY, AND ARE SUBJECT TO INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION NOR HAS THE FEDERAL DEPOSIT INSURANCE CORPORATION PASSED ON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

	Price To Public	Underwriting Discounts and Commissions ²	Proceeds To Issuer ³
Per Share	\$50.00 ¹	\$0	\$50.00
Total Minimum	\$2,500,000.00	\$0	\$2,500,000.00
Total Maximum	\$5,000,000.00	\$0	\$5,000,000.00

¹The offering price for the Shares has been arbitrarily determined by the Company and is not based on any objective criteria.

²The 100,000 Shares being offered in this Offering will be offered for sale primarily in the State of Ohio; however, the Company may make limited offers and sales in other states to the extent permissible under such states' securities laws. This Offering is not underwritten. See "PLAN OF DISTRIBUTION".

³Proceeds are determined before deducting expenses of the Company related to this Offering anticipated to aggregate not more than \$90,000.00.

This Offering will terminate on December 31, 2006 unless extended no later than March 31, 2007. See "PLAN OF DISTRIBUTION".

The proposed sale of Shares to the public will commence on November 15, 2006.

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THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK AND SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN THE LOSS OF THEIR ENTIRE INVESTMENT. SEE "RISK FACTORS."

THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND ARE BEING OFFERED AND SOLD IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 3(B) OF THE ACT AND REGULATION A OF THE SECURITIES AND EXCHANGE COMMISSION.

THE SHARES HAVE BEEN REGISTERED WITH THE OHIO DIVISION OF SECURITIES PURSUANT TO SECTION 1707.091 OF THE OHIO REVISED CODE. SUCH REGISTRATION SHOULD NOT BE CONSTRUED TO IMPLY ANY GUARANTY OR OBLIGATION AS TO THE SHARES ON THE PART OF THE STATE OF OHIO. THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY OTHER STATE.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

THIS OFFERING STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY TO ANY PERSON WHO HAS NOT EXECUTED, COMPLETED AND RETURNED A SUBSCRIPTION AGREEMENT.

EACH PROSPECTIVE PURCHASER SHOULD CONSULT HIS OR HER OWN COUNSEL, ACCOUNTANT AND OTHER PROFESSIONAL ADVISORS AS TO TAX AND OTHER RELATED MATTERS CONCERNING HIS OR HER INVESTMENT. PROSPECTIVE PURCHASERS ARE NOT TO CONSTRUE THE CONTENTS OF THIS OFFERING STATEMENT OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM ANY REPRESENTATIVE OF THE COMPANY AS INVESTMENT, LEGAL OR TAX ADVICE.

THE COMPANY RESERVES THE RIGHT IN ITS SOLE DISCRETION TO REJECT ANY SUBSCRIPTION FOR COMMON SHARES SUBMITTED TO IT FOR ANY REASON, INCLUDING, BUT NOT LIMITED TO, ANY SUBSCRIPTION FOR WHICH THE ACCEPTANCE BY THE COMPANY OR SUBSEQUENT ISSUANCE OF SHARES PURSUANT THERETO WOULD, IN THE COMPANY'S OPINION, RESULT IN A VIOLATION OF LAW OR CHANGE IN VOTING CONTROL, REQUIRE REGULATORY APPROVAL, CAUSE THE COMPANY TO BECOME A HOLDING COMPANY, OR OTHERWISE NOT BE IN THE BEST INTEREST OF THE COMPANY.

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SUMMARY INFORMATION

The following summary is qualified in its entirety by the detailed financial and other information appearing elsewhere in this Offering Statement.

The Company

The Company was incorporated on March 17, 1997 as an Ohio corporation under the name "Portage Holding Company". On or about September 9, 1997, the Company adopted a resolution to change the Company's name to "Portage Bancshares, Inc.". The principal business of the Company is operating an Ohio-chartered commercial bank named Portage Community Bank (the "Bank"). The Bank is a wholly owned subsidiary of the Company and its principal asset. The main office of the Company is located at 1311 East Main Street, Ravenna, Ohio 44266. The Company's telephone number is (330) 296-8090. See "DESCRIPTION OF BUSINESS".

Risk Factors

An investment in the Common Shares offered hereby is highly speculative, involves a high degree of risk and should be considered only by persons who can afford to sustain the total loss of their investment. A prospective investor should consider carefully the risk factors discussed below. See "RISK FACTORS".

Business

The Company operates as a bank holding company. Although wholly owned by the Company, the Bank is an independent community bank offering a wide range of services through its two (2) banking locations. The Bank's strategy for attracting business depends on the efforts of its officers to provide personalized, focused service to the Bank's customers. Although the Bank does not differ significantly from other community banks with respect to services or pricing, it believes that it has a strategic advantage over its competitors due to the responsiveness and accessibility of the officers of the Bank. The Bank believes that by giving attention to detail at the most senior level it will attract small businesses and other customers who value such service. See "DESCRIPTION OF BUSINESS".

The Offering

The Company is offering up to 100,000 of its Common Shares, without par value (the "Shares"), at a price of \$50.00 per Share. The purpose of the Offering is to primarily raise capital to support the growth of the Bank and the Company. In the event the maximum number of Shares being offered are sold, the Company intends to use a portion of the net proceeds of this Offering to retire certain of its subordinated debt securities. The Offering is initially being made directly by the Company and the Bank; no person will receive any commission or other remuneration in connection with the sale of the Shares in this Offering.

The Company does not intend to offer Shares through an underwriter or through brokers, although it may later do so if the Company determines that it will be unable to obtain subscriptions for the minimum or maximum number of Shares without such services. The amount of any discount or commission payable to an underwriter or broker will be subject to limitations prescribed by state securities laws. For sales in Ohio, discounts and commissions are limited to 10% of the offering price.

The Company will offer the Shares to existing shareholders of the Company and to the public on a first come, first served basis. The minimum purchase for existing shareholders shall be 100 Shares or \$5,000.00. The minimum purchase for new shareholders is 500 Shares or \$25,000.00. The maximum purchase for existing shareholders is the number of Shares which, when added to such shareholder's current Shares (and unexercised stock options, if any), would result in the shareholder owning a total of 16,000 Shares in the aggregate. The maximum purchase for new shareholders is 16,000 Shares or \$800,000.00. The Company will not accept subscriptions from more than 50 persons who are not shareholders of the Company as of June 30, 2006. The Company reserves the right to change any of the foregoing offer dates and/or minimum or maximum purchase limitations at any time without notice. In the event that the Company changes the minimum number of Shares which must be sold in the Offering or extends the date by which such minimum number of Shares must be sold by, the Company shall provide each person who has subscribed to purchase Shares with an opportunity to rescind their investment and receive a prompt refund. Funds received from investors in this Offering will be held in escrow at Morgan Bank, N.A., located at 10 W. Streetsboro Street, Hudson, Ohio 44326 until 50,000 Common Shares are sold. The Company presently intends for Shares to only be offered to residents of the State of Ohio. However, if necessary in order to sell all of the securities, the Company may make limited offers and sales to existing shareholders in other states to the extent permissible under such states securities laws. See "PLAN OF DISTRIBUTION".

Capital Stock and Other Securities Outstanding

As of June 30, 2006, 283,737 Common Shares were outstanding. 201,760 of such Common Shares were issued at a price of \$25.00 per share and 81,977 of such Common Shares were issued at a price of \$30.00 per Share. In addition, the Company has granted, and there remains outstanding, stock options under the Company's 1997 Stock Incentive Plan and 2004 Stock Incentive Plan which may be exercised into 133,166 Common Shares and the Company is presently obligated to issue 500 Common Shares to Richard J. Coe. If all of the Shares being offered in this Offering are sold, 383,737 Common Shares will be issued and outstanding after this Offering; if only the minimum number of Shares is sold, 333,737 Common Shares will be issued and outstanding. See "PLAN OF DISTRIBUTION".

The Company previously issued \$2,450,000.00 in aggregate principal amount of certain Floating Rate Junior Subordinated Debt Securities due 2034 to Portage Bancshares Capital Trust I, a Delaware statutory trust established by the Company, in connection with the issuance and sale of floating rate trust preferred securities. Such debentures represent debt obligations of the Company. See "DESCRIPTION OF BUSINESS—SUBORDINATED DEBENTURES".

Use of Proceeds

The Company will utilize the net proceeds realized from the sale of the Shares in this Offering to provide additional capital for the Bank and the Company, and pay the costs and expenses of this Offering. In the event the maximum number of Shares being offered are sold, the Company intends to use a portion of the net proceeds of this Offering to retire certain of its subordinated debt securities. Proceeds not used for these purposes will be retained by the Company for general corporate purposes. See "USE OF PROCEEDS TO ISSUER".

Risk Factors.

Purchase of Shares offered hereby involves certain risks of which each prospective investor should be aware. See "RISK FACTORS".

RISK FACTORS

An investment in the Shares offered hereby is highly speculative, involves a high degree of risk and should be considered only by persons who can afford to sustain the total loss of their investment. A prospective investor should consider carefully the risk factors discussed below.

Limited Operating History

Since the Company was incorporated on March 17, 1997 and the Bank has only been operating since July 1, 1998, a prospective investor does not have access to the same type of information in evaluating an investment in the Company as would be available to a prospective purchaser of securities of a financial institution with a longer history of operations. Although the Company realized net income of approximately \$1,181,521.00 for the twelve (12) month period ending December 31, 2005, and approximately \$465,512.00 for the six (6) month period ending June 30, 2006, there can be no assurance that the Company will continue to generate operating profits. See "DESCRIPTION OF BUSINESS".

Unpredictable Changes in Government Regulation and Ability to Comply

Federal and state laws and regulations impose extensive restrictions on bank holding companies and state-chartered banks which affect the operations of the Company and the Bank. The Company and the Bank are required to maintain certain ratios of primary and total capital to total assets. The Bank is also subject to state and federal regulations as to required reserves, limitations on the nature and amount of loans, approval of mergers and acquisitions, payment of dividends, and other aspects of banking operations. Changes in applicable laws or regulations could affect the amount and size of loans the Bank is permitted to make, the amount of new deposits the Bank is able to accept, the permitted growth rate of the Bank, the Bank's and the Company's ability to pay dividends and other aspects of the banking operations which would directly impact profitability. See "SUPERVISION AND REGULATION".

Unpredictable Economic Conditions

The results of operations for the Company and the Bank may be materially and adversely affected by changes in economic conditions, including declines in real estate market values, changes in interest rates and the monetary and fiscal policies of the federal government. Other factors include inflation, recession, unemployment, money supply and other factors beyond the control of the Company. The Company's and the Bank's profitability will be in part a function of the spread between the interest rates earned on investments and loans and the interest rates paid on deposits and other interest-bearing liabilities. As a result, an increase or decrease in rates could have a material adverse effect on the Bank's and the Company's net income, capital and liquidity. See "SUPERVISION AND REGULATION".

Dependence on Key Individuals

The successful operation of the Bank and, therefore, the profitability of the Company, will depend upon retaining the services of Richard J. Coe, Kevin T. Lewis, John S. Forberg, Steven P. McDonald, Connie M. Bennett and Jill M. Conard as executive officers of the Bank. The Bank does not have employment agreements with such individuals but does maintain "key-person" life insurance on certain key employees. See "DESCRIPTION OF BUSINESS—EMPLOYEES".

Potential for Assessment of Bank Shares

Under banking laws of the State of Ohio, the common stock of the Bank is subject to assessment if the Bank's capital becomes impaired from losses or other causes and the Ohio Division of Financial Institutions orders such assessment. The Shares of the Company however are not directly assessable by the Division. If the common stock of the Bank is assessed and the Company is required to invest more funds in the Bank, the Company may not have the funds available to do so and may need to acquire additional funds for that purpose from its shareholders, equity markets or through loans, which funds may not be available at that point in time. In such event, the common stock of the Bank could be ordered sold by the Ohio Division of Financial Institutions and the value of the Shares would likely be adversely affected. See "SUPERVISION AND REGULATION".

Competition in Market Area

The banking business is highly competitive and there is no assurance that the Bank will be able to compete successfully in its primary service area. The Bank is a small state bank with limited legal lending authority, limited operations and limited ability to obtain funds. These factors could adversely impact its profitability. The Bank's primary service area contains many larger, established banks with significantly greater facilities and resources than those available to the Bank. Banks from other states also are permitted to compete in Ohio. Other competition will come from savings and loan associations, thrift associations, credit unions, finance companies, brokerage institutions, money market funds and other financial institutions. These and other institutions will compete with the Bank in efforts to obtain new deposits and make loans, in the scope and type of services offered, in interest rates paid on deposits and charges for loans and in other aspects of commercial banking. See "DESCRIPTION OF BUSINESS—Market Area and Competition".

No Dividends in the Immediate Future

The Company has paid no dividends to date and does not intend to pay dividends in the immediate future. The principal source of revenue to the company will be dividends received from the Bank. There can be no assurance that the Bank will ever pay dividends to the Company, and it presently is the intention of the Company to use any dividends received from the Bank to finance the growth of the Company. Any dividends declared or paid by the Company will be subject to the discretion of its Board of Directors and will depend upon, among other things, future earnings, the operating and financial condition of the Company, its capital requirements and general business conditions. Payment of dividends by the Bank is also subject to restrictions set forth in federal and state banking laws. The payment of dividends is further restricted by the terms of certain debt securities previously issued by the Company. The Company will review its dividend policy periodically. See "DESCRIPTION OF BUSINESS—Dividend Policy", "DESCRIPTION OF BUSINESS—Subordinated Debentures" and "SUPERVISION AND REGULATION".

Dilution

Current shareholders of the Company will suffer a dilution in their percentage interest in the outstanding Shares of the Company to the extent that they do not purchase sufficient Shares in this Offering to maintain their proportionate interest in the equity of the Company. This dilution will impact each shareholder's voting rights and the amount of distributions, if any, received by shareholder from the Company. Additionally, purchasers in this Offering will experience an immediate dilution of their equity interest in the Company's Shares. See "DILUTION".

Voting Rights and Lack of Control

Shareholders have no cumulative voting rights, thus permitting a majority of a quorum in the voting power in the election of directors to elect every director and precluding a minority of the voting power in the election of directors from electing any director. See "SECURITIES BEING OFFERED".

The directors and officers of the Company, as of June 30, 2006, beneficially owned 61,637 Shares of the Company. The directors and officers of the Bank, as of June 30, 2006, beneficially owned 77,774 Shares of the Company. Richard J. Coe is entitled to receive 500 additional Shares of the Company pursuant to a certain bonus agreement although such Shares have not yet been issued to Mr. Coe. The officers and directors of the Company and the Bank have indicated that they intend to purchase a total of 6,500 and 7,300 Shares, respectively, in this Offering. The Company has issued options to certain of the officers and directors of the Company and the Bank, which remain outstanding, to purchase up to 133,166 Shares of the Company. Assuming that none of such outstanding options are exercised, none of the 500 Shares required to be issued by the Company to Richard J. Coe are issued and that the directors and officers of the Company and the Bank purchase a total of 6,500 and 7,300 additional Shares, respectively, in this Offering, the directors and officers of the Company as a group will control approximately 17.76% of the voting power if the maximum number of Shares is sold and approximately 20.42% of the voting power if only the minimum number of Shares is sold. The directors and officers of the Bank as a group will control approximately 22.17% of the voting power of the Company if the maximum number of Shares is sold and approximately 25.49% of the voting power if only the minimum number of Shares is sold. The officers and directors of the Company and the Bank may purchase additional Shares in this Offering which would further increase their voting control. See "PLAN OF DISTRIBUTION" and "SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS".

Any additional stock options granted under the Portage Bancshares, Inc. 2004 Stock Incentive Plan or the exercise of any options previously granted under either the 2004 Stock Incentive Plan or the 1997 Stock Incentive Plan may further increase the percentage of voting power of management. See "REMUNERATION OF DIRECTORS AND OFFICERS—Stock Plan".

Risk of Default on Loans or Debentures

The Bank has secured up to a \$15,000,000.00 line of credit with Federal Home Loan Bank of Cincinnati of which no amounts were outstanding on June 30, 2006. The Bank had \$5,475,753.00 of mortgage-matched fixed-rate advances from the Federal Home Loan Bank with maturities ranging from January 2012 to March 2022. The Bank has granted a security interest in certain of its assets to secure the Bank's obligations to Federal Home Loan Bank of Cincinnati. The Company has secured a \$1,000,000.00 line of credit with Great Lakes Bankers Bank and the Bank has secured an \$875,000.00 line of credit with Great Lakes Bankers Bank. The Company has also issued certain Floating Rate Junior Subordinated Debt Securities and guaranteed certain obligations of Portage Bancshares Capital Trust I. See "DESCRIPTION OF BUSINESS—SUBORDINATED DEBENTURES". In the event the Company or the Bank does not have funds to pay such obligations when they become due, or in the event the Company or the Bank is not able to obtain additional financing to repay such obligations, there is a risk that the Company and/or the Bank may default on such obligations and such creditors will likely commence collection proceedings against the Company, the Bank and their assets.

Anti-Takeover Provisions Could Affect Change in Control

The Company's Articles of Incorporation and Code of Regulations include certain provisions, the effect of which may be to inhibit a change of control of the Company. These include staggered terms for

members of the Company's Board of Directors and the Company's right of first refusal to purchase the common Shares of any shareholder before such shareholder is permitted to sell such common Shares. In addition, Ohio law requires shareholder approval and approval of the Ohio Division of Financial Institutions of the acquisition of certain levels of voting power of the Company. The Bank Holding Company Act of 1956 requires the approval of the Federal Reserve Board of the acquisition of certain levels of voting power of the Company as well. See "SECURITIES BEING OFFERED" and "DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES" and "SUPERVISION AND REGULATION".

Limited Public Market; Transfer Restrictions on Sale or Transfer of Shares

There presently is only a limited local market for the Shares and it is not expected that a larger market will develop in the future. Although Community Banc Investments, Inc. ("CBI") presently acts as a market-maker for the Company's Common Shares, trading activity is limited with approximately only 5,500 Shares having traded through CBI between June 2004 and June 2006. Accordingly, purchasers of Shares should be prepared to hold their investment indefinitely. The Shares have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state other than Ohio.

The Company's Code of Regulations provide that before a shareholder (or such shareholder's personal representative or heirs) may sell all or any part of such shareholder's Shares such shareholder must first offer to sell such Shares to the Company at the same price and the same terms offered to such shareholder pursuant to a bona fide written offer received by such shareholder. This restriction could inhibit the creation of a public market for the Shares and may have an adverse effect on the value of the Shares. An investor in the Shares may not be able to liquidate his or her investment easily, if at all.

Arbitrary Offering Price

The offering price of the Shares has been arbitrarily determined by the Company and does not necessarily bear any relationship to the assets, earnings or book value of the Company. Accordingly, the offering price should not be considered an indication of the actual value of the Shares. Such value is subject to change as a result of activities of the Company, market conditions and other of factors, and there can be no assurance that the Shares can be resold at the offering price.

No Preemptive Rights

Purchasers of the Shares offered hereby will not have preemptive rights to acquire other or additional Shares which might, from time to time, be issued by the Company. The lack of such right could cause a dilution in the ownership percentage of any shareholder in the event of a subsequent issuance of any additional shares of capital stock by the Company. See "SECURITIES BEING OFFERED".

Dependence on Local Economy

The success of the Company and the Bank is largely dependent on the general economic conditions of its primary service area which is Portage County, Ohio and the surrounding area. Any factors which adversely affect the economy of the Bank's primary service area could adversely affect the total amount of deposits maintained by customers at the Bank thereby affecting the amount of loans the Bank is able to make and the amount of interest reserve the Bank receives. A downturn in the economy may also lead to a high rate of defaults on loans made by the Bank.

Loan Concentration

The Bank's loan portfolio is concentrated in real estate, commercial and construction lending as well as consumer loans. "Loan Concentrations" are categories of loans that exceed 25% of the Bank's capital structure and loan loss allowance. Although the Company does not believe that the loan concentrations currently pose an undue risk, the concentration in these areas could present risk in the event of a downturn in the local economy, declines in the real estate market or other circumstances may lead to an increase in loan defaults in any of these categories of loans. Excessive defaults in such loan categories would have a material negative impact on the Bank's profitability.

DILUTION

As of June 30, 2006, the Company's and the Bank's consolidated net tangible book value was \$10,625,436.00 or \$37.45 per Share. "Net tangible book value" per Share represents the amount of total tangible assets less total liabilities of the Company and the Bank, on a consolidated basis, divided by the total number of Shares outstanding. After giving effect to the receipt of the estimated proceeds from the sale of Shares offered hereby, the pro forma net tangible book value as of June 30, 2006 would have been approximately \$13,035,436.00 or \$39.06 per Share if the minimum number of Shares is sold, and \$15,535,436.00 or \$40.48 per Share if the maximum is sold. This represents an immediate increase in such pro forma net tangible book value to the existing shareholders of \$1.61 per Share if the minimum number of Shares is sold and \$3.03 per Share if the maximum number of Shares is sold and an immediate dilution to new investors of \$10.94 per Share if the minimum number of Shares is sold and \$9.52 per Share if the maximum is sold. The following table illustrates this per Share dilution:

	<u>Minimum</u>	<u>Maximum</u>
Offering Price per Share	\$50.00	\$50.00
Net tangible book value per Share before the Offering	\$37.45	\$37.45
Increase per Share attributable to purchasers in the Offering	\$ 1.61	\$ 3.03
Pro forma net tangible book value per Share after the Offering	\$39.06	\$40.48
Dilution per Share to purchasers	\$10.94	\$ 9.52
Dilution as Percentage of Offering Price	21.88%	19.04%

The above computations are based on 283,737 total Common Shares outstanding as of June 30, 2006 and does not include any of the 5,140 Common Shares previously issued by the Company but held as treasury stock on June 30, 2006. The following table summarizes, on the pro forma basis set forth above, as of June 30, 2006, the relative investment of the existing shareholders and the purchasers of Shares in this Offering:

	<u>Number of Common Shares</u>		<u>Total Consideration</u>		<u>Average Price Per Common Share</u>
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Maximum					
Existing Shareholders	283,737	73.94%	\$7,503,310.00	60.01%	\$26.44
Purchasers in this Offering	100,000	26.06%	\$5,000,000.00	39.99%	\$50.00
Minimum					
Existing Shareholders	283,737	85.02%	\$7,503,310.00	75.01%	\$26.44
Purchasers in this Offering	50,000	14.98%	\$2,500,000.00	24.99%	\$50.00

The above computations do not include (i) 133,166 Shares which may be issued upon the exercise of stock options previously granted under the Company's 1997 Stock Incentive Plan or 2004 Stock Incentive Plan or any Shares for options which may be granted in the future pursuant to the Company's 2004 Stock Incentive Plan, (ii) any of the 500 Shares to be issued to Richard J. Coe pursuant to his stock bonus agreement with the Company, or (iii) the 5,140 Common Shares previously issued by the Company but held as treasury stock on June 30, 2006. See "DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES".

The following computations include each of (i) the 133,166 Shares which may be issued upon the exercise of stock options previously granted under the Company's 1997 Stock Incentive Plan and 2004 Stock Incentive Plan, (ii) the 500 Shares to be issued to Richard J. Coe pursuant to his stock bonus agreement with the Company, and (iii) the 5,140 Common Shares previously issued by the Company but held as treasury stock on June 30, 2006:

	Number of Common Shares		Total Consideration		Average Price Per Common Share
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Maximum					
Existing Shareholders	422,543	80.86%	\$12,151,790.00	70.85%	\$28.76
Purchasers in this Offering	100,000	19.14%	\$5,000,000.00	29.15%	\$50.00
Minimum					
Existing Shareholders	422,543	89.42%	\$12,151,790.00	82.94%	\$28.76
Purchasers in this Offering	50,000	10.58%	\$2,500,000.00	17.06%	\$50.00

PLAN OF DISTRIBUTION

The Company is offering 100,000 Shares, without par value, at \$50.00 per Share.

A minimum of 50,000 Shares must be sold in this Offering.

The Company will offer the Shares to existing shareholders of the Company and to the public. If the minimum number of Shares is not sold by December 31, 2006, this Offering will be terminated, unless extended by the Company to no later than March 31, 2007. All Shares will be offered on a first come, first served basis. The minimum purchase for existing shareholders shall be 100 Shares or \$5,000.00. The minimum purchase for new shareholders is 500 Shares or \$25,000.00. The maximum purchase for existing shareholders is the number of Shares which, when added to such shareholder's current shares (and unexercised stock options, if any), would result in the shareholder owning a total of 16,000 Shares in the aggregate. The maximum purchase for new shareholders is 16,000 Shares or \$800,000.00. The Company will not accept subscriptions from more than 50 persons who were not shareholders of the Company as of June 30, 2006. The Company reserves the right to change any of the foregoing offer dates and/or minimum or maximum purchase limitations at any time without notice. In the event that the Company changes the minimum number of Shares which must be sold in the Offering, or extends the date by which such minimum number of Shares must be sold by, the Company shall provide each person who has subscribed to purchase Shares with an opportunity to rescind their investment and receive a prompt refund. Notwithstanding the foregoing, the date by which the minimum number of Shares must be sold by will not be extended beyond March 31, 2007.

Until at least 50,000 Shares are sold in this Offering, all funds received by the Company for the purchase of Shares will be placed in escrow. The escrow agent will be Morgan Bank, N.A., located at 10 W. Streetsboro Street, Hudson, Ohio 44326. The escrow agent's telephone number is (330) 656-5050. In the event this Offering is terminated because the minimum number of Shares is not sold, or for any other reason, the sale of any Shares made pursuant hereto will be rescinded and the escrow agent will promptly return to each investor the funds received from such investor for the purchase of Shares, with interest. This Offering will not be extended beyond March 31, 2007.

The Company presently intends for Shares to only be offered to residents of the State of Ohio. However, if necessary in order to sell all of the securities, the Company, through its officers and directors, may make limited offers and sales to existing shareholders in other states to the extent permissible under such states securities laws. Existing shareholders of the Company currently reside in Arizona, California, Colorado, Florida, Georgia, Kentucky, Maryland, Ohio, Pennsylvania, South Carolina, Tennessee and Texas.

Certain officers and directors of the Company and officers and directors of the Bank have indicated that they intend to purchase a total of 6,500 and 7,300 Shares being offered pursuant to this Offering, respectively. The officers and directors of the Company and the Bank may purchase additional Shares in this Offering. The maximum purchase for such officers and directors who are existing shareholders is the number of Shares which, when added to such person's current Shares and unexercised stock options (if any), would result in the person owning a total of 16,000 Shares in the aggregate. The maximum purchase for such officers and directors who are not existing shareholders is 16,000 Shares or \$800,000.00.

The Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), and are being offered and sold in reliance on Section 3(b) of the Act and Regulation A as promulgated by the Securities and Exchange Commission.

The Shares are being offered for sale on behalf of the Company by its officers and directors and by the officers, directors and employees of the Bank solely by means of this Offering Statement. The Company does not intend to offer Shares through any underwriter or through brokers, although it may later do so if the Company determines that it will be unable to obtain subscriptions for the minimum or maximum amount of this Offering without such services. Prior to any underwriter or broker commencing sales of Shares in this Offering, the Company will be required to file a post-qualification amendment to this Offering Statement with the Securities and Exchange Commission and the Commission and appropriate state securities regulators will need to first approve such amendment. Pending approval, the Company would likely continue to offer the Shares for sale by its officers and directors and the officers, directors and employees of the Bank. The amount of any discount or commission paid to any underwriters or brokers and other rights or compensation given to such persons will be subject to limitations prescribed by state securities laws. Such limitations may affect the ability of the Company to retain the services of an underwriter or broker. In the event the Company enters into any arrangement with any underwriter, broker or dealer for the sale of Shares, any such person and the terms of any such arrangement will be disclosed in a supplement to this Offering Statement. Any brokers or dealers effecting sales of Shares may be deemed to be "underwriters" within the meaning of the Act.

No Shares may be offered or sold in any state or jurisdiction where the offer or sale of the Shares may not, in the opinion of legal counsel to the Company, be lawfully made.

The Company is authorized by its Articles of Incorporation to issue up to 800,000 Shares. As of June 30, 2006, 283,737 Shares were outstanding. If all the Shares offered hereby are sold, 383,737 Shares will be outstanding after this Offering. If only 50,000 Shares are sold, the minimum amount which must be sold in this Offering, 333,737 Shares will be outstanding after this Offering. The foregoing assumes that none of the Company's outstanding options to purchase 133,166 shares of the Company's common stock are exercised.

There is presently only a limited local market for the Shares and it is not expected that a larger market will develop in the future.

The price at which the Shares are being offered to the public has been determined arbitrarily by the Company and is not based upon the Company's assets, book value, net worth or any other recognized criterion of value.

Of the 288,877 total Shares previously issued by the Company (283,737 Shares of which were outstanding as of June 30, 2006), 400 of such Common Shares were issued to the founding shareholders of the Company in connection with the initial incorporation of the Company. Such founding shareholders who were not accredited investors at the time were determined by the Company to have such knowledge and experience in financial and business matters that such persons were capable of evaluating the merits and risks of such investment. Such Common Shares were sold for a price of \$25.00 per share and were offered and sold in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. 200,000 of such Common Shares were offered and sold by the Company in 1998 for a price of \$25.00 per share in connection with an offering by the Company in reliance on the exemption from registration provided by Section 3(b) of the Securities Act of 1933 and Regulation A promulgated thereunder. 81,643 of such Common Shares were offered and sold by the Company in 2000 for a price of \$30.00 per share in connection with an offering by the Company in reliance on the exemption from registration provided by Section 3(b) of the Securities Act of 1933 and Regulation A promulgated thereunder. 6,834 of the Common Shares issued and outstanding as of June 30, 2006 were issued in connection with the exercise of stock options previously granted by the Company under its 1997 and 2004 Incentive Stock Option Plans. 6,000 of such option Common Shares were issued for an exercise price of \$25.00 per share and 834 of such option Common Shares were issued for an exercise price of \$30.00 per share.

PURCHASER SUITABILITY

Each prospective purchaser should realize that there exists only a limited local market for the Shares and no exchange or national market for the Shares is likely to develop for the resale of the Shares. In addition, because of the various risk factors and the lack of liquidity, each prospective purchaser should be of sufficient financial means to assume the risks inherent in the purchase of the Shares and must evaluate whether such investment is suitable based upon such purchaser's investment objectives, financial situation and needs. Each prospective purchaser will be required to represent that he/she has sufficient knowledge and experience in business and financial matters to evaluate the merits and risks of an investment in the Shares. Prospective purchasers should carefully consider all of the risks relating to an investment in the Shares, including, but not limited to, the risk factors discussed above and should consult their own legal, tax and financial advisors.

AVAILABLE INFORMATION

On or about August 28, 1997, the Company filed with the Ohio Division of Financial Institutions (the "Division") an Application for Authorization to Organize a New State-Chartered Bank (the "State

Application") to be named Portage Community Bank (the "Bank"). The Bank applied with the Federal Deposit Insurance Corporation ("FDIC") for federal deposit insurance coverage of its deposits on or about January 21, 1998 (the "FDIC Application"). The Company submitted an application to the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") for permission to become a bank holding company by acquiring all the voting stock of the Bank on or about March 6, 1998 (the "Federal Reserve Board Application"). The State Application, Federal Reserve Board Application and the FDIC Application contain certain information which is not set forth in this Offering Statement. On June 22, 1998, the Bank obtained a Certificate of Authority from the Division. On June 22, 1998, the FDIC Application and the Federal Reserve Board Application were approved authorizing the Bank to commence business as a subsidiary of the Company.

The State Application is available for public inspection at the offices of the Ohio Department of Commerce, Division of Financial Institutions, 77 South High Street, Columbus, Ohio 43266-0549. The FDIC Application is available for public inspection at the regional offices of the FDIC, 500 West Monroe Street, Suite 3600, Chicago, Illinois 60661. The Federal Reserve Board Application is available for public inspection at the offices of the Federal Reserve Bank of Cleveland, 1455 East Sixth Street, Cleveland, Ohio 44101.

The Company has filed with the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, a Regulation A Offering Statement on Form 1-A (together with any amendments, the "Form 1-A") under the Securities Act of 1933, as amended, with respect to the securities being offered hereby. This Offering Statement, which is part of the Form 1-A, does not contain all of the information set forth in the Form 1-A and its exhibits. For further information with respect to the Company and the Shares, reference is made to the Form 1-A and the exhibits filed therewith, which may be examined, or copies obtained, from the Commission at the address set forth above. Any statements contained in this Offering Statement concerning the provisions of any document are not necessarily complete, and in each instance, reference is made to the copy of such document filed as an exhibit to the Form 1-A or otherwise filed with the Commission, FDIC, Federal Reserve Board or Division. Each such statement is qualified in its entirety by such reference.

USE OF PROCEEDS TO ISSUER

The net proceeds from the sale of the Shares, estimated to be \$4,910,000.00 if all the Shares offered hereby are sold and \$2,410,000.00 if only the minimum number of Shares is sold, are anticipated to be used to provide additional capitalization for the Bank to support loans, investments and other banking activities. In the event the maximum number of Shares being offered are sold, the Company intends to use a portion of the net proceeds of this Offering to retire certain of its subordinated debt securities. See "DESCRIPTION OF BUSINESS— SUBORDINATED DEBENTURES".

	<u>Minimum</u>	<u>Maximum</u>
Proceeds from Offering	\$2,500,000.00	\$5,000,000.00
Less: Estimated Offering Expenses	\$ 90,000.00	\$ 90,000.00
Net Proceeds from Offering	\$2,410,000.00	\$4,910,000.00
Capitalization of Bank	\$2,410,000.00	\$2,410,000.00
Redemption of Subordinated Debentures	\$ 0	\$2,500,000.00

The Federal Board, Division and FDIC require banks and bank holding companies to maintain minimum capital ratios. Should the Bank continue to grow and its deposits continue to increase, the Company will be required by the regulatory authorities to contribute additional capital to the Bank to support such growth. In the event all of the proceeds are not immediately needed for the uses described above, the Company will retain such proceeds for future contributions to the capital of the Bank and possible future acquisitions and expansions, although the Company has no pending, contemplated or anticipated acquisition plans.

While management believes that the net proceeds of this Offering will be sufficient to satisfy the Bank's capital requirements until at least 2009, there can be no assurance that the Bank will not require additional capital in the future.

The Company and the Bank reserve the right to change the anticipated use of proceeds from the sale of the Shares in the event changes are necessary to comply with regulatory requirements or for other reasons. In such event, the Company and the Bank will limit the use of such proceeds to activities incidental to banking activities and/or activities which banks are permitted to engage in under federal and state banking laws.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Introduction

The following discusses the financial condition of the Company and the Bank as of June 30, 2006 as compared to December 31, 2005 and December 31, 2005 compared to December 31, 2004. The results of operations for the years ended December 31, 2005 and 2004 and the six month period June 30, 2006 to June 30, 2005 are also discussed. This discussion should be read in conjunction with the June 30, 2006 interim consolidated financial statements and footnotes and the December 31, 2005 consolidated financial statements and footnotes included therein.

Management Strategy

The Company is a community-oriented financial institution offering a variety of financial services but focuses mainly on the small business niche market of communities it serves. The Company attracts deposits from the community, along with borrowings and other funds, to originate loans. The Company's deposits are insured up to the maximum allowable amount by the FDIC. The Company will invest any excess funds in securities as warranted.

The Company is not aware of any market or institutional trends, events or circumstances that are expected to have a material effect on liquidity, capital resources or operations, except as otherwise disclosed. The Company is not aware of any current recommendations by its regulators which would have a material effect if implemented.

Comparisons of Financial Condition at June 30, 2006 and December 31, 2005

The Company's total assets at June 30, 2006 were \$163.7 million, an increase of \$16.2 million, or 11.0%, from \$147.5 million at December 31, 2005. Federal funds sold increased by \$4.2 million in the first six months of 2006 from \$0.3 million at December 31, 2005 to \$4.5 million at June 30, 2006 due to increased deposit balances.

Total loans increased by \$9.8 million, growing to \$133.7 million at June 30, 2006 from \$123.8 million at December 31, 2005. Much of the Company's loan growth occurred in the real estate and business loan portfolios, which increased \$1.5 and \$7.0 million, respectively. The allowance for loan losses as a percentage of total loans was 1.37% at June 30, 2006 and 1.38% at December 31, 2005.

The Company also grew its deposit portfolio by \$20.2 million, or 16.3% from December 31, 2005. The majority of the growth was in the savings and time deposits, which increased \$9.2 million and \$16.0 million from December 31, 2005. The growth was mainly due to the increase in interest rates offered on the Company's deposit products and a new large public fund deposit from a local school district. This increase was partially offset by a decrease in interest-bearing demand accounts of \$5.8 million. The growth in time deposits included the addition of \$7.0 million of brokered deposits during the six months ended June 30, 2006. The growth in deposits was used to fund loan growth, increase the liquidity of the Company and repay the cash management advance from the Federal Home Loan Bank.

Comparisons of Financial Condition at December 31, 2005 and December 31, 2004

The Company's total assets at December 31, 2005 were \$147.5 million, an increase of \$22.2 million, or 17.7%, from \$125.3 million at December 31, 2004. Asset growth was primarily attributable to the purchase of securities and loan growth. Securities increased by \$4.8 million from \$5.7 million at December 31, 2004 to \$10.5 million at December 31, 2005. The Company decided to shift funds from interest-bearing deposits to the security portfolio to earn a higher yield. Federal funds decreased \$3.3 million over the same period. These funds were used to support loan growth. The growth in fixed assets was due to the building of the operation and finance facility during 2005 and with the purchase of lots for future branches.

Total loans increased by \$17.7 million, growing to \$123.8 million at December 31, 2005 from \$106.1 million at December 31, 2004. Much of the Company's loan growth occurred in the real estate and business loan portfolios, which increased \$3.1 and \$15.1 million, respectively. The allowance for loan losses as a percentage of total loans was 1.38% and 1.35% at December 31, 2005 and December 31, 2004.

The Company also grew its deposit portfolio by \$16.0 million, or 14.8% from December 31, 2004. The majority of the growth was in time deposits, which increased \$22.4 million from December 31, 2004. This increase was partially offset by a decrease in interest-bearing demand accounts of \$11.8 million. While deposits grew during 2005, the Company still needed additional funding for loan growth and used FHLB advances.

Comparison of Results of Operations for the Periods ended June 30, 2006 and 2005

General. Net income for the six months ended June 30, 2006 decreased by \$142,834, or 23.5% when compared to the six months ended June 30, 2005. The main reasons for the decrease are the increase in the provision for loan losses and noninterest expense partially offset by an increase in net interest income and noninterest income. These items will be discussed further in the following paragraphs.

Net Interest Income. The inverted yield curve which occurred during the first half of 2006 had a major impact on the net interest income. While interest income increased by approximately \$1.0 million, or 25.5%, interest expense kept a close pace and grew by approximately \$875,000, or 61.6%. Until the current interest rate environment changes, the Company will continue to have compressed margin results.

Provision for Loan Losses. During the first six months of 2006, the Company increased the provision for loan losses when compared to the prior year comparable period. The increase was a direct result of the increase in nonperforming loans.

Noninterest Income. Total noninterest income increased during the first six months of 2006 by approximately \$41,000, or 18.4%. The increase was mainly due to additional revenue on service charges and other fees charged to customers because of overall growth of the Company. As the Company continues to grow and expand the customer base, service fees are expected to increase.

Noninterest Expense. The increase in total noninterest expense was approximately \$277,000 and was mainly driven by the increase in salaries, wages and employee benefits. As the Company continues to grow the need to retain and attract employees is paramount. Advertising expense decreased during the first six months of 2006 compared to 2005 due to less promotion activities for the time periods. The increase in other expenses was mainly a result of the balance sheet growth for the comparable time periods which resulted in additional costs for various items.

Income Taxes. The provision for income taxes totaled an expense of approximately \$212,000 for the six months ended June 30, 2006 compared to \$305,000 for the six months ended June 30, 2005, due to the decrease in income before taxes. The effective tax rate was 31.3% for the six months ended June 30, 2006 and 33.4% for the six months ended June 30, 2005. The decrease in the effective tax rate was due to higher interest income on nontaxable securities and higher earnings on Bank owned life insurance in the current six month period.

Comparison of Results of Operations for the Years ended December 31, 2005 and 2004

General. Net income for the period ended December 31, 2005 increased by \$245,000, or 26.1% from \$937,000 for the year ended December 31, 2004 to net income of \$1.2 million for the year ended December 31, 2005. The increase in net income was primarily due to the increase in net interest income.

Net Interest Income. Net interest income is the largest component of the Company's net income, and consists of the difference between interest income generated on interest-earning assets and interest expense incurred on interest-bearing liabilities. Net interest income is primarily affected by the volumes, interest rates and composition of interest-earning assets and interest-bearing liabilities. The increase in interest income was due to both an increase in the average volume of earning assets and an increase in the yield earned on those assets during 2005. The increase in interest expense was also impacted by both an increase in the average volume and the rates associated with deposits and other borrowings.

Net interest income increased approximately \$622,000, or 13.8% for the year ended December 31, 2005. The primary reason for the increase in net interest income was the growth in average earning assets. Management has focused on growing the loan portfolio, with a focus on business loans. Additionally, these loans tend to yield a higher interest rate than residential real estate loans. Since the majority of the loans in the business portfolio are variable rate and tied to some index, the interest income should increase as rates increase. The \$1.8 million increase in interest income was reduced by the increase in interest expense, which grew by \$1.1 million, or 56.6%. The year ended December 31, 2005 had a full year of expense associated with the subordinated debentures, which were issued during 2004.

Provision for Loan Losses. The provision for loan losses is based on management's regular review of the loan portfolio, which considers factors such as past loss experience, prevailing general economic conditions and considerations applicable to specific loans, such as the ability of the borrower to repay the loan and the estimated value of the underlying collateral, as well as changes in the size and growth of the loan portfolio.

A provision for loan losses of \$350,000 was recorded during the year ended December 31, 2005, representing a decrease of \$108,000, or 23.5%. At December 31, 2005, the allowance for loan losses represented 1.38% of total loans compared to 1.35% at December 31, 2004. The decrease in the provision was primarily due to the increase in recoveries of loans which had been previously charged-off. Management believes the allowance for loan losses is adequate to absorb probable incurred losses; however, future additions to the allowance may be necessary based on changes in economic conditions.

Noninterest Income. The Company experienced a very small increase in total noninterest income. The year ended December 31, 2004 had \$25,000 in gain on sales of securities which December 31, 2005 did not have. The gain on sale of securities is currently not a frequent occurrence for the Company. Service charges and other fee income increased by \$18,000, or 8.7%. The increase in these fees is due to the growth of the Company's customer base.

Noninterest Expense. Noninterest expense increased \$367,000, or 11.7% for the year ended December 31, 2005 compared to the same period in 2004. The majority of the increase was in salaries and employee benefits, which increased by \$224,000, or 13.9%. The increase was due to normal merit and salary increases along with attracting new employees as the Company grows. As the Company continues to grow and expand into new markets this expense should continue to increase. The maturity of noninterest expense categories increased from 2004 to 2005 due to the necessary infrastructure to support the growth of the Company. Professional expenses decreased during 2005 due to less legal work performed and the timing of the loan review service.

Income Taxes. The provision for income taxes totaled an expense of \$574,000 for the year ended December 31, 2005 compared to \$452,000 for the year ended December 31, 2004, due to the increase in income before taxes. The effective tax rate for the year ended December 31, 2005 and 2004 was almost unchanged at 32.7% for 2005 and 32.5% for 2004.

Liquidity and Capital Resources

The Company's primary sources of funds are deposits, principal and interest payments on loans and securities, borrowings from the Federal Home Loan Bank of Cincinnati and subordinated debentures. The Company uses the funds generated to support its lending and investment activities as well as any other demands for liquidity such as deposit outflows. While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows, mortgage prepayments and the exercise of call features are greatly influenced by general interest rates, economic conditions and competition. Depending on market conditions, the pricing of deposit products and Federal Home Loan Bank advances, the Company may rely on Federal Home Loan Bank borrowing or other borrowings to fund asset growth.

The Company's most liquid assets are cash and cash equivalents. The levels of those assets are dependent on the Company's operating, financing, lending and investing activities during any given period. At June 30, 2006, December 31, 2005 and December 31, 2004, cash and cash equivalents totaled \$9.2, \$4.4 and \$7.5 million, or 5.6%, 3.0% and 6.0% of total assets.

The Company relies primarily on competitive rates, customer service and personal relationships with customers to retain deposits. Based on the Company's experience with deposit retention and current retention strategies, management believes that, although it is not possible to predict future terms and conditions upon renewal, a significant portion of such deposits will remain with the Company.

At June 30, 2006 and December 31, 2005, the Bank exceeded all of its regulatory capital requirements. The capital ratios are disclosed in the footnotes of the consolidated financial statements which accompany this document as well as in the section below entitled "SUPERVISION AND REGULATION—Capital".

Management is not aware of any matters subsequent to June 30, 2006 that would cause the Bank's or the Company's capital category to change.

DESCRIPTION OF BUSINESS

Formation

The Company was incorporated on March 17, 1997, as an Ohio corporation, for the purpose of becoming a bank holding company and forming a commercial bank with an Ohio charter. On or about August 28, 1997, the Bank filed with the Ohio Division of Financial Institutions (the "Division") an Application for Authorization to Organize a New State-Chartered Bank (the "State Application"). The Bank applied with the Federal Deposit Insurance Corporation for federal insurance coverage of its deposits on or about January 21, 1998 (the "FDIC Application"). The Company filed an application with the Board of Governors of the Federal Reserve System (the "Federal Reserve") for permission to become a bank holding company by acquiring all the voting stock of the Bank on or about March 6, 1998 (the "Federal Reserve Board Application"). On June 22, 1998 the Bank obtained a Certificate of Authority from the Division. On June 22, 1998, the FDIC Application and the Federal Reserve Board Application were approved authorizing the Bank to commence business as a subsidiary of the Company. See "SUPERVISION AND REGULATION". The Company purchased the shares of Portage Community Bank (the "Bank") on June 12, 1998 and began operating the Bank on July 1, 1998 at its original office located at 1311 East Main Street in Ravenna, Ohio. On April 21, 2006, the Bank applied to the Federal Reserve and the Division to open its second office in Kent, Ohio. After receiving such approval from the Federal Reserve and the Division, the Bank opened its new Kent office to the public on July 26, 2006. The Company also owns all of the issued and outstanding common securities of Portage Bancshares Capital Trust I, a Delaware statutory trust, which was established by the Company in connection with the issuance and sale of floating rate trust preferred securities. See "DESCRIPTION OF BUSINESS—SUBORDINATED DEBENTURES".

Business

The principal business of the Company is the ownership and operation of the Bank, which is a wholly owned subsidiary of the Company and its principal asset. The Company is a bank holding company with consolidated total assets of approximately \$163,709,036.00 at June 30, 2006.

The Bank's main office is located at 1311 East Main Street, Ravenna, Ohio 44266 and the Bank's new Kent office is located at 1532 South Water Street, Kent, Ohio 44240. See "DESCRIPTION OF PROPERTY".

In the future, the Company may acquire or organize other financial institutions with state or federal charters, however the Company has no pending, contemplated or anticipated acquisition plans. The Company may also in the future engage in other activities permitted under the Bank Holding Company Act of 1956, as amended, although it does not have any present plans to do so. The Bank and the main office of the Company are located at 1311 East Main Street, Ravenna, Ohio 44266. The Company's telephone number is (330) 296-8090.

The Bank

Although wholly owned by the Company, the Bank is an independent community bank. As a community bank, the Bank primarily serves individuals and small and medium-sized businesses located in Ravenna, Ohio and the surrounding community. The Bank provides a full range of retail banking services, including (i) the acceptance of demand, savings and time deposits, (ii) the making of loans to consumers, businesses and other institutions, (iii) the investment of excess funds in the purchase of federal funds, U.S. government and agency obligations, and state, county and municipal bonds, and (iv) other miscellaneous financial services usually handled for customers by commercial banks. The Bank offers its customers deposit services that are typically available in most financial institutions, including checking accounts, savings accounts and other time deposits of various types, ranging from money market accounts to longer term certificates of deposit. The transaction accounts and time certificates are tailored to the principal market area at rates competitive in the area. In addition, retirement accounts such as IRAs (Individual Retirement Accounts) are available as well as broker-dealer services. The Bank's deposits are attracted primarily from individuals, merchants, small and medium-sized businesses, and professionals. All deposit accounts are insured by the FDIC up to the maximum amount. At June 30, 2006, the Bank had deposits of \$144,185,458.00.

The principal sources of the Bank's revenues are: (i) interest and fees on loans, (ii) deposit service charges, (iii) federal funds sold (funds loaned on a short-term basis to other banks), and (iv) interest on investments (principally government securities). The Bank's lending activity consists of short-to-medium-term commercial and consumer loans, including operating loans and lines, equipment loans, automobile loans, recreational vehicle and truck loans, personal loans or lines of credit, home improvement and rehabilitation loans and VISA national credit cards. The Bank also offers safe deposit boxes, direct deposit of payroll and social security checks, automated teller machine access, debit cards, automatic draft for various accounts, internet banking services and telephone banking services. The Bank has a night depository and an automated teller machine as well as drive-up services.

Changes in governmental monetary policy and other economic trends may affect the ability of the Bank to attract deposits and make loans and may also affect the demand for mortgage and other loans, and, accordingly, the operating results of the Bank. The Company is unable to predict the nature or extent of the effect on the Bank's operating results of monetary policy changes or other economic factors over which the Company has no control, such as unemployment and inflation. The success of the Bank will depend in significant part upon its ability to match its sources and uses of funds so as to create a favorable net interest spread. Given the volatility of interest rates, it is possible that in the future the interest income earned by the Bank on loans and investments will be less than the interest paid by it on deposits and borrowings. While the Company will seek to manage this risk in a way that is advantageous to its shareholders, there is no assurance that it will succeed.

The following information is provided in accordance with the provisions of Industry Guide 3:

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

The following table sets forth certain information relating to the Bank's average balance sheet information and reflects the average yield on interest-earning assets and the average cost of interest-bearing liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balances of interest-earning assets or interest-bearing liabilities, respectively,

for the periods presented. The average balance for securities available for sale is computed using the carrying value and the average yield on securities available for sale has been computed using the historical amortized cost average balance.

(\$ Thousands)	Six months ended June 30, 2006			Six months ended June 30, 2005		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest-earning assets:						
Loans	\$130,381	\$4,619	7.08%	\$112,305	\$3,683	6.56%
Taxable securities	9,587	187	3.83	7,498	134	3.52
Tax-exempt securities	1,052	28	5.33	389	11	5.62
Federal funds sold and other short-term funds	1,620	43	5.37	3,966	55	2.78
Restricted stock	670	18	5.37	634	14	4.44
Total interest-earning assets:	<u>143,310</u>	<u>4,895</u>	6.82	<u>124,792</u>	<u>3,897</u>	6.24
Noninterest-earning assets:						
Cash due from financial institutions	3,351			4,025		
Premises and equipment, net	3,894			1,881		
Bank owned life insurance	3,062			2,464		
Accrued interest and other assets	1,230			1,017		
Less: Allowance for loan losses	<u>(1,814)</u>			<u>(1,481)</u>		
Total noninterest-earning assets:	<u>9,723</u>			<u>7,906</u>		
Total assets:	<u>\$153,033</u>			<u>\$132,698</u>		
Interest-bearing liabilities:						
Demand deposits	\$ 16,777	\$ 162	1.94	\$ 33,970	\$ 365	2.15
Savings deposits	27,750	449	3.23	20,322	150	1.47
Time deposits	67,556	1,366	4.04	44,723	703	3.15
FHLB and other borrowings	9,270	205	4.42	5,843	117	4.02
Subordinated debentures	<u>2,450</u>	<u>111</u>	9.10	<u>2,450</u>	<u>84</u>	6.81
Total interest-bearing liabilities:	<u>123,804</u>	<u>2,293</u>	3.70	<u>107,308</u>	<u>1,419</u>	2.64
Noninterest-bearing liabilities:						
Demand deposits	17,870			14,960		
Accrued interest and other liabilities	<u>982</u>			<u>921</u>		
Total noninterest-bearing liabilities:	<u>18,852</u>			<u>15,821</u>		
Total liabilities:	142,656			123,189		
Total shareholders' equity:	<u>10,377</u>			<u>9,509</u>		
Total liabilities and shareholders' equity:	<u>\$153,033</u>			<u>\$132,698</u>		
Net Interest Spread		<u>\$2,602</u>	3.12%		<u>\$2,478</u>	3.60%
Margin			3.63%			3.97%

(\$ Thousands)	Year ended December 31, 2005			Year ended December 31, 2004		
	Average Balance	Interest Earned or Paid	Average Yield or Rate Paid	Average Balance	Interest Earned or Paid	Average Yield or Rate Paid
Assets:						
Interest-earning assets:						
Loans receivable	\$116,341	\$7,844	6.74%	\$100,992	\$6,355	6.29%
Taxable securities	8,551	312	3.60	3,387	102	3.00
Nontaxable securities	716	39	5.37	53	3	6.03
Federal funds sold and other short-term funds	2,808	86	3.07	3,155	43	1.36
Restricted stock	638	35	5.41	598	33	5.59
Total interest-earning assets:	<u>129,054</u>	<u>8,316</u>	6.44	<u>108,185</u>	<u>6,536</u>	6.04
Noninterest-earning assets:						
Cash and due from financial institutions	3,959			3,205		
Premises and equipment, net	2,548			1,369		
Bank owned life insurance	2,501			2,345		
Accrued interest and other assets	1,151			910		
Less: Allowance for loan losses	<u>(1,552)</u>			<u>(1,360)</u>		
Total noninterest-earning assets:	<u>8,607</u>			<u>6,469</u>		
Total assets:	<u>\$137,661</u>			<u>\$114,654</u>		
Liabilities and shareholders' equity:						
Interest-bearing liabilities:						
Demand deposits	\$ 31,028	\$ 670	2.16%	\$ 20,311	388	1.91%
Savings deposits	20,820	388	1.87	25,050	227	0.91
Time deposits	49,439	1,655	3.35	40,396	1,106	2.74
FHLB advances and other borrowings	7,227	299	4.14	5,296	216	4.08
Subordinated debentures	<u>2,450</u>	<u>159</u>	6.49	<u>1,633</u>	<u>89</u>	5.41
Total interest-bearing liabilities:	<u>110,964</u>	<u>3,171</u>	2.86	<u>92,686</u>	<u>2,026</u>	2.19
Noninterest-bearing liabilities:						
Demand deposits	15,930			12,261		
Accrued interest payable and other liabilities	<u>976</u>			<u>951</u>		
Total noninterest-bearing liabilities:	<u>16,906</u>			<u>13,212</u>		
Total liabilities:	127,870			105,898		
Total shareholders' equity:	<u>9,791</u>			<u>8,756</u>		
Total liabilities and shareholders' equity:	<u>\$137,661</u>			<u>\$114,654</u>		
Net Interest Income		<u>\$5,145</u>			<u>\$4,510</u>	
Net Interest Spread			<u>3.58%</u>			<u>3.85%</u>
Net Yield on Interest-Earning Assets			<u>3.98%</u>			<u>4.17%</u>

The table below describes the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (change in volume multiplied by prior period rate), (ii) changes in rate (change in rate multiplied by prior period volume) and (iii) total changes in rate and volume. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the absolute value of the change due to volume and the change due to rate.

Six months ended June 30, 2006 vs. 2005			
(\$ Thousands)	Increase (Decrease) due to		
	Volume	Rate	Net
Interest-earning assets:			
Loans receivable	\$624	\$312	\$ 936
Taxable securities	41	12	53
Tax-exempt securities	18	(1)	17
Federal funds sold and other short-terms funds	(45)	33	(12)
Restricted stock	<u>1</u>	<u>3</u>	<u>4</u>
Total interest-earning assets:	<u>\$639</u>	<u>\$359</u>	<u>\$998</u>
Interest-bearing liabilities:			
Demand deposits	\$(170)	\$(33)	\$(203)
Savings deposits	70	229	299
Time deposits	425	238	663
FHLB advances and other borrowings	75	13	88
Subordinated debentures	<u>-</u>	<u>27</u>	<u>27</u>
Total interest-bearing liabilities	<u>\$400</u>	<u>\$474</u>	<u>\$874</u>
Increase in net interest income	<u>\$239</u>	<u>\$(115)</u>	<u>\$124</u>

Year ended December 31, 2005 vs. 2004						
(\$Thousands)	Increase (Decrease) due to			Increase (Decrease) due to		
	Volume	Rate	Net	Volume	Rate	Net
Interest-earning assets:						
Loans receivable	\$1,013	\$476	\$1,489	\$926	\$(295)	\$631
Taxable securities	186	24	210	26	5	31
Tax-exempt securities	36	-	36	3	-	3
Federal funds sold and other short-term funds	(5)	48	43	(11)	12	1
Restricted stock	<u>3</u>	<u>(1)</u>	<u>2</u>	<u>2</u>	<u>11</u>	<u>13</u>
Total interest-earning assets:	<u>\$1,233</u>	<u>\$547</u>	<u>\$1,780</u>	<u>\$946</u>	<u>\$(267)</u>	<u>\$679</u>

(\$Thousands)	Year ended December 31,					
	<u>2005 vs. 2004</u>			<u>2004 vs. 2003</u>		
	Increase (Decrease) due to			Increase (Decrease) due to		
	<u>Volume</u>	<u>Rate</u>	<u>Net</u>	<u>Volume</u>	<u>Rate</u>	<u>Net</u>
Interest-bearing liabilities:						
Demand deposits	\$226	\$56	\$282	\$245	\$93	\$338
Savings deposits	(44)	205	161	(31)	(40)	(71)
Time deposits	276	273	549	(15)	(59)	(74)
Other borrowings	80	3	83	(2)	(5)	(7)
Subordinated debentures	<u>50</u>	<u>20</u>	<u>70</u>	<u>88</u>	<u>-</u>	<u>88</u>
Total interest-bearing liabilities:	<u>\$588</u>	<u>\$557</u>	<u>\$1,145</u>	<u>\$285</u>	<u>\$(11)</u>	<u>\$274</u>
Increase in net interest income	<u>\$645</u>	<u>\$(10)</u>	<u>\$635</u>	<u>\$661</u>	<u>\$(256)</u>	<u>\$(405)</u>

II. INVESTMENT PORTFOLIO

The estimated fair values of securities available for sale at June 30, 2006 and December 31, 2005 and 2004 are as follows:

	<u>Fair Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
<u>June 30, 2006</u>			
U.S. Government and federal agency	\$ 6,969,569	\$ --	\$(189,356)
Municipal securities	1,042,977	2,562	(20,407)
Mortgage-backed securities	<u>3,043,085</u>	<u>--</u>	<u>(84,003)</u>
	<u>\$11,055,631</u>	<u>\$2,562</u>	<u>\$(293,766)</u>
	<u>Fair Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
<u>December 31, 2005</u>			
U.S. Government and federal agency	\$ 7,497,747	\$ --	\$(159,855)
Municipal securities	1,055,267	4,591	(16,773)
Mortgage-backed securities	<u>1,949,262</u>	<u>--</u>	<u>(36,165)</u>
	<u>\$10,502,276</u>	<u>\$4,591</u>	<u>\$(212,793)</u>
	<u>Fair Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
<u>December 31, 2004</u>			
U.S. Government and federal agency	\$ 5,603,600	\$ 756	\$(54,088)
Municipal securities	<u>102,545</u>	<u>2,545</u>	<u>--</u>
	<u>\$ 5,706,145</u>	<u>\$3,301</u>	<u>\$(54,088)</u>

The following tables present the weighted average yields by maturity and security type.

Maturities of Investment Securities

	Due in one year or less		Due in one to five years		Due in five to ten years		Greater than ten years	
	Amount	Weighted Average Yields	Amount	Weighted Average Yields	Amount	Weighted Average Yields	Amount	Weighted Average Yields
<u>June 30, 2006</u>								
U.S. Government and federal agency	\$989,304	3.47%	\$5,980,265	3.52%	\$ —	—	\$ —	—
Municipal Securities	—	—	—	—	100,495	4.00%	942,482	3.58%
Mortgage-backed securities	—	—	—	—	746,107	4.70%	2,296,978	5.16%
	<u>\$989,304</u>	<u>3.47%</u>	<u>\$5,980,265</u>	<u>3.52%</u>	<u>\$846,602</u>	<u>4.62%</u>	<u>\$3,239,460</u>	<u>4.70%</u>

Maturities of Investment Securities

	Due in one year or less		Due in one to five years		Due in five to ten years		Greater than ten years	
	Amount	Weighted Average Yields	Amount	Weighted Average Yields	Amount	Weighted Average Yields	Amount	Weighted Average Yields
<u>December 31, 2005</u>								
U.S. Government and federal agency	\$1,001,935	3.70%	\$6,495,812	3.49%	\$ —	—	\$ —	—
Municipal Securities	—	—	—	—	100,719	4.00%	954,548	3.55%
Mortgage-backed securities	—	—	—	—	847,472	4.75%	1,101,790	4.20%
	<u>\$1,001,935</u>	<u>3.70%</u>	<u>\$6,495,812</u>	<u>3.49%</u>	<u>\$948,191</u>	<u>4.67%</u>	<u>\$2,056,338</u>	<u>3.90%</u>

III. LOAN PORTFOLIO

A. Types of Loans – The following table presents certain information regarding the compositions of the Company's loan portfolio at the dates indicated:

	June 30, 2006		2005		December 31, 2004	
Business loans	\$ 82,737,489	61.0%	\$ 75,731,572	60.3%	\$ 60,610,339	56.3%
Real estate loans	26,221,089	19.3	24,693,313	19.6	21,636,305	20.1
Home equity lines of credit	17,310,166	12.8	17,023,779	13.5	18,641,052	17.3
Personal loans	7,690,720	5.7	7,062,655	5.6	5,611,609	5.2
Credit line and overdrafts	990,895	0.7	362,680	0.3	352,046	0.3
Credit card	753,142	0.5	830,623	0.7	803,269	0.8
Total loans	<u>135,703,501</u>	<u>100%</u>	<u>125,704,622</u>	<u>100%</u>	<u>107,654,620</u>	<u>100%</u>
Net deferred loan fees	(146,583)		(129,576)		(108,864)	
Allowance for loan losses	<u>(1,856,250)</u>		<u>(1,729,500)</u>		<u>(1,451,450)</u>	
Loans, net	<u>\$133,700,668</u>		<u>\$123,845,546</u>		<u>\$106,094,306</u>	

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

Loan Maturities and Sensitivity to Changes in Interest Rates

<u>June 30, 2006</u>	<u>Within one year</u>	<u>One to five years</u>	<u>After five years</u>	<u>Total</u>
Business loans	\$23,122,286	\$17,629,486	\$41,985,717	\$82,737,489
Real estate loans	20,626,528	447,241	5,147,320	26,221,089
Home equity lines of credit	--	4,629,310	12,680,856	17,310,166
Personal loans	334,678	3,145,604	4,210,438	7,690,720
Credit line and overdrafts	113,761	819,566	57,568	990,895
Credit card	753,142	--	--	753,142
	<u>\$44,950,395</u>	<u>\$26,671,207</u>	<u>\$64,081,899</u>	<u>\$135,703,501</u>

Of the loans due after one year, \$67,651,460 have variable interest rates, and \$23,101,646 have fixed interest rates.

<u>December 31, 2005</u>	<u>Within one year</u>	<u>One to five years</u>	<u>After five years</u>	<u>Total</u>
Business loans	\$22,849,832	\$14,571,857	\$ 38,309,883	\$ 75,731,572
Real estate loans	19,654,982	563,587	4,474,744	24,693,313
Home equity lines of credit	--	4,088,186	12,935,593	17,023,779
Personal loans	234,181	3,020,484	3,807,990	7,062,655
Credit line and overdrafts	55,401	234,544	72,735	362,680
Credit card	830,623	--	--	830,623
	<u>\$43,625,019</u>	<u>\$22,478,658</u>	<u>\$ 59,600,945</u>	<u>\$125,704,622</u>

Of the loans due after one year, approximately \$61,834,788 have variable interest rates, and \$20,244,815 have fixed interest rates.

C. Risk Elements

1. Nonaccrual, Past Due, Restructured and Impaired Loans – The following schedule summarizes nonaccrual, past due, restructured and impaired loans at the indicated periods.

	<u>June 30, 2006</u>	<u>December 31, 2005</u>	<u>2004</u>
(a) Loans accounted for on a nonaccrual basis	\$1,208,756	\$606,969	\$453,925
(b) Accruing loans which are contractually past due 90 days or more as to interest or principal payments	50,954	225,823	115,243
(c) Loans not included in (a) or (b) which are "Troubled Debt Restructurings" as defined by Statement of Financial Accounting Standards No. 15"	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$1,259,710</u>	<u>\$832,792</u>	<u>\$569,168</u>

Gross interest income that would have been recorded on nonaccrual loans outstanding if the loans had been current, in accordance with their original terms and had been outstanding throughout the period or since origination if held for part of the period

40,548 28,657

Interest income actually recorded on nonaccrual loans and included in net income for the period

-- --

Discussion of the Nonaccrual Policy

The Bank places loans on the nonaccrual status when the principal and/or interest are more than 90 days past due unless the loan is well secured and in the process of collection. The Bank also places a loan on nonaccrual status if the repayment in full is not expected or if there is a significant deterioration in the financial condition of the borrower.

2. Potential Problem Loans

At June 30, 2006 and December 31, 2005 and 2004, there were certain loans not otherwise identified above which are included on the Bank's management's watch list. Management's watch list includes both loans which management has some doubt as to the borrowers' ability to comply with the present repayment terms and loans which management is actively monitoring due to changes in the borrowers financial condition. These loans and their potential loss exposure have been considered the Bank's management's analysis of the adequacy of the allowance for loan losses.

3. Foreign Loans Outstanding

There were no foreign outstandings during the periods presented.

4. Loan Concentrations

There are no concentrations of loans greater than 10% of total loans which are not otherwise disclosed as a category of loans in the footnotes to financial statements.

D. Other Interest-Bearing Assets

At June 30, 2006 and December 31, 2005 and 2004, there are no other interest-bearing assets that are past due or for which management does not expect full payment.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. The following schedule presents an analysis of the allowance for loan losses and related ratios for the following periods:

	June 30, <u>2006</u>	December 31, <u>2005</u>	<u>2004</u>
Balance at beginning of period:	\$1,729,500	\$1,451,450	\$1,141,975
Charge-offs:			
Credit line and overdraft	\$ (82,230)	\$ (1,790)	\$ (4,800)
Credit Cards	(8,071)	(44,415)	(27,467)
Real estate	(89,713)	(77,241)	--
Personal	(4,900)	(25,130)	(60,485)
Business	--	(203,037)	(104,198)
Total charge-offs	<u>(184,914)</u>	<u>(351,613)</u>	<u>(196,950)</u>
Recoveries:			
Credit line and overdraft	--	--	--
Credit Cards	110	160	6,470
Real estate	83,000	65,000	--
Personal	9,397	17,976	35,993
Business	723	96,265	6,020
Total recoveries	<u>93,230</u>	<u>279,401</u>	<u>48,483</u>
Net charge-offs	(91,684)	(72,212)	(148,467)
Provision for loan losses	<u>218,434</u>	<u>350,262</u>	<u>457,942</u>
Balance at end of period	<u>\$1,856,250</u>	<u>\$1,729,500</u>	<u>\$1,451,450</u>
Ratio of net charge-offs during the period to average loans outstanding during the period	0.14%	0.06%	0.15%

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

The following schedule is a breakdown of the allowance for loan losses allocated by type of loan and related ratios:

<u>Balance at End of Period</u>	<u>June 30,</u> <u>2006</u>		<u>December 31,</u> <u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>Percent of</u> <u>total loans</u>	<u>Amount</u>	<u>Percent of</u> <u>total loans</u>	<u>Amount</u>	<u>Percent of</u> <u>total loans</u>
Personal	\$ 86,448	5.7%	\$ 61,085	5.6%	62,495	5.2%
Credit lines	112,131	13.5	97,845	13.8	116,986	17.6
Business	1,499,044	61.0	1,300,207	60.3	1,167,992	56.3
Real estate	133,520	19.3	79,021	19.6	78,913	20.1
Credit cards	<u>25,107</u>	<u>0.5</u>	<u>9,942</u>	<u>0.7</u>	<u>25,064</u>	<u>0.8</u>
Total	<u>\$1,856,250</u>	<u>100%</u>	<u>\$1,729,500</u>	<u>100%</u>	<u>\$1,451,450</u>	<u>100%</u>

V. DEPOSITS

The average amount of deposits and average rates paid are summarized as follows for the periods indicated:

	<u>June 30,</u> <u>2006</u>		<u>December 31,</u> <u>2005</u>		<u>2004</u>	
	<u>Average</u> <u>Amount</u>	<u>Average</u> <u>Rate</u>	<u>Average</u> <u>Amount</u>	<u>Average</u> <u>Rate</u>	<u>Average</u> <u>Amount</u>	<u>Average</u> <u>Rate</u>
Noninterest-bearing demand	\$ 17,869,142	0.00%	\$ 15,930,392	0.00%	\$ 12,261,350	0.00%
Interest-bearing demand	16,777,143	1.94	31,027,825	2.16	20,311,397	1.91
Savings	27,749,789	3.23	20,820,498	1.87	25,049,434	0.91
Time	<u>67,556,432</u>	<u>4.04</u>	<u>49,439,089</u>	<u>3.35</u>	<u>40,396,332</u>	<u>2.74</u>
	<u>\$129,952,506</u>	<u>3.04%</u>	<u>\$117,217,798</u>	<u>2.31%</u>	<u>\$98,018,513</u>	<u>1.76%</u>

The following table presents the amount of the Bank's certificates of deposit of \$100,000 or more by the time remaining until maturity at June 30, 2006 and December 31, 2005:

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Three months or less	\$ --	\$ 104,887
Over three months through six months	3,071,513	612,952
Over six through twelve months	3,213,786	446,545
Over twelve months	<u>8,603,058</u>	<u>415,675</u>
	<u>\$14,888,357</u>	<u>\$1,580,058</u>

VI. RETURN ON EQUITY AND ASSETS

The ratio of net income to average shareholders' equity and average total assets and certain other ratios are as follows:

	For the six months ended June 30, <u>2006</u>	For the years ended December 31, <u>2005</u> <u>2004</u>	
Average total assets	\$153,032,520	\$137,660,664	\$114,654,049
Average shareholders' equity	10,377,401	9,790,915	\$8,755,567
Net income	465,512	1,181,521	937,014
Return on average total assets	0.61%	0.86%	0.82%
Return on average shareholders' equity	8.97%	12.07%	10.70%
Cash dividends declared	--	--	--
Dividend payout percentage	n/a	n/a	n/a
Average shareholders' equity to average total assets	6.78%	7.11%	7.64%

VII. SHORT-TERM BORROWINGS

The Company did not have any reportable categories of short-term borrowings during or at the end June 30, 2006. The Company had \$3,200,000 of Federal Home Loan Bank cash management advances at an interest rate of 4.46% at the end of December 31, 2005.

Investment Policy of Bank

The Bank's general investment objective is to maintain an investment grade portfolio of securities to generate favorable returns on investments, minimize risk and provide adequate liquidity as necessary from time to time along with meeting pledging requirements for local public funds. The Bank's portfolio mix consists primarily of government agencies which comprise approximately 45-60% of the Bank's total portfolio. Mortgage backed securities comprise approximately 30-45% of the total portfolio of the Bank and municipal bonds comprise approximately 10% of the total portfolio. The specific mix of the Bank's portfolio at any given time is subject to change based on prevailing market opportunities and management's analysis of the overall interest rate risk of the portfolio. Callable agency maturities will generally have a maximum stated final maturity of no more than five (5) years. Municipal bonds may have a maturity of up to thirty (30) years. All securities in the Bank's portfolio are categorized as "available for sale" even if the present intention is to hold the security until maturity. In an environment of falling interest rates, the investment strategy of the Bank is to attempt to lock in higher yields with implied call protection in an effort to secure maximum yield without taking an undue credit risk. In an environment of rising interest rates, the investment strategy of the Bank includes purchasing higher coupon mortgage backed securities to help mitigate interest rate risk and provide cash flow to reinvest at higher market rates.

Investment Services

On March 7, 2006, the Bank entered into a certain Investment Services Agreement for Infinex Investments, Inc. Subscribers (the "ISA") with Infinex Investments, Inc., a registered broker-dealer, investment advisor and insurance agency ("Infinex"). Pursuant to the ISA, Infinex operates a service center

within the Bank's main office at 1311 East Main Street in Ravenna, Ohio and provides securities brokerage and investment advisory services to the general public and customers of the Bank. Infinex also sells insurance products and related services at such location as well. The services of Infinex do not include the purchase or sale of securities of the Company or Bank. The products and services offered by Infinex at the Bank are rendered through duly licensed, registered and qualified employees of Infinex who may or may not also be employees of the Bank. Employees of the Bank who are not employees of Infinex may distribute promotional literature and other limited information about Infinex services but are not permitted to engage in any investment or insurance related activities on behalf of Infinex. Infinex and the Bank are required to maintain strict and total separation of their businesses within the Bank, including separation of records and physical facilities.

Pursuant to the ISA, the Bank is entitled to receive revenue sharing payments from Infinex based on all securities services, insurance transactions and investment advisory services rendered at or otherwise attributable to the Infinex center at the Bank. Such revenue sharing payments are equal to 80% of the net commissions received by Infinex from such services. "Net commissions" include all fees generated by Infinex at the center, including all 12b-1 and related fees, less transaction costs payable by Infinex. For the eight (8) month period ended August 31, 2006, the total net income received by the Bank from Infinex totaled \$12,102.00. Such revenue does not constitute a material portion of the total revenue realized by the Bank for such period.

Beginning on or about March 7, 2007, either party may terminate the ISA with ninety (90) days prior written notice to the other party. Infinex has the right to change the percentage of revenue sharing payments to the Bank with thirty (30) days prior written notice to the Bank. However, the Bank may deliver notice of its desire to terminate the ISA to Infinex within twenty (20) days following receipt by the Bank of notice of an increase in the revenue sharing percentage by Infinex. In such event, the ISA shall terminate thirty (30) days following receipt by Infinex of such notice from the Bank without any reduction in the revenue sharing percentage.

Market Area and Competition

The Bank is a full-service bank serving the entirety of Portage County, Ohio and drawing a small portion of its customers from contiguous counties. Portage County is 507 square miles of which 492 square miles is land. The estimated population in 2005 was 155,631 which would be an increase of 2.3% over the 2000 census population number of 152,061. As of the 2000 census, there were 56,449 households with a median income of \$44,347. The median income for a family was \$52,820.

The Bank has approximately 29.1% of the total deposits in Ravenna, Ohio which had ten (10) financial institutions competing for a total of \$412,732,000 in deposits as of June 30, 2005. The Bank's market share in Ravenna, Ohio as of June 30, 2004 on total deposits of \$402,368,000 was 25.5%. This is while the Bank had only one office and no branches. Since that time the Bank has opened an office in Kent, Ohio on July 26, 2006.

The Bank competes primarily with the subsidiary offices of major bank holding companies, including JP Morgan Chase, Key Bank, Huntington National Bank, and National City Bank. The Bank also competes with larger state holding companies, including Sky Bank, First Merit Bank, Fifth Third Bank, and U.S. Bank along with local savings banks such as Home Savings Bank and First Place Bank. The Bank also competes with credit unions and other types of financial intermediaries, including money market funds and other mutual funds and insurance companies, some of which are not subject to the same degree of regulations and restrictions as the Bank.

Some of the larger financial institutions have certain competitive advantages over the Bank, including greater financial and human resources, established contacts with businesses and individuals and the ability to make larger loans to a single borrower than is presently possible for the Bank.

To help it compete effectively, the Bank relies on the experience of its senior officers and the personal and business contacts of its officers, directors and shareholders. While larger commercial banks may offer numerous branch offices, it is management's opinion that the Bank is in a strong position to gain business by providing focused, personalized services to its customers.

Employees

The Company has no employees. Richard J. Coe, Kevin T. Lewis, John S. Forberg, Steven P. McDonald, Connie M. Bennett and Jill M. Conard are executive officers of the Bank. Such officers receive salaries from the Bank but receive no compensation for their services to the Company. The Bank currently employs 26 full-time employees and 19 part-time employees. See "DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES".

Dividend Policy

The Company has paid no dividends to date and does not expect to pay any dividends to its shareholders in the immediate future. The principal source of revenue to the Company will be dividends received from the Bank. The Bank, however, intends to retain its earnings and not pay dividends to the Company. There can be no assurance that the Bank will ever pay dividends to the Company, and the Company presently intends to use any dividends received from the Bank to finance the growth of the Company. Any dividends declared or paid by the Company will be subject to the discretion of its Board of Directors and will depend upon, among other things, future earnings, the operating and financial condition of the Company, its capital requirements and general business conditions. Payment of dividends by the Bank is also subject to restrictions imposed by federal and state banking laws. These restrictions are described below under the caption "SUPERVISION AND REGULATION". Payment of dividends is also restricted by the terms of certain debt securities previously issued by the Company. See "DESCRIPTION OF BUSINESS — Subordinated Debentures".

Capitalization

The following table sets forth the capitalization of the Company and the Bank (on a consolidated basis) as of June 30, 2006 and as adjusted to give effect to the issuance and sale of the Shares offered hereby, net of estimated offering costs.

	<u>As of</u> <u>June 30, 2006</u>	<u>As Adjusted</u> <u>Minimum</u>	<u>Maximum</u>
Shareholders' Equity:			
Common shares, no par value, 800,000 shares authorized, 288,877 shares issued; (pro forma 333,737 shares issued at minimum and 383,737 shares issued at maximum)	\$7,654,318.00	\$10,064,318.00	\$12,564,318.00
Treasury Shares, at cost (5,140 shares)	(248,500.00)	(248,500.00)	(248,500.00)
Retained Earnings	3,411,813.00	3,411,813.00	3,411,813.00
Accumulated Other Comprehensive Loss	(192,195.00)	(192,195.00)	(192,195.00)
Total Shareholders' Equity	<u>\$10,625,436.00</u>	<u>\$13,035,436.00</u>	<u>\$15,535,436.00</u>

Subordinated Debentures

In March of 2004, the Company formed Portage Bancshares Capital Trust I, a Delaware statutory trust (the "Trust") and purchased all of the common securities of the Trust (the "Common Securities"). The Company caused the Trust to issue and sell to NBC Capital Markets Group, Inc., a broker-dealer member of The National Association of Securities Dealers, Inc., 2,500 Floating Rate Capital Securities of the Trust having a stated liquidation amount of \$1,000.00 each and bearing a variable distribution rate per annum, reset quarterly (the "Capital Securities"). The proceeds from the sale of the Capital Securities were combined with the proceeds from the sale by the Trust to the Company of the Common Securities and used by the Trust to purchase \$2,450,000.00 in aggregate principal amount of Floating Rate Junior Subordinated Debt Securities of the Company due 2034 (the "Subordinated Debt Securities"). The sole purpose of the Trust is to issue and sell the Capital Securities and invest the proceeds thereof in the Subordinated Debt Securities. The Company used the net proceeds from its issuance and sale of the Subordinated Debt Securities to pay for the costs and expenses associated with the formation of the Trust and the sale of the Capital Securities and Subordinated Debt Securities and to provide additional capital to the Bank.

The Subordinated Debt Securities were issued by the Company to the Trust pursuant to Section 4(2) of the Securities Act of 1933 in a private transaction not involving any public offering. The Capital Securities were issued by the Trust to NBC Capital Markets Group, Inc. pursuant to Rule 144A of the Securities Act of 1933 as involving a sale to a "qualified institutional buyer" under the conditions of Rule 144A.

The Subordinated Debt Securities represent debt obligations of the Company and are classified on the Company's financial statements as a liability.

The principal amount of the Subordinated Debt Securities is due by the Company on April 23, 2034 and interest is due quarterly in arrears on each January 23, April 23, July 23 and October 23 until the principal amount is paid in full. Interest accrues on the unpaid principal amount at the annual rate of LIBOR

(London Interbank Offered Rate for three-month U.S. Dollar deposits in Europe) plus 2.85%. On December 31, 2005, such rate was 7.04%. The Company has the right to defer interest payments for up to twenty (20) consecutive quarterly periods without causing an event of default; however, interest continues to accrue during any such extension period.

In the event (i) a default by the Company occurs under the Subordinated Debt Securities, (ii) the Company defaults under its Capital Securities Guarantee (as hereinafter defined) or (iii) the Company defers interest payments on the Subordinated Debt Securities as described above, then the Company is not permitted to (A) declare or pay any dividend or redeem or purchase any of the Company's capital stock, or (B) make any payment of principal or interest or otherwise repay any debt securities of the Company which are equal to or junior in interest to the Subordinated Debt Securities (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company (I) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, (II) in connection with a dividend reinvestment or stockholder stock purchase plan or (III) in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the occurrence of (i), (ii) or (iii) above, (b) as a result of any exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock.)

The Company has the right and option, subject to the receipt by the Company of prior approval from the Federal Reserve Board, if then required under the applicable capital guidelines or policies of the Federal Reserve Board, to redeem the Subordinated Debt Securities, in whole or in part, on any January 23, April 23, July 23 and October 23 on or after April 23, 2009, at a price equal to 100% of the principal amount of the Subordinated Debt Securities being redeemed plus accrued and unpaid interest. The Company also has the right and option, subject to Federal Reserve Board approval if then required, to redeem the Subordinated Debt Securities, in whole but not in part, at any time within ninety (90) days of the occurrence of certain specified events (i.e., changes in the law which cause adverse tax consequences to the Company, prohibit the Company from classifying the Capital Securities as "Tier 1 Capital" for purposes of the capital adequacy guidelines of the Federal Reserve Board, or require the Company to register under the Investment Company Act of 1940) at a price equal to up to 104.40% of the principal amount of the Subordinated Debt Securities plus accrued and unpaid interest. Upon the repayment in full at maturity or redemption in whole or in part of the Subordinated Debt Securities, the proceeds to the Trust from such repayment shall concurrently be applied by the Trust to redeem, on a pro rata basis, the Capital Securities and the Common Securities. The Trust shall dissolve when all of the Capital Securities and the Common Securities have been redeemed and such redemption amounts have been paid in full.

The Capital Securities issued by the Trust represent undivided beneficial interests in the assets of the Trust. Distributions are payable on the Capital Securities at a variable interest rate, reset quarterly, equal to LIBOR (London Interbank Offered Rate for three-month U.S. Dollar deposits in Europe) plus 2.85% of the stated liquidation amount of \$1,000.00 for each of the Capital Securities. On December 31, 2005, such

rate was 7.04%. Distributions on the Capital Securities are paid by the Trust from and to the extent that payments are received by the Trust from the Company with respect to the Subordinated Debt Securities. Distributions on the Capital Securities are cumulative, accrue from the date of original issuance and are payable quarterly in arrears on January 23, April 23, July 23 and October 23 of each year, commencing on July 23, 2004. Distributions due under the Capital Securities may be deferred in the event the Company defers interest payments under the Subordinated Debt Securities as described above. The Capital Securities must be redeemed no later than April 23, 2034 and the Company has the option to call the Capital Securities at par value five (5) years from the date of original issue.

Pursuant to a certain Guarantee Agreement, dated March 25, 2004, by the Company for the benefit of the holders of the Capital Securities (the "Capital Securities Guarantee"), the Company has fully and unconditionally guaranteed on a subordinated basis the obligations of the Trust under the Capital Securities with respect to distributions and amounts payable upon liquidation, redemption and repayment. In the event that a default occurs by the Trust under the Capital Securities, the holders of the Capital Securities may institute legal proceedings directly against the Company to enforce the obligations of the Trust under the Capital Securities.

DESCRIPTION OF PROPERTY

The main office of the Company and the Bank are located at 1311 East Main Street, Ravenna, Ohio 44266 (the "Original Bank Property") in a historic home built circa 1920 by H. R. Loomis, a well known local business leader. The Bank initially leased the Original Bank Property from 1998 to 2004 pursuant to a lease agreement with Portage Land Company.

On April 16, 2004, the Bank exercised an option to purchase the Original Bank Property from Portage Land Company for a total purchase price of \$1,360,000.00. The funds for the purchase of the Original Bank Property by the Bank from Portage Land Company came from federal funds sold by the Bank. The Original Bank Property is comprised of approximately 4.208 acres of land and the Bank's main office is approximately 10,000 square feet. In August of 2005, the Bank completed construction of an additional building on the Original Bank Property, comprised of approximately 4,500 square feet, which is located at 137 Bryn Mawr, Ravenna, Ohio. The Bank uses this new building for its operations and finance offices. The operations and finance building was constructed for a total cost of approximately \$900,000.00. The funds for the construction of the operations and finance building came from a \$2,500,000.00 borrowing by the Bank from the Federal Home Loan Bank for ten (10) years at 4.61%. The remainder of such loan proceeds was used by the Bank to match fund long-term fixed rate real estate loans. Robert Andrews, Tim Crock, Emilio Ferrara, Paul Ferrara, William Hale, Patrick Lally, Margaret Mascio-Medzie, Lawrence Relyea and Tom Siciliano, each an original founding shareholder of the Company, were each a shareholder of Portage Land Company at the time of the lease and purchase of the Original Bank Property by the Bank. The Company believes that the terms and conditions of the Bank's purchase of the Bank Property are substantially similar to those which could have been obtained from an unrelated third party. On June 12, 2006, Portage Land Company filed a certificate of dissolution with the Ohio Secretary of State.

On July 26, 2006, the Bank opened its new Kent office to the public. The Bank purchased three (3) separate but contiguous parcels of real property in Kent, Ohio on which the Bank constructed its Kent, Ohio office. The funds for the purchase of these parcels came from federal funds sold by the Bank. The building for the Kent office was constructed for a total cost of approximately \$700,000.00. The relevant information concerning the acquisition of the three (3) parcels of real estate is set forth in the table below:

<u>Date of Purchase</u>	<u>Address</u>	<u>Description</u>	<u>Sellers</u>	<u>Purchase Price</u>
6/24/05	1530 South Water Street Kent, Ohio	1.530 acres	Aldo and Josephine Lorenzine	\$285,000.00
6/24/05	1536 South Water Street Kent, Ohio	1.590 acres	Peter J. and Doris A. Meduri, Trustees	\$285,000.00
8/31/05	1540 South Water Street Kent, Ohio	1.660 acres	Sara Ann Peoples	\$292,500.00

DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

The Company currently estimates that upon completion of the Offering its directors and officers will beneficially own 68,137 Shares and the officers and directors of the Bank will own 85,074 Shares, assuming that none of the outstanding options to purchase Shares are exercised, none of the 500 Shares required to be issued by the Company to Richard J. Coe are issued, and the officers and directors of the Company and the Bank purchase 6,500 and 7,300 additional Shares in this Offering, respectively. If all the Shares offered hereby are sold, such directors and officers as a group will control approximately 17.76% and 22.17%, respectively, of the voting power of the Company. If only the minimum number of Shares is sold, such directors and officers will control approximately 20.42% and 25.49%, respectively, of such voting power.

The following table sets forth the names and ages of the directors, executive officers and significant employees of the Company and positions with the Company:

<u>Name</u>	<u>Age</u>	<u>Position (Term as Director Expires)</u>
Richard J. Coe	54	Director (2006)
Timothy E. Crock	47	Director (2006)
Emilio D. Ferrara	68	Director (2008)
Paul L. Ferrara	64	Director (2007)
William E. Hale	61	President and Director (2007)
Margaret F. Mascio-Medzie	46	Vice President, Secretary and Director (2007)
Lawrence W. Relyea	76	Director (2006)
Thomas S. Siciliano	46	Vice President, Treasurer and Director (2008)

The following table sets forth the names and ages of the directors, executive officers and significant employees of the Bank and positions with the Bank:

<u>Name</u>	<u>Age</u>	<u>Position (Term as Director Expires)</u>
Richard J. Coe	54	Chief Executive Officer, and Director (2007)
James V. Damicone	56	Director (2007)
Kevin T. Lewis	47	President
John S. Forberg	64	Vice President, Treasurer and Chief Financial Officer
Margaret F. Mascio-Medzie	46	Director (2008)
William E. Hale	61	Director (2009)
Paul L. Ferrara	64	Director (2008)
Aaron A. Moats	52	Director (2007)
Emilio D. Ferrara	68	Director (2008)
Thomas S. Siciliano	46	Director (2009)
Richard L. Leonard	69	Director (2008)
Jill M. Conard	52	Vice President and Secretary
Connie M. Bennett	40	Vice President and Chief Operations Officer
Steven P. McDonald	32	Vice President and Chief Lending Officer

The Board of Directors of the Company presently consists of eight (8) members and the Board of Directors of the Bank presently consists of nine (9) members, whose terms are staggered and expire at the annual meeting of shareholders to be held in the years indicated above and until their successors are elected and qualified. Executive officers serve at the discretion of the Board of Directors.

Connie M. Bennett graduated from Hiram College in 1988 with a bachelor of arts degree in both business management and philosophy. Mrs. Bennett is employed as Chief Operations Officer and Vice President of the Bank and is responsible for human resources, operations and regulatory compliance, and has held those positions since 1998. Mrs. Bennett was employed by Bank One Akron, N.A. from 1988 to 1998. From 1991 to 1996 she was branch manager of the Kent, Ohio branch and from 1996 to 1998 she was a banking officer and financial center manager of the Ravenna, Ohio branch.

Richard J. Coe has lived in Ravenna, Ohio his entire life and has been employed as the Chief Executive Officer of the Bank since 1998. Mr. Coe was employed by Banc One from 1973 to 1998, where he focused primarily on the Portage County, Ohio market. Mr. Coe held the position of Vice President for Retail Division from 1994 to 1998 with management responsibility for 60 bank branches and 500 employees. Mr. Coe graduated from Kent State University in 1977 with a bachelor's degree in business administration and has been active in several community organizations in the Portage County area.

Jill M. Conard is a graduate of Bohecker's Business College and is a life-long resident of the community. Ms. Conard has been employed as a Vice President since 1998. Her responsibilities include Bank depository products, Bank security and acting as the Secretary to the Bank's Board of Directors. Ms. Conard has twenty-five (25) years of banking experience with Bank One, and has spent her entire career working in the Ravenna market. Her work experience includes a variety of areas including new account development and lending.

Timothy E. Crock is a graduate of Kent Roosevelt High School. Mr. Crock has been a resident of the Portage community for 47 years. For the past seventeen (17) years Mr. Crock has been the owner and operator of Crock's Car Care, an automotive maintenance and repair shop located in Kent.

James V. Damicone is a graduate of Bowling Green State University with a degree in business. From July 2003 to the present, Mr. Damicone has been the owner of Damicone Operating Ltd., LLC through which he is a franchisee of Dunkin Donuts/Baskin Robbins in Streetsboro, Ohio. Prior to this current position, he was the President and Chief Executive Officer of Medical Specialties of Stoughton, Massachusetts. Mr. Damicone held this position until December 2000.

Emilio D. Ferrara is a graduate of Kent State University, Case Western Reserve University and the University of Cincinnati with degrees in biology-chemistry, dentistry and oral maxillofacial surgery. Dr. Ferrara has been a resident of the Portage community for the past thirty-seven (37) years and has been an oral maxillofacial surgeon, with hospital privileges at four (4) area hospitals, since 1968. Dr. Ferrara is a member of the Kent City School Board, the Kent State University Athletic Board and the Robinson Memorial Foundation Board. Dr. Ferrara is the President of Emilio D. Ferrara, D.D.S., Inc. and has been since November 28, 1970. He is the sole owner and manages this dental practice.

Paul L. Ferrara is a life-long resident of Portage County. Mr. Ferrara is a graduate of Heidelberg College in Tiffin, Ohio, where he received his bachelor's degree in biology and physics. He received his certificate in physical therapy from The Ohio State University and is licensed as a physical therapist and athletic trainer in Ohio. He is also a certified surgical assistant with hospital privileges at Robinson Memorial and Akron General Hospitals. Mr. Ferrara has been the Owner and Chief Executive Officer of Portage Physical Therapy, Inc., an outpatient rehabilitation business located in Portage County, since 1972. In addition, Mr. Ferrara continues to treat patients and provides home health therapy. He is also President of Great Lakes PTPN and serves on the Medical Advisory Committees for the Robinson Visiting Nurse and Professional Nursing Home Health Services. Mr. Ferrara became a director of the Company and the Bank in 1997.

John S. Forberg is a former Vice President and Division Controller of Banc One, Akron where he was employed from July 1992 through July 1997. Mr. Forberg's duties at Banc One included financial analysis and the preparation of budgets and management reports. Mr. Forberg is a graduate of Ferris State University with a bachelor of science degree in accounting. Mr. Forberg has been a Vice President and Chief Financial Officer of the Bank since 1998.

William E. Hale has been a resident of the Portage community for more than thirty-eight (38) years. Mr. Hale is a graduate of Kent State University with a bachelor's degree in economics and a master's degree in business administration. Since 1985, Mr. Hale had been the Chief Executive Officer and chief lending officer of the Neighborhood Development Service. Mr. Hale retired from that position in June 2006. Also, since 1983 Mr. Hale has been a Deputy Registrar of the Ravenna License Bureau. Mr. Hale is also the owner of Hale Development, a real estate development and consulting company. In addition to owning and operating his business in Ravenna, Mr. Hale also served the community as Director of Public Services in Ravenna in 1984 and 1985. Mr. Hale became a director in 1977.

Richard L. Leonard is a graduate of The Ohio State University and has been a resident of Ravenna, Ohio for thirty-three (33) years. Mr. Leonard is a former examiner for the Federal Reserve Bank and a former commercial banker and entrepreneur. In 1997 he retired from his position at Save 4 Store. Currently Mr. Leonard is serving as President of Ravenna City Council, a position he has held since January 3, 2006.

Kevin T. Lewis was employed as a Vice President of Banc One in Akron from 1991 to 1998 where, most recently, he was in charge of commercial lending. Prior to working for Banc One, Mr. Lewis worked for other banks in Portage County, Ohio. Mr. Lewis is a graduate of Hiram College with a bachelor of arts degree in business and is active in several civic organizations in the Portage County area. Mr. Lewis became a Vice President and the Chief Lending Officer of the Bank in January, 1998 and in 2006, Mr. Lewis became the President of the Bank.

Margaret F. Mascio-Medzie is a graduate of Notre Dame College of Ohio and Kent State University with degrees in psychology, sociology and higher education administration. Since 1997, Ms. Mascio-Medzie has been the Regional Community Director with the American Cancer Society serving Northeast Ohio. Prior to that position, from 1980 to 1997, Ms. Mascio-Medzie owned a pizza restaurant in Garrettsville, Ohio. Ms. Mascio-Medzie has been a resident of the Portage community for the past thirty-two (32) years. Ms. Mascio-Medzie is involved in a variety of civic organizations, including Leadership Akron, Arch Bishop Hoban High School, Leadership Portage County, and Boy Scouts of America. Ms. Mascio-Medzie became a director of the Bank in 1997.

Steven P. McDonald is a graduate of Bowling Green State University with a degree in finance. Mr. McDonald has been employed with the Bank since July 1, 2002. He was hired as a commercial lender and in January 2006, he was promoted to Vice President and Chief Lending Officer. Prior to July 2002, Mr. McDonald was a bank examiner with the State of Ohio Department of Commerce, Division of Financial Institutions.

Aaron A. Moats is a graduate of Kent State University with a degree in zoology and of The Ohio State University with a degree in optometry. Dr. Moats has been in private practice in Ravenna, Ohio for the past twenty-four (24) years. In addition to his private medical practice, Dr. Moats is the president of Aaron A. Moats, O.D. dba Partners Optical Supply, Inc.

Lawrence W. Relyea is a graduate of the Ohio State University with a degree in economics. Mr. Relyea has been a resident of the Bainbridge community for the past forty-eight (48) years. Mr. Relyea had been employed since 1988 as the president of Mole Constructors, Inc., a tunnel construction corporation, until his retirement in December of 1999.

Thomas S. Siciliano has been a resident of the Portage community for forty-six (46) years. Mr. Siciliano is a graduate of Rootstown High School. Since 1983, Mr. Siciliano has been the owner-operator of Siciliano's Pizzeria in Ravenna. In addition to serving the local community as a small business owner, Mr. Siciliano is a member of the Rootstown Local School Board.

REMUNERATION OF DIRECTORS AND OFFICERS

None of the officers of the Company receives any compensation for their services rendered to the Company. The following table sets forth information regarding the aggregate remuneration of the three (3) highest paid persons who are directors or officers of the Bank during the fiscal year ended December 31, 2005:

<u>Identity of Group</u>	<u>Individual Aggregate Remuneration</u>	<u>Group Aggregate Remuneration</u>
Three highest paid Officers of the Bank as a Group ¹		<u>\$390,810.81</u>
Richard J. Coe Chief Executive Officer	\$165,391.70	
Kevin T. Lewis President	\$117,949.91	
John S. Forberg Vice President, Treasurer and Chief Financial Officer	<u>\$107,469.20</u>	
Three highest paid Directors of the Bank as a Group		<u>\$ 27,600.00</u>
Thomas S. Siciliano	\$ 9,900.00	
James V. Darnicone	\$ 9,100.00	
Richard L. Leonard	<u>\$ 8,600.00</u>	

¹ The Company has entered into an Agreement with Richard J. Coe to issue Mr. Coe up to 500 Shares of the Company's common stock as a bonus for accepting employment with the Bank. Although the Company has not yet issued any Shares to Mr. Coe under the Agreement to date.

Each director of the Bank who is not an employee of the Bank receives a fee of \$600.00 for attendance at each meeting of the Board of Directors of the Bank and a fee of \$100.00 for attendance at each meeting of a committee of the Board of Directors of the Bank. No director of the Company receives a fee for attendance of meetings of the Board of Directors of the Company.

The Bank has also adopted the Portage Community Bank Bonus Plan for its employees which is based on the satisfaction of certain financial and nonfinancial goals. Participants in such bonus plan receive a year-end bonus based on three (3) separate performance criteria. Fifty percent (50%) of the bonus is based on a formula tied to the Bank achieving after tax net income of at least \$1,305,082.00 for such period. Twenty-five percent (25%) of the bonus is based on a peer appraisal form. The remaining twenty-five percent (25%) of such bonus is based on other Bank performance factors such as new customer growth, increases in bank deposits, collection of fees and charges, loan growth, loan losses and other similar criteria. The executive officers, directors and other key employees of the Company and the Bank are also entitled to participate in the Portage Bancshares, Inc. 2004 Stock Incentive Plan which the Company adopted on June 23, 2004 and revised June 20, 2006 (the "Plan"). See "REMUNERATION OF DIRECTORS AND OFFICERS—Stock Plan and Employee Benefit Plans" below.

Stock Plan

The Company has adopted a stock incentive plan, the Portage Bancshares, Inc. 1997 Stock Incentive Plan, as superseded by the Portage Bancshares, Inc. 2004 Stock Incentive Plan which was adopted June 23, 2004 and revised June 20, 2006 (the "Plan"), which permits the Board of Directors of the Company to grant incentive stock options and nonqualified stock options to key employees and directors of the Company or the Bank for the purchase of Shares. As of June 30, 2006, the Company had issued options under the 1997 Stock Incentive Plan and 2004 Stock Incentive Plan exercisable into 140,000 Shares and there remains outstanding options which may be exercised into 133,166 Common Shares. The Company will not grant options or warrants for the purchase of Shares with an exercise price of less than the higher of (i) the book value of such Shares on the last day of the calendar year prior to the date of the granting of such option, or (ii) 100% of the fair market value of such Shares on the date of grant (or 110% of the fair market value of such Shares on the date of grant in the case of an eligible employee who owns more than 10% of the total combined voting power of all classes of the Company's securities). Issuance of Shares upon exercise of any options granted pursuant to the Plan could have a dilutive effect on the net book value of the Shares offered hereby. Under the terms of the Plan, options may be granted by the directors of the Company without further shareholder approval. The Company believes that the Plan will assist the Company and the Bank in attracting and retaining qualified personnel.

Employee Benefit Plans

The Bank has adopted customary employee benefit plans, including a 401(k) plan and a supplemental employee retirement plan (SERP), in which certain employees of the Bank may participate.

Future Transactions

Any future transactions between the Company and any officer, director or person owning five percent (5%) or more of any class of the Company's Shares will be entered into on terms at least as favorable to the Company as could be obtained from unaffiliated independent third parties.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITY HOLDERS

The following table sets forth information, both before and after the Offering, with respect to the ownership, direct or indirect, of Shares by officers and directors of the Company and the Bank based on 283,737 Shares issued and outstanding as of June 30, 2006. No other person, or persons acting as a group, is known to the Company to be the beneficial owner of more than ten percent (10%) of any class of the Company's voting securities. The officers and directors of the Company and the Bank may purchase additional Shares in this Offering, if necessary to achieve the minimum purchase of 50,000 Shares to complete the Offering. Any purchase of Shares by such persons would be on the same terms and conditions as set forth in this Offering Statement, would be for investment purposes only and would not be for the purpose of resale.

<u>Name</u>	<u>Address</u>	<u>Title of Class</u>	<u>Amount Owned Before Offering</u>	<u>Amount Owned After Offering¹</u>
Connie M. Bennett	419 Liberty St. Ravenna, OH 44266	no par common	1,900 (.67%)	1,900 (.50%)
Richard J. Coe	249 Lawrence St. Ravenna, OH 44266	no par common	2,200 (.78%)	2,400 (.63%)
Jill M. Conard	3933 Pfile Dr. Rootstown, OH 44272	no par common	1,240 (.44%)	1,340 (.35%)
Timothy E. Crock	1489 Jacobs Lane Kent, OH 44240	no par common	5,217 (1.84%)	5,217 (1.36%)
James V. Damicone	6531 Blackfriars Lane Hudson, OH 44236	no par common	3,200 (1.13%)	3,800 (.99%)
Emilio D. Ferrara	1436 Lake Roger Dr. Kent, OH 44240	no par common	8,700 (3.07%)	9,200 (2.40%)
Paul L. Ferrara	4918 Sunnybrook Rd. Kent, OH 44240	no par common	7,300 (2.57%)	12,300 (3.21%)
John S. Forberg	3128 Woodridge NW Canton, OH 44718	no par common	200 (.07%)	200 (.05%)
William E. Hale	1494 Howe Rd. Kent, OH 44240	no par common	30,740 (10.83%)	30,740 (8.01%)
Richard L. Leonard	422 Lawrence St. Ravenna, OH 44266	no par common	1,100 (.39%)	1,100 (.29%)
Kevin T. Lewis	5279 Rootstown Rd. Ravenna, OH 44266	no par common	4,667 (1.64%)	4,767 (1.24%)
Margaret Mascio-Medzie	771 E. Riddle Ave. Ravenna, OH 44266	no par common	3,180 (1.12%)	3,930 (1.04%)
Steven P. McDonald	3162 Westwood Dr. Ravenna, OH 44266	no par common	6,267 (2.21%)	6,267 (1.63%)
Aaron A. Moats	500 Bennett Ave. Ravenna, OH 44266	no par common	4,680 (1.65%)	4,680 (1.22%)
Lawrence W. Relyea	17530 Haskins Rd. Bainbridge, OH 44023	no par common	1,900 (.67%)	1,900 (.50%)
Thomas S. Siciliano	3762 New Milford Rd. Rootstown, OH 44272	no par common	2,400 (.85%)	2,400 (.63%)
Officers and Directors of the Company as a group		no par common	61,637 (21.72%)	68,137 (17.76%)
Officers and Directors of the Bank as a group		no par common	77,774 (27.41%)	85,074 (22.17%)

¹Certain officers and directors of the Company and officers and directors of the Bank have indicated that they intend to purchase a total of 6,500 and 7,300 Shares being offered pursuant to this Offering, respectively. The percentages listed assume that the officers and directors of the Company and the Bank purchase such 6,500 and

7,300 Shares being offered pursuant to this Offering, respectively, and assume that none of the options outstanding under the Portage Bancshares, Inc. 1997 or 2004 Stock Incentive Plan are exercised. Officers and directors of the Company and the Bank may purchase additional Shares in this Offering. The percentages shown for ownership of shares by officers and directors after the Offering assume that the maximum number of Shares are sold.

The following table sets forth information with respect to the ownership of stock options by current and former officers and directors of the Company and the Bank and all officers and directors as a group. Such options were issued pursuant to the Portage Bancshares, Inc. 1997 or 2004 Stock Incentive Plan. As of June 30, 2006, 6,834 of such options had been exercised.

<u>Name of Holder</u>	<u>Title and Amount of Securities Called for by Option</u>	<u>Exercise Price</u>	<u>Date Exercisable</u>
Robert J. Andrews, Jr.	no par common 1,250	\$25	10/27/99
Dominic Bellino	no par common 166	\$30	5/15/02
	no par common 250	\$30	1/6/04
	no par common 400	\$42.25	6/15/05
	no par common 400	\$45	11/16/05
Connie M. Bennett	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,400	\$30	7/15/01
	no par common 1,600	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,400	\$45	11/16/05
Douglas Blay	no par common 500	\$45	11/16/05
Thomas Biltz	no par common 400	\$45	11/16/05
Renee Booher	no par common 500	\$45	11/16/05
Richard J. Coe	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,400	\$30	7/15/01
	no par common 1,600	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,112	\$45	11/16/05
Jill M. Conard	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,400	\$30	7/15/01
	no par common 1,600	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 800	\$42.25	6/15/05
	no par common 900	\$45	11/16/05

Timothy E. Crock	no par common 600	\$30	7/15/01
	no par common 400	\$30	5/15/02
	no par common 200	\$30	1/6/04
James V. Damicone	no par common 100	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05
Emilio D. Ferrara	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,150	\$30	7/15/01
	no par common 1,500	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05
Paul L. Ferrara	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,150	\$30	7/15/01
	no par common 1,500	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05
John S. Forberg	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,400	\$30	7/15/01
	no par common 1,600	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,200	\$45	11/16/05
John Gargan	no par common 250	\$30	1/6/04
	no par common 400	\$42.25	6/15/05
	no par common 400	\$45	11/16/05
William E. Hale	no par common 1,150	\$30	7/15/01
	no par common 1,500	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05
Donald D. Herman	no par common 750	\$25	4/26/00
	no par common 1,150	\$30	7/15/01
	no par common 1,200	\$30	5/15/02
	no par common 1,200	\$30	1/6/04
	no par common 1,000	\$42.25	6/15/05
	no par common 1,200	\$45	11/16/05
Patrick J. Lally	no par common 1,250	\$25	10/27/99
	no par common 750	\$25	4/26/00
	no par common 600	\$30	7/15/01
	no par common 200	\$30	5/15/02
Richard L. Leonard	no par common 250	\$25	4/26/00
	no par common 1,150	\$30	7/15/01
	no par common 1,500	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05

Kevin T. Lewis	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,400	\$30	7/15/01
	no par common 1,600	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,400	\$45	11/16/05
Steven P. McDonald	no par common 500	\$30	1/6/04
	no par common 1,000	\$42.25	6/15/05
	no par common 1,000	\$45	11/16/05
Margaret F. Mascio-Medzie	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,150	\$30	7/15/01
	no par common 1,500	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05
Aaron A. Moats	no par common 100	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05
E. Pritchard	no par common 100	\$45	11/16/05
Lawrence W. Relyea	no par common 1,250	\$25	10/27/99
	no par common 750	\$25	4/26/00
	no par common 600	\$30	7/15/01
	no par common 400	\$30	5/15/02
	no par common 200	\$30	1/6/04
James C. Shank	no par common 1,500	\$25	10/27/99
	no par common 2,500	\$25	4/26/00
	no par common 2,000	\$30	7/15/01
	no par common 1,800	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 400	\$42.25	6/15/05
	no par common 400	\$45	11/16/05
Thomas S. Siciliano	no par common 1,250	\$25	10/27/99
	no par common 1,250	\$25	4/26/00
	no par common 1,150	\$30	7/15/01
	no par common 1,500	\$30	5/15/02
	no par common 1,450	\$30	1/6/04
	no par common 1,400	\$42.25	6/15/05
	no par common 1,111	\$45	11/16/05
Tracy Sites	no par common 400	\$30	1/6/04
	no par common 800	\$42.25	6/15/05
	no par common 800	\$45	11/16/05
Michelle Spellman	no par common 400	\$45	11/16/05

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Certain Relationships and Related Transactions

Robert Andrews, Tim Crock, Emilio Ferrara, Paul Ferrara, William Hale, Patrick Lally, Margaret Mascio-Medzie, Lawrence Relyea and Tom Siciliano are each an original founding shareholder of the Company (the "Founding Shareholders"). Each of the Founding Shareholders is a shareholder of Portage Land Company which leased and then eventually sold to the Bank the land and building in which the Bank's offices are located. See "DESCRIPTION OF PROPERTY". The Company believes that the terms and conditions of the Bank's purchase of such property were substantially similar to those which could have been obtained from an unrelated thirty party seller.

The Bank made available a \$70,000 Home Equity Line of Credit to Richard L. Leonard, who is a director of the Bank, on March 11, 2005. As of June 30, 2006, the loan balance is \$3,745.43. The loan provides for interest at the Bank's prime rate.

The Bank has made two loans to Portage Physical Therapists, a company owned by Paul L. Ferrara, who is a director of the Bank and a director of the Company. The first loan was made on May 30, 2002 in the original principal amount of \$23,408.33. The loan bears a fixed interest rate at 7.00% per annum and, as of June 30, 2006, \$7,283.94 of the principal amount of the loan was outstanding. The second loan was made on April 4, 2003 in the original principal amount of \$18,526.06. The loan bears a fixed interest rate at 6.50% per annum and, as of June 30, 2006, \$7,494.09 of the principal amount of the loan was outstanding.

On October 1, 1998, the Bank made a commercial business loan to Thomas S. Siciliano, who is an officer and director of the Company and a director of the Bank. The original principal amount of the loan was \$124,139.00 and bears interest at the adjustable rate of 5.56% per annum for a three (3) year term. The outstanding principal balance on June 30, 2006 was \$76,904.43. On July 2, 2004, the Bank made a personal loan to Mr. Siciliano in the original principal amount of \$20,000.00. Such loan bears interest at a fixed rate of 5.50% per annum and the principal balance outstanding on June 30, 2006 was \$9,750.46.

The Bank has made two loans to Paul L. Ferrara, who is a director of the Company and a director of the Bank. The first loan was made on June 20, 2003 in the original principal amount of \$46,649.12. The loan bears a fixed interest rate at 5.45% per annum and, as of June 30, 2006, \$22,933.08 of the principal amount of the loan was outstanding. The second loan was made on October 5, 2005 in the original principal amount of \$805,717.50. The loan bears a fixed interest rate at 7.50% per annum and, as of June 30, 2006, \$805,717.50 of the principal amount of the loan was outstanding.

In addition to the two loans set forth above, Mr. Ferrara has a VISA account with the Bank opened on April 15, 2003 with a credit line of \$15,000.00. As of June 30, 2006 the outstanding balance is \$11,920.24 and bears an interest rate of prime + 2% per annum.

The Bank has made a Home Equity Line of Credit available to James V. Damicone who is a director of the Bank. The loan was made on January 18, 2002 in the original principal amount of \$600,000.00. The loan bears an interest rate at the prime rate and, as of June 30, 2006, \$6,160.39 of the principal amount of the loan was outstanding.

The Bank has made three loans to Neighborhood Development Services, Inc., a 501(c)(3) organization of which William E. Hale is the Chief Executive Officer. Mr. Hale is the President and a director of the Company and a director of the Bank. The first loan was made on March 8, 2002 in the original principal amount of \$100,000.00. The loan bears an adjustable interest rate at 4.75% per annum and, as of June 30, 2006, \$100,000.00 of the principal amount of the loan was outstanding. The second loan was made on June 28, 2004 in the original principal amount of \$57,000.00. The loan bears a three (3) year adjustable rate of interest at 6.50% per annum and, as of June 30, 2006, \$56,203.50 of the principal amount of the loan was outstanding. The third loan was made on June 28, 2004 in the original principal amount of \$57,500.00. The loan bears a three-year adjustable rate of interest of 6.50% per annum and, as of June 30, 2006, \$55,714.74 of the principal amount of the loan was outstanding.

The Bank made available a \$70,000.00 Home Equity Line of Credit to Aaron A. Moats, a director of the Bank, on August 21, 1998. As of June 30, 2006 the loan has a balance of \$0.00. The loan provides for interest at the Bank's prime rate. In addition, the Bank has made two business loans to Mr. Moats. The first loan was made on September 21, 1998 in the original principal amount of \$221,541.77. The loan bears a three (3) year adjustable rate of interest at 5.56% and, as of June 30, 2006, \$59,141.38 of the principal amount of the loan was outstanding. The second loan was made on February 11, 2000 in the original principal amount of \$190,000.00. The loan bears a three (3) year adjustable rate of interest at 7.27% and, as of June 30, 2006, \$120,874.15 of the principal amount of the loan was outstanding.

In addition to the above, the Bank has issued a \$2,000.00 overdraft line of credit to McGraw and Eckler, a business in which Mr. Moats has an interest. The line of credit has an interest rate of 18% per annum. There is currently no outstanding balance on this loan.

The Bank has issued a VISA account to Jill M. Conard, a Vice President and Secretary of the Bank. The account was opened on November 2, 1999 with a credit line of \$10,000.00. As of June 30, 2006 the outstanding balance was \$532.77 and bears an interest rate of prime + 2% per annum.

The following table sets forth certain overdraft lines of credit provided by the Bank to officers and directors of the Company and the Bank:

<u>Name</u>	<u>Loan Date</u>	<u>Fixed Interest Rate</u>	<u>Original Principal Amount</u>	<u>Principal Outstanding As of June 30, 2006</u>
Connie M. Bennett	09/01/98	18%	\$1,000.00	\$0.00
Jill M. Conard	11/03/99	18%	\$1,000.00	\$200.00
Paul L. Ferrara	08/26/99	18%	\$1,000.00	\$1,000.00
John S. Forberg	09/01/98	18%	\$1,000.00	\$0.00
Kevin T. Lewis	07/03/98	18%	\$2,000.00	\$600.00
Richard L. Leonard	10/01/98	18%	\$1,000.00	\$200.00

Future Transactions

Any future transactions between the Company and any officer, director or person owning five percent (5%) or more of any class of the Company's Shares will be entered into on terms at least as favorable to the Company as could be obtained from unaffiliated independent third parties.

SECURITIES BEING OFFERED

The following summary does not purport to be complete and is qualified in all respects by references to applicable provisions of Ohio law and of the Amended Articles of Incorporation and the Code of Regulations of the Company.

The Company is authorized to issue 800,000 Shares, without par value. As of June 30, 2006, 283,737 Shares were issued and outstanding. The Shares offered hereby, when issued, will be fully paid and non-assessable. At June 30, 2006, the Company had approximately 400 shareholders of record.

Of the authorized Shares, 511,123 Shares are unissued. 100,000 Shares are being offered pursuant to this Offering. 100,000 of such unissued Shares are reserved for issuance under the Portage Bancshares, Inc. 2004 Stock Incentive Plan (the "Plan") and 500 of such Shares are reserved for issuance to Rick Coe pursuant to his stock bonus agreement with the Company. The Plan permits the Board of Directors of the Company to grant options to key employees and directors of the Company and the Bank to purchase Common Shares. The Company may issue up to 100,000 Shares under the Plan over a ten-year period. Options have been issued under the Plan and the Company's previous 1997 Stock Incentive Plan which are exercisable into 140,000 Shares, and 6,834 Shares have been issued to date upon exercise of such options. Options exercisable into 133,166 Shares remain outstanding. Although the directors have no present intent to do so, they could issue Common Shares to a party who would vote against a particular transaction. The issuance of such Shares could increase the absolute cost of a business combination and thereby discourage a potential takeover.

Applicable provisions of the Company's corporate governance documents and Ohio law which define the material characteristics of the Common Shares are summarized below.

Dividend Rights. Shareholders may receive dividends to the extent funds are legally available and the directors declare payment. The Company has paid no dividends to date and does not expect to pay any dividends to its shareholders in the immediate future. The Federal Reserve Board has prohibited the Company from payment of any dividends during the first three years of its operations. The principal source of revenue to the Company will be dividends received from the Bank. The Bank, however, intends to retain its earnings and not pay dividends to the Company at least until the Bank is operating profitably and has recovered all initial operating losses. There can be no assurance that the Bank will ever pay dividends to the Company and the Company presently intends to use any dividends received from the Bank to finance the growth of the Company. Any dividends declared or paid by the Company will be subject to the discretion of its Board of Directors and will depend upon, among other things, future earnings, the operating and financial condition of the Company, its capital requirements and general business conditions. Payment of dividends by the Bank also will be subject to additional restrictions imposed by federal and state banking laws. The payment of dividends is further restricted by the terms of the Company's Subordinated Debt Securities.

Voting Rights. Each shareholder has the right to cast one vote for each share owned on all matters submitted to a vote of shareholders. Shareholders have no cumulative voting rights.

Transfer Restrictions. In the event that any shareholder or his representative desires to sell or transfer all or any part of his Shares he is required to first offer such Shares for sale to the Company at the same price and upon the same terms offered to him by a third party pursuant to a bona fide written offer that is acceptable to him. The Company shall have the option for 30 days after receipt of such written offer to accept such offer. In the event of the death of any shareholder, the executor or administrator of the estate of the shareholder or the beneficiary of the shareholder who has been distributed the Shares, will be subject to the same restrictions on transferability.

Liquidation Rights. Upon liquidation, after payment of all creditors, the remaining assets of the Company would be distributed to the holders of Common Shares pro rata.

Preemptive Rights. Holders of Common Shares have no preemptive rights with respect to future issuances of Common Shares.

Calls and Assessments. All shares of the capital stock of the Company outstanding are fully paid and nonassessable. The Common Shares offered hereby, when issued and sold in accordance herewith, will be fully paid and nonassessable. However, the Company may be required to fund the Bank after its initial capitalization in the event that the Ohio Division of Financial Institutions determines such capital infusion is necessary. In such event, if the Company does not have significant unencumbered assets to provide such infusion of capital, the Company would be forced to look to the existing shareholders for such funds, to borrow such funds or to have an additional equity offering of shares in the Company.

Change of Control. The Company has adopted certain so-called "anti-takeover" provisions. As discussed above, the Board of Directors may issue a substantial number of shares of capital stock and cumulative voting is not permitted in the election or removal of directors.

Section 1701.831 of the Ohio Revised Code provides that any "control share acquisition of an "issuing public corporation" may be made only with the prior authorization of shareholders. A "control share acquisition" is any acquisition, whether by tender offer, open market purchase, privately negotiated transaction or otherwise, of shares of a corporation which, when added to all other shares owned or controlled by the acquiror, would entitle the acquiror to exercise voting power in the election of directors within any of the following ranges: one-fifth or more but less than one-third; one-third or more but less than a majority; and a majority or more. The effect of this law is generally to prevent a person from acquiring any such level of control without prior shareholder approval.

Section 1704.02 of the Ohio Revised Code prohibits certain transactions, including mergers, consolidations, sales or other dispositions of assets, dissolutions, recapitalizations, loans and guarantees, between an "issuing public corporation" and an "interested shareholder" for three years after the date that such shareholder became an interested shareholder unless prior to such date the board of directors of the corporation has approved such transaction or the purchase of shares that resulted in the shareholder becoming an interested shareholder. After three years, such a transaction is permitted only if (i) prior to the date the shareholder became an interested shareholder the board of directors approved the purchase of shares, (ii) the transaction is approved by two-thirds of the shareholders or such other percentage (not less than a majority of the disinterested shares) set forth in the corporation's articles of incorporation or (iii) the transaction satisfies certain statutory fair price requirements.

Section 1707.043 of the Ohio Revised Code provides that in the event any person makes a proposal to acquire control of any Ohio corporation the outstanding shares of which are listed on a national securities exchange or regularly quoted in the over-the-counter market, such corporation is entitled to recover from such person any profit realized by that person upon the disposition of any equity securities of the corporation by that person within 18 months after making the acquisition proposal.

For purposes of the foregoing Ohio statutes, an "issuing public corporation" is defined as a corporation that (i) is incorporated in Ohio, (ii) has fifty or more shareholders, (iii) has its principal place of business, principal executive offices, assets having substantial value, or a substantial percentage of its assets within Ohio and (iv) has no close corporation agreement in effect and an "interested shareholder" is defined as any person who beneficially owns or has the power to exercise the voting power of shares entitling such person to 10% of the voting power in the election of directors.

The Bank Holding Company Act of 1956 requires every bank holding company to obtain the prior approval of the Federal Reserve Board before acquiring ownership or control of any voting shares of any bank or bank holding company if, after such acquisition, it would own or control, directly or indirectly, more than five percent (5%) of the voting shares of such bank or bank holding company. Ohio law imposes certain additional restrictions on the acquisition and control of voting shares of any bank or bank holding company.

Reports to Shareholders. The Company intends to furnish its shareholders with annual reports, including audited financial statements, and with quarterly reports.

Transfer Agent. The transfer agent for the Common Shares is the Company.

Also see "SUPERVISION AND REGULATION" for requirements of state and federal law with regard to acquisition of the stock of a bank holding company.

SUPERVISION AND REGULATION

The following is a summary of certain statutes and regulations affecting the Company and the Bank. This summary is qualified in its entirety by such statutes and regulations.

The Company

On or about August 28, 1997, the Company filed with the Division an Application for Authorization to Organize a New State-Chartered Bank (the "State Application"). On or about January 21, 1998, the Bank applied to the Federal Deposit Insurance Corporation (the "FDIC Application") for federal deposit insurance coverage of its deposits. The Company submitted an application to the Board of Governors of the Federal Reserve System for permission to become a bank holding company by acquiring all of the voting stock of the Bank on or about March 6, 1998 (the "Federal Reserve Application"). On June 22, 1998, the Bank obtained a Certificate of Authority from the Division. On June 22, 1998, the FDIC Application and the Federal Reserve Application were approved authorizing the Bank to commence business as a subsidiary of the Company. On April 21, 2006, the Bank applied to the Federal Reserve and the Division to open a second office in Kent, Ohio which application was subsequently approved.

Due primarily to the Banks member status with the Federal Reserve Board, the Company is subject to regulation by the Federal Reserve Board and is required to file with the Federal Reserve Board annual reports and other information regarding its business operations and those of its subsidiaries. A bank holding company and its subsidiary banks also are subject to examination by the Federal Reserve Board.

Regulation Y, promulgated under the Bank Holding Company Act of 1956, as amended, requires every bank holding company to obtain the prior approval of the Federal Reserve Board before acquiring substantially all the assets of any bank or before acquiring direct or indirect ownership or control of any voting securities of a bank or bank holding company, if, after such acquisition, it would control, directly or indirectly, more than five percent (5%) of the outstanding shares of any class of voting securities of the bank or bank holding company. Bank holding companies are permitted to acquire control of, or acquire substantially all of the assets of, a bank located outside the state in which the operations of the bank holding company's banking subsidiaries are principally conducted, however, such acquisitions are subject to certain restrictions and requirements. Bank holding companies may also own or control nonbank subsidiaries in any state. Ohio law imposes certain additional restrictions on the acquisition and control of voting shares of any bank or bank holding company.

In approving acquisitions by bank holding companies of companies engaged in nonbanking activities, the Federal Reserve Board considers whether the performance of any such activity by a subsidiary of the holding company reasonably can be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, which outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. The Federal Reserve Board is authorized to differentiate between activities commenced de novo and those commenced by the acquisition in whole or in part of a going concern.

Bank holding companies, as well as banks and their affiliates, are restricted in, and subject to, limitations regarding transactions with subsidiaries and other affiliates.

In addition, bank holding companies and their subsidiaries are prohibited from engaging in certain "tie-in" arrangements in connection with any extensions of credit, leases, sales of property, or furnishing of services.

The Bank

The Bank is chartered in the State of Ohio and is regulated by the Division of Financial Institutions. The Federal Deposit Insurance Corporation also regulates the Bank and insures its deposits. These regulatory agencies have the authority to examine the Bank and the Bank will be subject to their regulations. In addition, the operations of the Bank are affected through the regulation of the Company and the Bank by the Federal Reserve Board.

Capital

The Federal Reserve Board, the Superintendent and FDIC require banks and holding companies to maintain minimum ratios of primary and total capital to total assets.

The following regulatory capital classifications are based on the Federal Deposit Insurance Corporation Act of 1991 (FDICIA) and are as follows:

Well-capitalized — Total Risk-Based Capital Ratio $\geq$ 10%; and Tier 1 Risk-Based Capital Ratio $\geq$ 6%; and Tier 1 Leverage Capital Ratio $\geq$ 5%.

Adequately capitalized — Total Risk-Based Capital Ratio $\geq$ 8%; and Tier 1 Risk-Based Capital Ratio $\geq$ 4%; and Tier 1 Leverage Capital Ratio $\geq$ 4%.

Undercapitalized — Total Risk-Based Capital Ratio < 8%; or Tier 1 Risk-Based Capital Ratio < 4% or Tier 1 Leverage Capital Ratio < 4%.

As of December 31, 2005, the Bank was well-capitalized with a Total Risk-Based Capital Ratio of 10.31%; and a Tier 1 Risk-Based Capital Ratio of 9.06%; and a Tier 1 Leverage Ratio of 8.21%.

As of June 30, 2006, the Bank was well-capitalized with a Total Risk-Based Capital Ratio of 10.03%; and a Tier 1 Risk-Based Capital Ratio of 8.78%; and a Tier 1 Leverage Ratio of 7.75%.

Regulatory authorities may increase such minimum requirements for all banks and bank holding companies or for specified banks or bank holding companies. Increases in the minimum required ratios could adversely affect the Bank and the Company, including their ability to pay dividends.

The Bank is also subject to federal and state regulations as to such matters as required reserves, limitations as to the nature and amount of its loans and investments, regulatory approval of any merger or consolidation, issuance or retirement of its own securities, limitations upon the payment of dividends and other aspects of banking operations. In addition, its activities and operations are subject to a number of additional detailed, complex and sometimes overlapping federal and state laws and regulations. These include state usury and consumer credit laws, state laws relating to fiduciaries, the Federal Truth-in-Lending Act and Regulation Z, the Federal Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Community Reinvestment Act, anti-redlining legislation and antitrust laws.

Dividend Regulation

The ability of the Company to obtain funds for the payment of dividends and for other cash requirements is largely dependent on dividends declared and paid by its subsidiary bank. Payment of dividends by the Bank and any other subsidiary bank of the Company will be subject to restrictions imposed by federal and state banking laws. These restrictions include the prohibition in the Federal Deposit Insurance Act against the payment of dividends by any insured bank if it is in default in the payment of any assessment to the FDIC and the requirement that no dividend may be declared or paid until the earlier of the date which is three years from the opening of the bank or on which all initial losses of the bank have been recovered.

Under Ohio law, a bank's board of directors may declare dividends and distributions on the bank's outstanding shares, subject to all of the following conditions:

- (A) Payment of a dividend or distribution may, generally, only be funded from undivided profits.
- (B) A dividend or distribution may be paid in treasury shares or in authorized but unissued shares, if the board makes the required transfers to surplus and paid-in capital.
- (C) The approval of the superintendent of financial institutions is required for the declaration of dividends and distributions if the total of all dividends and distributions declared on the bank's shares in any year, and not paid in shares, exceeds the total of its net income for that year combined with its retained net income of the preceding two years.
- (D) Prior to the declaration of any dividend or distribution the bank has made all required allocations to reserves for losses or contingencies.

Government Policies and Legislation

The policies of regulatory authorities, including the Federal Reserve Board and the FDIC have had significant effect on the operating results of commercial banks in the past and are expected to do so in the future. An important function of the Federal Reserve Board is to regulate aggregate national credit and money supply through such means as open market dealings in securities, establishments of the discount rate on bank borrowings, changes in reserve requirements against bank deposits and limitations on interest rates which banks may pay on deposits. Policies of these agencies may be influenced by many factors, including inflation, unemployment, short-term and long-term changes in the international trade balance and fiscal policies of the United States government.

The United States Congress has periodically considered and adopted legislation which has resulted in, and is presently considering other legislation that could result in, further deregulation of both banks and other financial institutions, including mutual funds, securities brokerage firms and investment banking firms. No assurance can be given as to whether any additional legislation will be adopted or as to the effect such legislation would have on the business of the Bank or the Company.

Ohio law allows a bank to branch into any county within the state and interstate branching is generally permitted. A bank holding company is presently permitted to merge any or all of its bank subsidiaries into a single bank.

LITIGATION

There are no material pending legal proceedings to which the Company is a party or to which any of its property is subject.

LEGAL MATTERS

The validity of the Shares offered hereby will be passed upon for the Company by Plank & Brahm, A Legal Professional Association, 145 East Rich Street, Suite 400, Columbus, Ohio 43215.

PORTAGE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
As of June 30, 2006 and December 31, 2005
(UNAUDITED)

	June 30, <u>2006</u>	December 31, <u>2005</u>
ASSETS		
Cash and due from financial institutions	\$ 4,679,971	\$ 4,122,361
Interest bearing deposits in other financial institutions	38,366	20,254
Federal funds sold	<u>4,454,000</u>	<u>275,000</u>
Cash and cash equivalents	9,172,337	4,417,615
Securities available for sale	11,055,631	10,502,276
Federal Reserve Bank stock	245,150	245,150
Federal Home Loan Bank stock	456,600	404,900
Loans, net of allowance of \$1,856,250 and \$1,729,500	133,700,668	123,845,546
Fixed assets, net	4,369,233	3,652,738
Accrued interest receivable	620,321	602,933
Bank owned life insurance	3,096,114	3,036,712
Other assets	<u>992,982</u>	<u>782,307</u>
	<u>\$ 163,709,036</u>	<u>\$ 147,490,177</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 144,185,458	\$ 123,934,582
Federal Home Loan Bank advances	5,475,753	9,532,540
Subordinated debentures	2,450,000	2,450,000
Treasury tax and loan	24,190	205,624
Accrued interest and other liabilities	<u>948,199</u>	<u>951,025</u>
Total liabilities	153,083,600	137,073,771
Shareholders' equity		
Common stock: No par value; 800,000 shares authorized; 288,877 shares issued at		
June 30, 2006 and December 31, 2005	7,654,318	7,654,318
Treasury stock, at cost (5,140 and 1,040 shares)	(248,500)	(46,800)
Retained earnings	3,411,813	2,946,301
Accumulated other comprehensive loss	<u>(192,195)</u>	<u>(137,413)</u>
Total shareholders' equity	<u>10,625,436</u>	<u>10,416,406</u>
	<u>\$ 163,709,036</u>	<u>\$ 147,490,177</u>

See accompanying notes to consolidated financial statements

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PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the six month periods ended June 30, 2006 and 2005
(UNAUDITED)

	<u>2006</u>	<u>2005</u>
Interest and dividend income		
Loans, including fees	\$ 4,618,536	\$ 3,682,538
Taxable securities	187,454	133,536
Nontaxable securities	18,736	7,159
Federal funds sold and other	61,510	69,190
Total interest income	<u>4,886,236</u>	<u>3,892,423</u>
Interest expense		
Deposits	1,977,202	1,217,964
Federal Home Loan Bank advances and other	204,762	117,413
Subordinated debentures	111,454	83,443
Total interest expense	<u>2,293,418</u>	<u>1,418,820</u>
Net interest income	2,592,818	2,473,603
Provision for loan losses	218,434	99,776
Net interest income after provision for loan losses	<u>2,374,384</u>	<u>2,373,827</u>
Noninterest income		
Service charges and other fees	131,720	106,561
Other income	131,244	115,608
Total noninterest income	<u>262,964</u>	<u>222,169</u>
Noninterest expense		
Salaries, wages and employee benefits	1,068,842	884,826
Occupancy and equipment expense	133,137	137,136
Forms and supplies	53,157	39,724
Data processing	154,228	141,825
Professional fees	66,109	52,386
Advertising and promotions	45,067	99,922
Franchise tax expense	75,050	66,050
Other expenses	364,282	261,259
Total noninterest expense	<u>1,959,872</u>	<u>1,683,128</u>
Income before income taxes	677,476	912,868
Income tax expense	211,964	304,522
Net income	<u>\$ 465,512</u>	<u>\$ 608,346</u>
Net income per share		
Basic	\$ 1.62	\$ 2.13
Diluted	\$ 1.48	\$ 1.98

See accompanying notes to consolidated financial statements.

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PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the six month period ended June 30, 2006
(UNAUDITED)

	Common <u>Stock</u>	Treasury <u>Stock</u>	Retained <u>Earnings</u>	Accumulated Other Comprehensive <u>Loss</u>	<u>Total</u>
Balance – January 1, 2006	\$ 7,654,318	\$ (46,800)	\$ 2,946,301	\$ (137,413)	\$ 10,416,406
Purchase of 4,100 shares		(201,700)			(201,700)
Comprehensive income					
Net income			465,512		465,512
Change in net unrealized gain on securities available for sale, net of reclassifications and tax effects				(54,782)	(54,782)
Total comprehensive income					410,730
Balance – June 30, 2006	<u>\$ 7,654,318</u>	<u>\$ (248,500)</u>	<u>\$ 3,411,813</u>	<u>\$ (192,195)</u>	<u>\$ 10,625,436</u>

See accompanying notes to consolidated financial statements.

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PORTAGE BANCSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six month period ended June 30, 2006 and 2005
(UNAUDITED)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities	\$ 441,506	\$ 692,594
Cash flows from investing activities		
Purchase of securities available for sale	(1,371,673)	(5,047,286)
Maturities and calls of securities available for sale	741,411	-
Net change in loans	(10,073,556)	(7,164,172)
Purchase of premises and equipment	<u>(793,921)</u>	<u>(919,647)</u>
Net cash from investing activities	(11,497,739)	(13,131,105)
Cash flows from financing activities		
Net increase in deposits	20,250,876	10,955,397
Proceeds from FHLB advances	-	2,500,000
Repayments of FHLB advances	(856,787)	(646,900)
Net change in short term FHLB advances	(3,200,000)	-
Net change in treasury tax and loan	(181,434)	(4,230)
Purchase of common shares for treasury	(201,700)	-
Proceeds from exercise of stock options	<u>-</u>	<u>81,270</u>
Net cash from financing activities	<u>15,810,955</u>	<u>12,885,537</u>
Net change in cash and cash equivalents	4,754,722	447,026
Cash and cash equivalents at beginning of year	<u>4,417,615</u>	<u>7,491,317</u>
Cash and cash equivalents at end of year	<u>\$ 9,172,337</u>	<u>\$ 7,938,343</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	2,184,561	1,432,098
Income taxes	225,000	266,000

See accompanying notes to consolidated financial statements.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Portage Bancshares, Inc. is a bank holding company headquartered in Ravenna, Ohio. The consolidated financial statements of Portage Bancshares, Inc. includes its wholly owned subsidiary, Portage Community Bank ("Bank"), together referred to as "the Company." The Company, through the Bank, is engaged in the business of commercial and retail banking. Portage County and its contiguous areas are the source of substantially all of the Company's loan and deposit activities. The majority of the Company's income is derived from commercial and retail lending activities and investments.

The accounting and reporting policies followed by Portage Bancshares, Inc. conform to accounting principles generally accepted in the United States of America and to general practices within the financial services industry. To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and disclosures provided, and actual results could differ. The allowance for loan losses and fair value of financial instruments are particularly subject to change.

These interim financial statements are prepared without audit and reflect all accruals of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial position of Portage Bancshares, Inc. at June 30, 2006, and its results of operations and cash flows for the periods presented. Certain amounts in prior financial statements have been reclassified to conform to the current presentation. The accompanying consolidated financial statements do not contain all financial disclosures required by generally accepted accounting principles. Portage Bancshares Inc.'s Annual Report for the year ended December 31, 2005, contains consolidated financial statements and related notes which should be read in conjunction with the accompanying consolidated financial statements.

All significant intercompany transactions and accounts have been eliminated in consolidation.

PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Based Compensation:

Prior to January 1, 2006, the Company accounted for stock-based compensation expense using the intrinsic value method as required by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and as permitted by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-based Compensation." No stock-based compensation cost was reflected in net income for stock options, as all options granted had an exercise price equal to the market price of the underlying common stock at the date of grant.

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share Based Payment (SFAS 123R), which requires measurement of compensation cost for all stock-based awards based on the grant-date fair value and recognition of compensation cost over the service period of stock-based awards, which is usually the same as the vesting period. The fair value of stock options is determined using the Black-Scholes valuation model, which is consistent with the Company's valuation methodology previously utilized for options in footnote disclosures required under SFAS No. 123. The fair value of stock grants will also be determined using the Black-Scholes valuation model. The Company has adopted SFAS 123R using the modified prospective method, which provides for no retroactive application to prior periods and no cumulative adjustment to equity. It also provides for expense recognition for both new and existing stock-based awards as the required services are rendered. SFAS 123R also amends SFAS No. 95, "Statement of Cash Flows", and requires tax benefits related to excess stock-based compensation deductions be presented in the statement of cash flows as financing cash inflows.

On June 15, 2005, the Board of Directors approved accelerating the vesting of all unvested stock options awarded prior to 2005 under the Company's Stock Option Plans. As a result of the acceleration, unvested options to acquire 13,600 shares of the Company's common stock, which otherwise would have vested on various dates thru January 6, 2007, became immediately exercisable. All other terms and conditions applicable to options granted under these plans, including the exercise prices and the number of shares subject to the accelerated options, are unchanged. No compensation expense was recognized from the accelerated vesting of the stock options. The above-mentioned acceleration of vesting of options eliminated compensation expense related to these options of approximately \$31,461 in 2006. The total expense is reflected in the pro forma footnote disclosure below, as permitted under the transition guidance provided by the Financial Accounting Standards Board. As a result of the acceleration of the vesting of these options, the Company has no unvested options at January 1, 2006. Future option grants will be accounted for in accordance with SFAS 123R. No options have been granted during 2006.

PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table illustrates the effect on net income and earnings per share if expense was measured using the fair value recognition provisions of SFAS 123R in the prior period.

	June 30, <u>2005</u>
Net income as reported	\$ 608,346
Deduct: Stock-based compensation expense determined under fair value based method	<u>208,237</u>
Pro forma net income	<u>\$ 400,109</u>
Basic earnings per share as reported	\$ 2.13
Pro forma basic earnings per share	1.40
Diluted earnings per share as reported	\$ 1.98
Pro forma diluted earnings per share	1.30

The pro forma effects are computed using option pricing models, using the following weighted-average assumptions as of the grant date for the six months ended June 30, 2005.

	<u>2005</u>
Risk-free interest rate	3.99%
Expected option life	7 years
Expected dividend rate	None
Volatility	None
Weighted average fair value of options granted during year	\$10.30

Earnings Per Common Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. Basic weighted average common shares outstanding totaled 286,606 and 285,845 for the six months ended June 30, 2006 and 2005. Diluted weighted average common shares outstanding totaled 314,820 and 306,990 for the six months ended June 30, 2006 and 2005.

(Continued)

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 - LOANS

Loans at year-end were as follows.

	June 30, <u>2006</u>	December 31, <u>2005</u>
Real estate loans	\$ 26,221,089	\$ 24,693,313
Home equity lines of credit	17,310,166	17,023,779
Personal loans	7,690,720	7,062,655
Credit line and overdrafts	990,895	362,680
Business loans	82,737,489	75,731,572
Credit card	<u>753,142</u>	<u>830,623</u>
Subtotal	135,703,501	125,704,622
Net deferred loan fees	(146,583)	(129,576)
Allowance for loan losses	<u>(1,856,250)</u>	<u>(1,729,500)</u>
Loans, net	<u>\$ 133,700,668</u>	<u>\$ 123,845,546</u>

Certain directors, executive officers, and companies with which they are affiliated are loan customers of the Bank. At June 30, 2006 and December 31, 2005, loans to these individuals totaled approximately \$2,071,000 and \$2,022,000.

Activity in the allowance for loan losses were as follows for the six months ended June 30.

	<u>2006</u>	<u>2005</u>
Balance, January 1	\$ 1,729,500	\$ 1,451,450
Provision for loan losses	218,434	99,776
Loans charged-off	(184,914)	(15,817)
Recoveries	<u>93,230</u>	<u>16,791</u>
Balance, June 30	<u>\$ 1,856,250</u>	<u>\$ 1,552,200</u>

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 – LOANS (Continued)

Impaired loans were as follows.

	June 30, <u>2006</u>	December 31, <u>2005</u>
Year-end loans with no allocated allowance for loan losses	\$ -	\$ -
Year-end loans with allocated allowance for loan losses	<u>1,718,000</u>	<u>1,327,000</u>
Total	<u>\$ 1,718,000</u>	<u>\$ 1,327,000</u>
Amount of the allowance for loan losses allocated	\$ 319,000	\$ 265,000

Nonperforming loans were as follows.

	<u>2006</u>	<u>2005</u>
Loans past due over 90 days still on accrual	\$ 51,000	\$ 226,000
Nonaccrual loans	1,209,000	607,000

Nonperforming loans includes both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

(Continued)

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3 - DEPOSITS

Deposits were as follows.

	June 30, <u>2006</u>	December 31, <u>2005</u>
Non interest bearing demand	\$ 19,481,806	\$ 18,587,567
Interest-bearing demand	15,591,794	21,361,798
Savings	32,907,895	23,742,135
Time		
In denominations under \$100,000	61,315,606	58,663,024
In denominations of \$100,000 or more	<u>14,888,357</u>	<u>1,580,058</u>
	<u>\$ 144,185,458</u>	<u>\$ 123,934,582</u>

Time deposits in denominations of \$100,000 or more included \$7,000,000 in brokered deposits at June 30, 2006. The Company had no brokered deposits at December 31, 2005.

NOTE 4 - FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At year-end, advances from the Federal Home Loan Bank were as follows.

	June 30, <u>2006</u>	December 31, <u>2005</u>
Cash management advances, interest rate 4.46% at December 31, 2005.	\$ -	\$ 3,200,000
Mortgage-matched fixed-rate advances, maturities ranging from January 2012 to March 2022 at rates from 2.95% to 5.21%	<u>5,475,753</u>	<u>6,332,540</u>
	<u>\$ 5,475,753</u>	<u>\$ 9,532,540</u>

The Company obtained a \$1,000,000 and the Bank a \$875,000 unsecured line of credit with another financial institution. The first \$575,000 under the line has an interest rate of prime minus 1%. The remaining portion of the line of credit has an interest rate of prime. No amounts were outstanding under this line of credit at June 30, 2006 or December 31, 2005.

At June 30, 2006, the Bank had a cash management line of credit enabling it to borrow up to \$15.0 million from the Federal Home Loan Bank of Cincinnati ("FHLB"). The line of credit must be renewed on an annual basis. There were no borrowings as of June 30, 2006 on the line of credit.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 5 - STOCK OPTIONS AND AWARDS

The shareholders of the Company have approved stock option plans, under which 200,000 of the Company's common shares have been reserved for the granting of non-qualified stock options to employees and directors. Options are granted at the estimated fair market value of the common stock at the date of grant, or the initial offering price or book value if higher. Options expire in ten years from date of grant.

A summary of the activity in the plan is as follows.

	Six-Months Ended June 30, 2006			Year-Ended December 31, 2005		
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant-Date Fair Value</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant-Date Fair Value</u>
Outstanding at beginning of period	133,166	\$ 32.88	\$ 8.30	97,250	\$ 28.15	\$ 7.04
Granted	-	-	-	40,000	43.69	11.21
Exercised	-	-	-	(4,084)	26.02	6.99
Outstanding at end of period	<u>133,166</u>	<u>\$ 32.88</u>	<u>\$ 8.30</u>	<u>133,166</u>	<u>\$ 32.88</u>	<u>\$ 8.30</u>
Options exercisable at end of period	133,166	\$ 32.88	\$ 8.30	133,166	\$ 32.88	\$ 8.30

Options outstanding at June 30, 2006 were as follows.

<u>Range of Exercise Prices</u>	<u>----- Outstanding -----</u>			<u>----- Exercisable -----</u>	
	<u>Number</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>
\$25.00 - \$30.00	93,166	5.2 yrs	\$ 28.24	93,166	\$ 28.24
\$42.25 - \$45.00	<u>40,000</u>	9.2 yrs	43.69	<u>40,000</u>	43.69
	<u>133,166</u>	6.4 yrs	32.88	<u>133,166</u>	32.88

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 5 - STOCK OPTIONS AND AWARDS (Continued)

The aggregate intrinsic value for outstanding stock options and vested stock options at June 30, 2006 and December 31, 2005 was \$2,279,802. The intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the market price of our common stock as of the reporting date.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 6 - REGULATORY MATTERS

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective-action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet various capital requirements can initiate regulatory action.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

At the end of the period June 30, 2006 and December 31, 2005, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

	<u>Actual</u>		<u>For Capital</u>		<u>To Be Well</u>		
	<u>Amount</u>	<u>Ratio</u>	<u>Adequacy Purposes</u>		<u>Prompt Corrective</u>		
			<u>Amount</u>	<u>Ratio</u>	<u>Action Regulations</u>	<u>Amount</u>	<u>Ratio</u>
			(Dollars in thousands)				
June 30, 2006							
Total capital (to risk weighted assets)	\$ 13,813	10.0%	\$ 11,015	8.0%	\$ 13,768	10.0%	
Tier 1 capital (to risk weighted assets)	12,090	8.8	5,507	4.0	8,261	6.0	
Tier 1 capital (to total assets)	12,090	7.8	6,240	4.0	7,800	5.0	
December 31, 2005							
Total capital (to risk weighted assets)	\$ 12,988	10.3%	\$ 10,080	8.0%	\$ 12,600	10.0%	
Tier 1 capital (to risk weighted assets)	11,411	9.1	5,040	4.0	7,560	6.0	
Tier 1 capital (to total assets)	11,411	8.2	5,561	4.0	6,951	5.0	

Banking regulations limit capital distributions by national banks. Generally, capital distributions are limited to undistributed net income for the current and prior two years. However, dividends may not reduce capital levels below the minimum regulatory requirements.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Portage Bancshares, Inc.
Ravenna, Ohio

We have audited the accompanying consolidated balance sheets of Portage Bancshares, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Portage Bancshares, Inc. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Chizek and Company LLC

Cleveland, Ohio
March 8, 2006

PORTAGE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and due from financial institutions	\$ 4,122,361	\$ 3,813,390
Interest bearing deposits in other financial institutions	20,254	58,927
Federal funds sold	<u>275,000</u>	<u>3,619,000</u>
Cash and cash equivalents	4,417,615	7,491,317
Securities available for sale	10,502,276	5,706,145
Federal Reserve Bank stock	245,150	245,150
Federal Home Loan Bank stock	404,900	386,800
Loans, net of allowance of \$1,729,500 and \$1,451,450	123,845,546	106,094,306
Fixed assets, net	3,652,738	1,786,112
Accrued interest receivable	602,933	424,955
Bank owned life insurance	3,036,712	2,443,780
Other assets	<u>782,307</u>	<u>696,037</u>
	<u>\$ 147,490,177</u>	<u>\$ 125,274,602</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 123,934,582	\$ 107,939,215
Federal Home Loan Bank advances	9,532,540	4,827,333
Subordinated debentures	2,450,000	2,450,000
Treasury tax and loan	205,624	14,601
Accrued interest and other liabilities	<u>951,025</u>	<u>786,680</u>
Total liabilities	137,073,771	116,017,829
Shareholders' equity		
Common stock: No par value; 800,000 shares authorized; 288,877 and 284,793 shares issued at December 31, 2005 and 2004	7,654,318	7,525,513
Treasury stock, at cost (2005 - 1,040 shares)	(46,800)	-
Retained earnings	2,946,301	1,764,780
Accumulated other comprehensive loss	<u>(137,413)</u>	<u>(33,520)</u>
Total shareholders' equity	<u>10,416,406</u>	<u>9,256,773</u>
	<u>\$ 147,490,177</u>	<u>\$ 125,274,602</u>

See accompanying notes to consolidated financial statements

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PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Interest and dividend income		
Loans, including fees	\$ 7,843,987	\$ 6,354,675
Taxable securities	312,368	102,146
Nontaxable securities	25,462	2,111
Federal funds sold and other	<u>120,827</u>	<u>76,275</u>
Total interest income	8,302,644	6,535,207
Interest expense		
Deposits	2,713,185	1,721,172
Federal Home Loan Bank advances and other	299,006	216,119
Subordinated debentures	<u>159,063</u>	<u>88,403</u>
Total interest expense	3,171,254	2,025,694
Net interest income	5,131,390	4,509,513
Provision for loan losses	<u>350,262</u>	<u>457,942</u>
Net interest income after provision for loan losses	4,781,128	4,051,571
Noninterest income		
Service charges and other fees	227,210	208,962
Gain on securities	-	25,448
Other income	<u>238,558</u>	<u>227,785</u>
Total noninterest income	465,768	462,195
Noninterest expense		
Salaries, wages and employee benefits	1,832,886	1,608,915
Occupancy and equipment expense	269,995	245,096
Forms and supplies	79,457	64,529
Data processing	284,700	266,592
Professional fees	106,528	150,867
Advertising and promotions	184,623	162,680
Franchise tax expense	128,584	104,648
Other expenses	<u>604,904</u>	<u>521,673</u>
Total noninterest expense	3,491,677	3,125,000
Income before income taxes	1,755,219	1,388,766
Income tax expense	<u>573,698</u>	<u>451,752</u>
Net income	<u>\$ 1,181,521</u>	<u>\$ 937,014</u>
Net income per share		
Basic	\$ 4.12	\$ 3.30
Diluted	\$ 3.82	\$ 3.17

See accompanying notes to consolidated financial statements.

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PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2005 and 2004

	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2004	\$ 7,451,153	\$ -	\$ 827,766	\$ 17,462	\$ 8,296,381
Issuance of 2,750 shares for stock option exercises and related tax benefit	74,360				74,360
Comprehensive income					
Net income			937,014		937,014
Change in net unrealized gain on securities available for sale, net of reclassifications and tax effects				(50,982)	(50,982)
Total comprehensive income					886,032
Balance - December 31, 2004	7,525,513	-	1,764,780	(33,520)	9,256,773
Issuance of 4,084 shares for stock option exercises and related tax benefit	128,805				128,805
Purchase of 1,040 shares of common stock		(46,800)			(46,800)
Comprehensive income					
Net income			1,181,521		1,181,521
Change in net unrealized gain on securities available for sale, net of reclassifications and tax effects				(103,893)	(103,893)
Total comprehensive income					1,077,628
Balance - December 31, 2005	<u>\$ 7,654,318</u>	<u>\$ (46,800)</u>	<u>\$ 2,946,301</u>	<u>\$ (137,413)</u>	<u>\$ 10,416,406</u>

See accompanying notes to consolidated financial statements.

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PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Net income	\$ 1,181,521	\$ 937,014
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	350,262	457,942
Depreciation	128,686	113,530
Net amortization (accretion) of securities	(5,392)	3,681
Gains on securities	-	(25,448)
Federal Home Loan Bank stock dividends	(18,100)	(15,400)
Increase in cash surrender value of bank owned life insurance	(92,932)	(113,662)
Deferred taxes	(90,342)	(79,325)
Changes in accrued interest, other assets and other liabilities	<u>131,496</u>	<u>(31,530)</u>
Net cash from operating activities	1,585,199	1,246,802
Cash flows from investing activities		
Purchase of securities available for sale	(5,206,097)	(6,260,613)
Maturities and calls of securities available for sale	257,943	2,000,000
Sales of available for sale securities	-	1,175,448
Purchase of Federal Home Loan Bank stock	-	(6,200)
Purchase of Federal Reserve Bank stock	-	(42,240)
Purchase of bank owned life insurance	(500,000)	(500,000)
Net change in loans	(18,166,502)	(14,764,341)
Purchase of premises and equipment	(1,995,312)	(1,477,940)
Net proceeds from sale of other real estate owned	<u>-</u>	<u>143,200</u>
Net cash from investing activities	(25,609,968)	(19,732,686)
Cash flows from financing activities		
Net increase in deposits	15,995,367	18,735,827
Proceeds from FHLB advances	2,500,000	-
Repayments of FHLB advances	(994,793)	(985,861)
Net change in short term FHLB advances	3,200,000	(1,000,000)
Proceeds from issuance of subordinated debentures	-	2,450,000
Proceeds from line of credit	-	(575,000)
Net change in treasury tax and loan	191,023	(11,050)
Purchase of common shares for treasury	(46,800)	-
Proceeds from exercise of stock options	<u>106,270</u>	<u>68,750</u>
Net cash from financing activities	<u>20,951,067</u>	<u>18,682,666</u>
Net change in cash and cash equivalents	(3,073,702)	196,782
Cash and cash equivalents at beginning of year	<u>7,491,317</u>	<u>7,294,535</u>
Cash and cash equivalents at end of year	<u>\$ 4,417,615</u>	<u>\$ 7,491,317</u>

See accompanying notes to consolidated financial statements.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The consolidated financial statements include Portage Bancshares, Inc. and its wholly-owned subsidiary, Portage Community Bank, together referred to as "the Company." All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations: The Company, through the Bank, is engaged in the business of commercial and retail banking. Portage County and its continuous areas are the source of substantially all of the Company's loan and deposit activities. The majority of the Company's income is derived from commercial and retail lending activities and investments.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and disclosures provided, and actual results could differ. The allowance for loan losses and fair value of financial instruments are particularly subject to change.

Cash Flows: Cash and cash equivalents includes cash, deposits with other financial institutions under 90 days, and federal funds sold. Net cash flows are reported for loan and deposit transactions and borrowings with original maturities of 90 days or less.

For the years ended December 31, 2005 and 2004, the Company paid interest of \$3,085,763 and \$2,094,241 and paid income taxes of \$616,000 and \$444,000. Noncash transfers from loans to real estate owned totaled \$65,000 in 2005. There were no noncash transfers from loans to real estate owned in 2004.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and based on the amortized cost of the security sold.

PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers the length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses.

Interest income is accrued on the interest method based upon the unpaid principal balance and includes amortization of net deferred loan fees and costs over the loan term. Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. Consumer loans are typically charged off no later than 180 days past due. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Fixed Assets: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Expenditures that materially increase values or extend useful lives are capitalized. Repairs and maintenance are charged to operations as incurred.

Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. As a member of the Federal Reserve Bank System, the Company also holds FRB stock. Both stocks are carried at cost, classified as restricted securities, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

Long-term Assets: Fixed assets and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Stock Compensation: Employee compensation expense under stock options is reported using the intrinsic value method. No stock-based compensation cost is reflected in net income, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. The following table illustrates the effect on net income and earnings per share if expense was measured using the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*.

	<u>2005</u>	<u>2004</u>
Net income as reported	\$ 1,181,521	\$ 937,014
Deduct: Stock-based compensation expense determined under fair value based method	<u>375,112</u>	<u>86,729</u>
Pro forma net income	<u>\$ 806,409</u>	<u>\$ 850,285</u>
Basic earnings per share as reported	\$ 4.12	\$ 3.30
Pro forma basic earnings per share	2.81	3.00
Diluted earnings per share as reported	\$ 3.82	\$ 3.17
Pro forma diluted earnings per share	2.61	2.87

(Continued)

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The pro forma effects are computed using option pricing models, using the following weight-average assumptions as of grant date. There were 40,000 options granted during 2005. There were 24,400 options were granted in 2004.

	<u>2005</u>	<u>2004</u>
Risk-free interest rate	4.23%	3.80%
Expected option life	7 years	7 years
Expected dividend rate	None	None
Volatility	None	None
Weighted average fair value of options granted during year	\$11.21	\$7.01

On June 15, 2005, the Board of Directors approved accelerating the vesting of all unvested stock options awarded prior to 2005 under the Company's Stock Option Plans. As a result of the acceleration, unvested options to acquire 13,600 shares of the Company's common stock, which otherwise would have vested on various dates thru January 6, 2007, became immediately exercisable. All other terms and conditions applicable to options granted under these plans, including the exercise prices and the number of shares subject to the accelerated options, are unchanged. No compensation expense was recognized from the accelerated vesting of the stock options.

The decision to accelerate the vesting of these options was related to the issuance of Statement of Financial Accounting Standard No. 123 (revised 2004), *Share Based Payment* (SFAS 123R). In accordance with the provisions of SFAS 123R, the Company adopted the pronouncement on January 1, 2006 and believes the above-mentioned acceleration of vesting will eliminate compensation expense related to these options of approximately \$31,461 in 2006. The total expense is reflected in the pro forma footnote disclosure above, as permitted under the transition guidance provided by the Financial Accounting Standards Board. As a result of the acceleration of the vesting of these options, the Company has no unvested options at January 1, 2006. Future option grants will be accounted for in accordance with SFAS 123R.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Benefit Plans: The 401(k) plan expense is the amount contributed determined by formula and by Board decision. Supplemental retirement expense allocates the benefits over the years of service.

(Continued)

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Common Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. Basic weighted average common shares outstanding totaled 287,128 and 283,561 for December 31, 2005 and 2004. Diluted weighted average common shares outstanding totaled 309,032 and 296,007 for December 31, 2005 and 2004.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as a separate component of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank of \$1,100,000 and \$1,221,000 was required to meet regulatory reserve and clearing requirements at year end 2005 and 2004. These balances do not earn interest.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 2 – SECURITIES

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows.

	<u>Fair Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
<u>2005</u>			
U.S. Government and federal agency	\$ 7,497,747	\$ -	\$ (159,855)
Municipal securities	1,055,267	4,591	(16,773)
Mortgage backed securities	<u>1,949,262</u>	<u>-</u>	<u>(36,165)</u>
	<u>\$10,502,276</u>	<u>\$ 4,591</u>	<u>\$ (212,793)</u>
<u>2004</u>			
U.S. Government and federal agency	\$ 5,603,600	\$ 756	\$ (54,088)
Municipal securities	<u>102,545</u>	<u>2,545</u>	<u>-</u>
	<u>\$ 5,706,145</u>	<u>\$ 3,301</u>	<u>\$ (54,088)</u>

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 2 - SECURITIES (Continued)

There were no sales of securities during 2005. Proceeds from the sales of securities available for sale during 2004 totaled \$1,175,448 resulting in gross gains of \$25,448.

The fair value of debt securities at year-end 2005 by contractual maturity were as follows. Securities not due at a single maturity date, such as mortgage-based securities are shown separately.

Due in one year or less	\$ 1,001,935
Due from one to five years	6,495,812
Due from five to ten years	100,719
Due after ten years	954,548
Mortgage-backed	<u>1,949,262</u>
Total	<u>\$ 10,502,276</u>

Securities with unrealized losses at year end 2005 and 2004, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, are as follows.

Description of Securities	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
<u>2005</u>						
U.S. Government and federal agencies	\$ 2,627,556	\$ (41,390)	\$ 4,870,191	\$ (118,465)	\$ 7,497,747	\$ (159,855)
Municipals	836,670	(16,773)	-	-	836,670	(16,773)
Mortgage backed securities	<u>1,949,262</u>	<u>(36,165)</u>	<u>-</u>	<u>-</u>	<u>1,949,262</u>	<u>(36,165)</u>
	<u>\$ 5,413,488</u>	<u>\$ (94,328)</u>	<u>\$ 4,870,191</u>	<u>\$ (118,465)</u>	<u>\$ 10,283,679</u>	<u>\$ (212,793)</u>
<u>2004</u>						
U.S. Government and federal agencies	<u>\$ 4,928,619</u>	<u>\$ (54,088)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,928,619</u>	<u>\$ (54,088)</u>

Unrealized losses on securities have not been recognized into income because the issuers securities are of high credit quality, management has the intent and ability to hold for the foreseeable future, and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the securities approach their maturity date or reset date.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 3 - LOANS

Loans at year-end were as follows:

	<u>2005</u>	<u>2004</u>
Real estate loans	\$ 24,693,313	\$ 21,636,305
Home equity lines of credit	17,023,779	18,641,052
Personal loans	7,062,655	5,611,609
Credit line and overdrafts	362,680	352,046
Business loans	75,731,572	60,610,339
Credit card	<u>830,623</u>	<u>803,269</u>
Subtotal	125,704,622	107,654,620
Net deferred loan fees	(129,576)	(108,864)
Allowance for loan losses	<u>(1,729,500)</u>	<u>(1,451,450)</u>
Loans, net	<u>\$ 123,845,546</u>	<u>\$ 106,094,306</u>

Certain directors, executive officers, and companies with which they are affiliated are loan customers of the Bank. At December 31, 2005 and 2004, loans to these individuals totaled approximately \$2,022,000 and \$958,000.

Activity in the allowance for loan losses were as follows.

	<u>2005</u>	<u>2004</u>
Balance, January 1	\$ 1,451,450	\$ 1,141,975
Provision for loan losses	350,262	457,942
Loans charged-off	(351,613)	(196,950)
Recoveries	<u>279,401</u>	<u>48,483</u>
Balance, December 31	<u>\$ 1,729,500</u>	<u>\$ 1,451,450</u>

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 3 - LOANS (Continued)

Impaired loans were as follows.

	<u>2005</u>	<u>2004</u>
Year-end loans with no allocated allowance for loan losses	\$ -	\$ -
Year-end loans with allocated allowance for loan losses	<u>1,327,000</u>	<u>2,898,000</u>
Total	<u>\$ 1,327,000</u>	<u>\$ 2,898,000</u>
Amount of the allowance for loan losses allocated	\$ 265,000	\$ 345,000
Average of impaired loans during the year	\$ 1,269,000	\$ 1,908,000
Interest income recognized during impairment	76,000	137,000
Cash-basis interest income recognized	71,000	137,000

Nonperforming loans were as follows.

	<u>2005</u>	<u>2004</u>
Loans past due over 90 days still on accrual	\$ 226,000	\$ 115,000
Nonaccrual loans	607,000	454,000

Nonperforming loans includes both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

NOTE 4 - FIXED ASSETS

Year-end fixed assets consisted of the following.

	<u>2005</u>	<u>2004</u>
Land	\$ 1,561,925	\$ 697,500
Building	1,317,470	813,958
Furniture and equipment	<u>1,550,341</u>	<u>922,966</u>
	4,429,736	2,434,424
Accumulated depreciation	<u>(776,998)</u>	<u>(648,312)</u>
Fixed assets, net	<u>\$ 3,652,738</u>	<u>\$ 1,786,112</u>

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 4 - FIXED ASSETS (Continued)

The Bank's office was formerly leased under an operating lease from a company owned by directors of Portage Bancshares, Inc. On April 16, 2004 the Bank exercised its option to purchase the land and building for \$1,360,000. Rental expense for the banking office was \$35,390 in 2004. In 2005, the Bank leased a mobile office. Rental expense related to this facility was \$5,894.

NOTE 5 - DEPOSITS

Deposits were as follows.

	<u>2005</u>	<u>2004</u>
Non interest bearing demand	\$ 18,587,567	\$ 15,406,442
Interest-bearing demand	21,361,798	33,113,928
Savings	23,742,135	21,542,942
Time		
In denominations under \$100,000	58,663,024	36,734,997
In denominations of \$100,000 or more	<u>1,580,058</u>	<u>1,140,906</u>
	<u>\$ 123,934,582</u>	<u>\$ 107,939,215</u>

At year-end 2005, maturities of time deposits were as follows.

2005	\$ 41,878,381
2006	17,048,487
2007	660,001
2008	488,771
2009	<u>167,442</u>
	<u>\$ 60,243,082</u>

Related party deposits were approximately \$935,974 and \$928,312 at December 31, 2005 and 2004.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 6 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At year-end, advances from the Federal Home Loan Bank were as follows.

	<u>2005</u>	<u>2004</u>
Cash management advances, interest rate 4.46% at December 31, 2005.	\$ 3,200,000	\$ -
Mortgage-matched fixed-rate advances, maturities ranging from January 2012 to March 2022 at rates from 2.95% to 5.21%	<u>6,332,540</u>	<u>4,827,333</u>
	<u>\$ 9,532,540</u>	<u>\$ 4,827,333</u>

The advances were collateralized by \$12,868,929 and \$6,516,900 of first mortgage loans under a blanket lien arrangement at year-end 2005 and 2004.

Maturities over the next five years and thereafter were as follows.

2006	\$ 4,374,903
2007	1,024,092
2008	890,437
2009	772,093
2010	667,404
Thereafter	<u>1,803,611</u>
	<u>\$ 9,532,540</u>

During 2003, Portage obtained a \$1,000,000 unsecured line of credit with another financial institution. The first \$575,000 under the line has an interest rate of prime minus 1%. The remaining portion of the line of credit has an interest rate of prime. No amounts were outstanding under this line of credit at December 31, 2005 and 2004.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 7 - SUBORDINATED DEBENTURES

A trust formed by the Company issued \$2,500,000 of floating rate trust preferred securities in 2004 as part of a pooled offering of such securities. The Company issued \$2,450,000 subordinated debentures to the trust in exchange for the proceeds of the offering. The debentures and related debt issuance costs represent the sole assets of the trust. The trust preferred securities must be redeemed no later than April 23, 2034. The Company has the option to call the trust preferred securities at par at five years from date of issuance. The interest rate on the trust preferred securities and the subordinated debentures is computed as the 3-month London Interbank Offering Rate (LIBOR) plus 285 basis points. At December 31, 2005 and 2004 this equated to 7.04% and 4.95%.

Under FASB Interpretation No. 46, as revised in December 2003, the trust is not consolidated with the Company. Accordingly, the Company does not report the securities issued by the trust as a liability, and instead reports as liabilities the subordinated debentures issued by the Company and held by the trust, as these are not eliminated in the consolidation.

NOTE 8 - INCOME TAXES

Income tax expense was as follows.

	<u>2005</u>	<u>2004</u>
Current	\$ 641,505	\$ 525,467
Tax effect of exercise of nonqualified stock options	22,535	5,610
Deferred	<u>(90,342)</u>	<u>(79,325)</u>
Total	<u>\$ 573,698</u>	<u>\$ 451,752</u>

Effective tax rates differ from federal statutory rates applied to income before income taxes due to the following.

	<u>2005</u>	<u>2004</u>
Federal statutory rate times financial statement income	\$ 596,774	\$ 472,180
Effect of:		
Life insurance earnings	(31,597)	(38,645)
Tax exempt interest, net of disallowed interest expense	(7,581)	(657)
Other, net	<u>16,102</u>	<u>18,874</u>

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

Total	<u>\$ 573,698</u>	<u>\$ 451,752</u>

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - INCOME TAXES (Continued)

Year-end deferred tax assets and liabilities were due to the following.

	<u>2005</u>	<u>2004</u>
Deferred tax assets:		
Allowance for loan losses	\$ 521,779	\$ 427,866
Deferred loan fees	37,497	31,216
Accrual-to-cash adjustment	32,547	48,820
Accrued compensation	84,279	51,355
Net unrealized loss on securities available for sale	<u>70,789</u>	<u>17,267</u>
Total	<u>746,891</u>	<u>576,524</u>
Deferred tax liabilities:		
Depreciation	(57,205)	(42,380)
Federal Home Loan Bank stock dividends	(27,302)	(20,570)
Prepaid expenses	(11,117)	(11,641)
Security accretion	<u>(6,406)</u>	<u>(936)</u>
Total	<u>(102,030)</u>	<u>(75,527)</u>
Net deferred tax asset	<u>\$ 644,861</u>	<u>\$ 500,997</u>

NOTE 9 - STOCK OPTIONS AND AWARDS

The shareholders of the Company have approved stock option plans, under which 200,000 of the Company's common shares have been reserved for the granting of non-qualified stock options to employees and directors. Options are granted at the estimated fair market value of the common stock at the date of grant, or the initial offering price or book value if higher. Options expire in ten years from date of grant.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 - STOCK OPTIONS AND AWARDS (Continued)

A summary of the activity in the plan is as follows.

	<u>2005</u>		<u>2004</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of year	97,250	\$ 28.15	79,600	\$ 27.57
Granted	40,000	43.69	20,400	30.00
Exercised	<u>(4,084)</u>	<u>26.02</u>	<u>(2,750)</u>	<u>25.00</u>
Outstanding at end of year	<u>133,166</u>	<u>\$ 32.88</u>	<u>97,250</u>	<u>\$ 28.15</u>
Options exercisable at year-end	133,166	\$ 32.88	69,517	\$ 27.41

Options outstanding at year-end 2005 were as follows.

<u>Range of Exercise Prices</u>	<u>Number</u>	<u>----- Outstanding -----</u>		<u>----- Exercisable -----</u>	
		<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>
\$25.00 - \$30.00	93,166	5.7 yrs	\$ 28.24	93,166	\$ 28.24
\$42.25 - \$45.00	<u>40,000</u>	9.7 yrs	43.69	<u>40,000</u>	43.69
	<u>133,166</u>	6.9 yrs	32.88	<u>133,166</u>	32.88

NOTE 10 - EMPLOYEE BENEFIT PLAN

401(k) Plan: The Company sponsors a 401(k) plan covering substantially all employees. The Company matches contributions at the rate of 100% of each participant's voluntary contributions, limited to a maximum of six percent (6%) of a covered employee's annual compensation. In addition to the Company's matching contribution, a profit sharing contribution to the plan can be made at the discretion of the Board. Employee voluntary contributions are vested at all times. Employers matching contribution vests 20% per year and are fully vested after five years. The expense related to the plan was \$65,384 and \$52,290 for the years ended December 31, 2005 and 2004.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 10 - EMPLOYEE BENEFIT PLAN (Continued)

Supplemental Retirement Plan (SERP): The Company sponsors a SERP which covers several key members of management. Participants receive annually a percentage of their base compensation at the time of their retirement for a maximum of ten years. The liability recorded at December 31, 2005 and 2004 was \$235,379 and \$138,544. The expense related to the plan was \$96,835 and \$58,650 for 2005 and 2004.

NOTE 11 - LOAN COMMITMENTS

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance-sheet risk at year end were as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Fixed</u>	<u>Variable</u>	<u>Fixed</u>	<u>Variable</u>
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
Unused business lines of credit	\$ 568,488	\$ 6,279,249	\$ 1,153,536	\$ 6,658,752
Unused construction lines of credit	348,750	880,401	-	1,449,640
Unused consumer lines of credit	162,941	18,712,804	159,612	17,344,929
Standby letters of credit	-	170,000	-	170,000

Commitments to make loans are generally made for periods of 60 days or less. The fixed rate loan commitments have interest rates ranging from 5.44% to 18.00% at December 31, 2005 and 5.75% to 18.00% at December 31, 2004.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 12 - REGULATORY MATTERS

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective-action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet various capital requirements can initiate regulatory action.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

At year-end 2005 and 2004, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

	<u>Actual</u>		<u>For Capital</u>		<u>To Be Well</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Adequacy Purposes</u>		<u>Capitalized Under</u>	
			<u>Amount</u>	<u>Ratio</u>	<u>Prompt Corrective</u>	<u>Action Regulations</u>
			<u>(Dollars in thousands)</u>		<u>Amount</u>	<u>Ratio</u>
2005						
Total capital (to risk weighted assets)	\$ 12,988	10.3%	\$ 10,080	8.0%	\$ 12,600	10.0%
Tier 1 capital (to risk weighted assets)	11,411	9.1	5,040	4.0	7,560	6.0
Tier 1 capital (to total assets)	11,411	8.2	5,561	4.0	6,951	5.0
2004						
Total capital (to risk weighted assets)	\$ 11,221	10.5%	\$ 8,572	8.0%	\$ 10,715	10.0%
Tier 1 capital (to risk weighted assets)	9,881	9.2	4,286	4.0	6,429	6.0
Tier 1 capital (to total assets)	9,881	8.1	4,875	4.0	6,094	5.0

Banking regulations limit capital distributions by national banks. Generally, capital distributions are limited to undistributed net income for the current and prior two years. However, dividends may not reduce capital levels below the minimum regulatory requirements.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 13 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Carrying amount and estimated fair values of financial instruments were as follows at year-end.

	<u>2005</u>		<u>2004</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 4,417,615	\$ 4,418,000	\$ 7,491,317	\$ 7,491,000
Securities available for sale	10,502,276	10,502,000	5,706,145	5,706,000
Loans, net	123,845,546	123,033,000	106,094,306	111,123,000
Federal Reserve Bank stock	245,150	245,000	245,150	245,000
Federal Home Loan Bank stock	404,900	405,000	386,800	387,000
Accrued interest receivable	602,933	603,000	424,955	425,000
Financial liabilities				
Deposits	\$ (123,934,582)	\$ (123,623,000)	\$(107,939,215)	\$(108,371,000)
Federal Home Loan Bank advances and other borrowings	(9,532,540)	(9,436,000)	(4,827,333)	(4,825,000)
Treasury, tax and loan deposits	(205,624)	(206,000)	(14,601)	(15,000)
Accrued interest payable	(458,182)	(458,000)	(372,691)	(373,000)

The methods and assumptions used to estimate fair value are described as follows.

Carrying amount is the estimated fair value for cash and cash equivalents, interest bearing deposits, Federal Reserve Bank and Federal Home Loan Bank stock, accrued interest receivable and payable, demand deposits, treasury, tax and loan deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. Fair value of debt is based on current rates for similar financing. The fair value of off-balance-sheet items is based on the current fees or cost that would be charged to enter into or terminate such arrangements.

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PORTAGE BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 14 – OTHER COMPREHENSIVE LOSS

Other comprehensive loss components and related taxes were as follows.

	<u>2005</u>	<u>2004</u>
Unrealized holding gains and losses on available-for-sale securities	\$ (157,415)	\$ (51,796)
Reclassification adjustments for (gains) and losses later recognized in income	<u>-</u>	<u>(25,448)</u>
Net unrealized gains and losses	(157,415)	(77,244)
Tax effect	<u>53,522</u>	<u>26,262</u>
Other comprehensive loss	<u>\$ (103,893)</u>	<u>\$ (50,982)</u>

Portage Bancshares, Inc.

Ravenna, Ohio

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PORTAGE BANCSHARES, INC.
Ravenna, Ohio

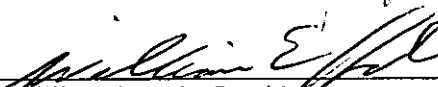
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SIGNATURES

The Issuer has duly caused this First Amendment to Form 1-A Offering Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ravenna, State of Ohio, on October 31, 2006.

PORTAGE BANCSHARES, INC.

By:


William E. Hale, President

*/s/ RICHARD J. COE

Richard J. Coe, Director
October 31, 2006

*/s/ WILLIAM E. HALE

William E. Hale, President and Director
October 31, 2006

*/s/ TIMOTHY E. CROCK

Timothy E. Crock, Director
October 31, 2006

*/s/ MARGARET F. MASCIO-MEDZIE

Margaret F. Mascio-Medzie, Vice President,
Secretary and Director
October 31, 2006

*/s/ EMILIO D. FERRARA

Emilio D. Ferrara, Director
October 31, 2006

*/s/ LAWRENCE W. RELYEA

Lawrence W. Relyea, Director
October 31, 2006

*/s/ PAUL L. FERRARA

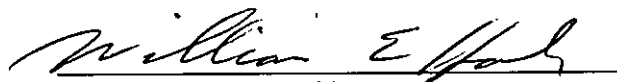
Paul L. Ferrara, Director
October 31, 2006

*/s/ THOMAS S. SICILIANO

Thomas S. Siciliano, Vice President, Treasurer
and Director
October 31, 2006

*The undersigned, by signing his name hereto, does hereby sign this First Amendment to Form 1-A Offering Statement on behalf of the above named officers and directors of the Issuer pursuant to a Power of Attorney executed on behalf of each of such officers and directors which has been previously filed with the Securities and Exchange Commission.

October 31, 2006


William E. Hale, President

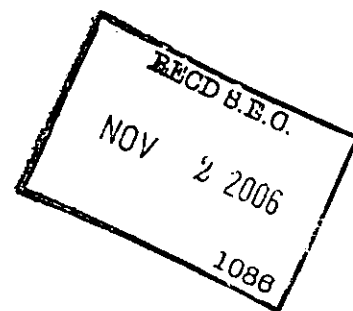
000102

PART III

ITEM 1. Index to Exhibits

The following is a list of exhibits filed with this First Amendment to Form 1-A:

<u>Exhibit No.</u>	<u>Page</u>
(1) Form of letters pursuant to which securities are to be distributed*	—
(2)(a) Amended Articles of Incorporation (Issuer)*	—
(b) Code of Regulations (Issuer)*	—
(c) Articles of Incorporation (Bank)*	—
(d) Code of Regulations (Bank)*	—
(e) Certificate of Trust (Portage Bancshares Capital Trust I).....	000106
(f) Amended and Restated Declaration of Trust (Portage Bancshares Capital Trust I)	000108
(3)(a) See 2(a), (b), (c) and (d) above.....	—
Form of Stock Certificate*	—
(b) Portage Bancshares, Inc. Indenture, dated March 25, 2004 (Floating Rate Junior Subordinated Debt Securities Due 2034)	000202
Debenture Subscription Agreement	000278
Floating Rate Junior Subordinated Debt Security Due 2034	000281
Floating Rate Capital Securities Purchase Agreement	000292
Capital Security Certificate	000313
Portage Bancshares, Inc. Guarantee Agreement	000321
(4) Form of Subscription Agreement**	000344
(5) not applicable.....	—
(6)(a) Investment Services Agreement for Infinex Investments, Inc. Subscribers*	—
(b) Lease (expired)	000351
(c) Portage Bancshares, Inc. 1997 Stock Incentive Plan*	—
Portage Bancshares, Inc. 2004 Stock Incentive Plan*	—
Form of Stock Option Agreement*	—
Portage Community Bank Bonus Plan*	—
Supplemental Executive Retirement Plan*	—
Split Dollar Plan*	—
Separation Agreement and Release*	—
Agreement*	—
(7) not applicable.....	—
(8) not applicable.....	—
(9) Form of Escrow Agreement*	—
First Amendment to Escrow Agreement	000365
(10)(a) Consent of Crowe Chizek and Company LLC**	000368
(b) not applicable.....	—



(11) Form of Opinion of Plank & Brahm** 000370

(12) not applicable.....—

(13) not applicable.....—

(14) not applicable.....—

(15)(a) Certificate of Authority issued by
State of Ohio Division of Financial Institutions*.....—

(b) Approval Letter issued by Federal Reserve Bank of Cleveland*—

(c) Certificate of Insurance issued by Federal Deposit Insurance Corporation*—

* - Previously filed

** - Revised copy of previously filed document

EXHIBIT NO. 2(e)

000105

CERTIFICATE OF TRUST
OF
PORTAGE BANCSHARES CAPITAL TRUST I

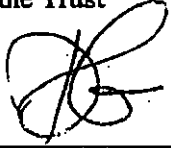
THIS CERTIFICATE OF TRUST OF PORTAGE BANCSHARES CAPITAL TRUST I (the "Trust") is being duly executed and filed by the undersigned on behalf of the Trust to form a statutory trust under the Delaware Statutory Trust Act (12 Del. C. §§3801 et seq.) (the "Act").

1. Name. The name of the statutory trust being formed is Portage Bancshares Capital Trust I.
2. Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware is as follows:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
ATTN: Corporate Trust Administration

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Trust in accordance with Section 3811(a) of the Act.

WILMINGTON TRUST COMPANY,
not in its individual capacity but solely as
trustee of the Trust

By: 

Name: Denise M. Geran
Title: Vice President

State of Delaware
Secretary of State
Division of Corporations
Delivered 10:52 AM 03/23/2004
FILED 10:52 AM 03/23/2004
SRV 040211789 - 3780784 FILE

000106

EXHIBIT NO. 2(f)

000107

AMENDED AND RESTATED DECLARATION
OF TRUST
PORTAGE BANCSHARES CAPITAL TRUST I

Dated as of March 25, 2004

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AMENDED AND RESTATED DECLARATION OF TRUST

OF

PORTAGE BANCSHARES CAPITAL TRUST I

March 25, 2004

AMENDED AND RESTATED DECLARATION OF TRUST (this "Declaration"), dated and effective as of March 25, 2004, by the Trustees (as defined herein), the Administrators (as defined herein), the Sponsor (as defined herein) and the holders from time to time of undivided beneficial interests in the assets of the Trust (as defined herein) to be issued pursuant to this Declaration.

WHEREAS, certain of the Trustees, the Administrators and the Sponsor established Portage Bancshares Capital Trust I (the "Trust"), a statutory trust under the Statutory Trust Act (as defined herein), pursuant to a Declaration of Trust, dated as of March 23, 2004 (the "Original Declaration"), and a Certificate of Trust filed with the Secretary of State of the State of Delaware on March 23, 2004, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain debentures of the Debenture Issuer (as defined herein);

WHEREAS, as of the date hereof, no interests in the assets of the Trust have been issued; and

WHEREAS, all of the Trustees, the Administrators and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration.

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a statutory trust under the Statutory Trust Act and that this Declaration constitutes the governing instrument of such statutory trust and that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration, and, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound hereby, amend and restate in its entirety the Original Declaration and agree as follows:

ARTICLE I

INTERPRETATION AND DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires:

(a) capitalized terms used in this Declaration but not defined in the preamble above or elsewhere herein have the respective meanings assigned to them in this Section 1.1 or, if not defined in this Section 1.1 or elsewhere herein, in the Indenture;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Annexes and Exhibits are to Articles and Sections of and Annexes and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act (as defined herein) has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Additional Interest" has the meaning set forth in Section 3.06 of the Indenture.

"Administrative Action" has the meaning set forth in paragraph 4(a) of Annex I.

"Administrators" means each of Richard J. Coe and John S. Forberg, solely in such Person's capacity as Administrator of the Trust continued hereunder and not in such Person's individual capacity, or such Administrator's successor in interest in such capacity, or any successor appointed as herein provided.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Authorized Officer" of a Person means any Person that is authorized to bind such Person.

"Bankruptcy Event" means, with respect to any Person:

(a) a court having jurisdiction in the premises enters a decree or order for relief in respect of such Person in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or for any substantial part of its property, or orders the winding-up or liquidation of its affairs, and such decree, appointment or order remains unstayed and in effect for a period of 90 consecutive days; or

(b) such Person commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of such Person of any substantial part of its property, or makes any general assignment for the benefit of creditors, or fails generally to pay its debts as they become due.

"Business Day" means any day other than Saturday, Sunday or any other day on which banking institutions in Wilmington, Delaware, New York City or Ravenna, Ohio are permitted or required by any applicable law or executive order to close.

"Calculation Agent" has the meaning set forth in Section 1.01 of the Indenture.

"Capital Securities" has the meaning set forth in Section 6.1(a).

"Capital Security Certificate" means a definitive Certificate registered in the name of the Holder representing a Capital Security substantially in the form of Exhibit A-1.

"Capital Treatment Event" has the meaning set forth in paragraph 4(a) of Annex I.

"Certificate" means any certificate evidencing Securities.

"Certificate of Trust" means the certificate of trust filed with the Secretary of State of the State of Delaware with respect to the Trust, as amended and restated from time to time.

"Closing Date" has the meaning set forth in the Purchase Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation.

"Commission" means the Securities and Exchange Commission.

"Common Securities" has the meaning set forth in Section 6.1(a).

"Common Security Certificate" means a definitive Certificate registered in the name of the Holder representing a Common Security substantially in the form of Exhibit A-2.

"Company Indemnified Person" means (a) any Administrator; (b) any Affiliate of any Administrator; (c) any officers, directors, shareholders, members, partners, employees, representatives or agents of any Administrator; or (d) any officer, employee or agent of the Trust or its Affiliates.

"Corporate Trust Office" means the office of the Institutional Trustee at which the corporate trust business of the Institutional Trustee shall, at any particular time, be principally administered, which office shall at all times be located in the United States and at the date of execution of this Declaration is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

"Coupon Rate" has the meaning set forth in paragraph 2(a) of Annex I.

"Covered Person" means: (a) any Administrator, officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) any of the Trust's Affiliates; and (b) any Holder of Securities.

"Debenture Issuer" means Portage Bancshares, Inc., a bank holding company incorporated in Ohio, in its capacity as issuer of the Debentures under the Indenture.

"Debenture Trustee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as trustee under the Indenture until a successor is appointed thereunder, and thereafter means such successor trustee.

"Debentures" means the Floating Rate Junior Subordinated Debt Securities due 2034 to be issued by the Debenture Issuer under the Indenture.

"Deferred Interest" means any interest on the Debentures that would have been overdue and unpaid for more than one Distribution Payment Date but for the imposition of an Extension Period, and the interest that shall accrue (to the extent that the payment of such interest is legally enforceable) on such interest at the Coupon Rate in effect for each such Extension Period, compounded quarterly from the date on which such Deferred Interest would otherwise have been due and payable until paid or made available for payment.

"Definitive Capital Securities" means any Capital Securities in definitive form issued by the Trust.

"Delaware Trustee" has the meaning set forth in Section 4.2.

"Direct Action" has the meaning set forth in Section 2.8(e).

"Distribution" means a distribution payable to Holders of Securities in accordance with Section 5.1.

"Distribution Payment Date" has the meaning set forth in paragraph 2(e) of Annex I.

"Distribution Period" has the meaning set forth in paragraph 2(a) of Annex I.

"Event of Default" means the occurrence of an Indenture Event of Default.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Extension Period" has the meaning set forth in paragraph 2(e) of Annex I.

"Federal Reserve" has the meaning set forth in paragraph 3 of Annex I.

"Fiduciary Indemnified Person" shall mean each of the Institutional Trustee (including in its individual capacity), the Delaware Trustee (including in its individual capacity), any Affiliate of the Institutional Trustee or the Delaware Trustee, and any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Institutional Trustee or the Delaware Trustee.

"Fiscal Year" has the meaning set forth in Section 10.1

"Guarantee" means the Guarantee Agreement, dated as of March 25, 2004, of the Sponsor in respect of the Capital Securities.

"Holder" means a Person in whose name a Certificate representing a Security is registered on the register maintained by or on behalf of the Registrar, such Person being a beneficial owner within the meaning of the Statutory Trust Act.

"Indemnified Person" means a Company Indemnified Person or a Fiduciary Indemnified Person.

"Indenture" means the Indenture, dated as of March 25, 2004, among the Debenture Issuer and the Debenture Trustee, and any indenture supplemental thereto pursuant to which the Debentures are to be issued.

"Indenture Event of Default" means an "Event of Default" as defined in the Indenture.

"Institutional Trustee" means the Trustee meeting the eligibility requirements set forth in Section 4.3.

"Interest" means any interest due on the Debentures, including any Deferred Interest and Defaulted Interest (as each such term is defined in the Indenture).

"Investment Company" means an investment company as defined in the Investment Company Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Investment Company Event" has the meaning set forth in paragraph 4(a) of Annex I.

"Legal Action" has the meaning set forth in Section 2.8(e).

"LIBOR" means the London Interbank Offered Rate for three-month U.S. Dollar deposits in Europe as determined by the Calculation Agent according to paragraph 2(b) of Annex I.

"LIBOR Banking Day" has the meaning set forth in paragraph 2(b)(1) of Annex I.

"LIBOR Business Day" has the meaning set forth in paragraph 2(b)(1) of Annex I.

"LIBOR Determination Date" has the meaning set forth in paragraph 2(b)(1) of Annex I.

"Liquidation" has the meaning set forth in paragraph 3 of Annex I.

"Liquidation Distribution" has the meaning set forth in paragraph 3 of Annex I.

"Majority in liquidation amount of the Securities" means Holders of outstanding Securities voting together as a single class or, as the context may require, Holders of outstanding Capital Securities or Holders of outstanding Common Securities voting separately as a class, who are the record owners of more than 50% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

- (a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;
- (b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;
- (c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Paying Agent" has the meaning set forth in Section 6.2.

"Payment Amount" has the meaning set forth in Section 5.1.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"PORTAL" has the meaning set forth in Section 2.6(a)(i).

"Property Account" has the meaning set forth in Section 2.8(c).

"Pro Rata" has the meaning set forth in paragraph 8 of Annex I.

"Purchase Agreement" means the Purchase Agreement relating to the offering and sale of Capital Securities.

"QIB" means a "qualified institutional buyer" as defined under Rule 144A.

"Quorum" means a majority of the Administrators or, if there are only two Administrators, both of them.

"Redemption/Distribution Notice" has the meaning set forth in paragraph 4(e) of Annex I.

"Redemption Price" has the meaning set forth in paragraph 4(a) of Annex I.

"Registrar" has the meaning set forth in Section 6.2.

"Relevant Trustee" has the meaning set forth in Section 4.7(a).

"Responsible Officer" means, with respect to the Institutional Trustee, any officer within the Corporate Trust Office of the Institutional Trustee with direct responsibility for the administration of this Declaration, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or other officer of the Corporate Trust Office of the Institutional Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Restricted Securities Legend" has the meaning set forth in Section 8.2(c).

"Rule 144A" means Rule 144A under the Securities Act.

"Rule 3a-5" means Rule 3a-5 under the Investment Company Act.

"Rule 3a-7" means Rule 3a-7 under the Investment Company Act.

"Securities" means the Common Securities and the Capital Securities.

"Securities Act" means the Securities Act of 1933, as amended from time-to-time, or any successor legislation.

"Sponsor" means Portage Bancshares, Inc., a bank holding company that is a U.S. Person incorporated in Ohio, or any successor entity in a merger, consolidation or amalgamation that is a U.S. Person, in its capacity as sponsor of the Trust.

"Statutory Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code § 3801 et seq., as it may be amended from time to time, or any successor legislation.

"Successor Delaware Trustee" has the meaning set forth in Section 4.7(e).

"Successor Entity" has the meaning set forth in Section 2.15(b).

"Successor Institutional Trustee" has the meaning set forth in Section 4.7(b).

"Successor Securities" has the meaning set forth in Section 2.15(b).

"Super Majority" has the meaning set forth in paragraph 5(b) of Annex I.

"Tax Event" has the meaning set forth in paragraph 4(a) of Annex I.

"10% in liquidation amount of the Securities" means Holders of outstanding Securities voting together as a single class or, as the context may require, Holders of outstanding Capital Securities or Holders of outstanding Common Securities voting separately as a class, who are the record owners of 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"Transfer Agent" has the meaning set forth in Section 6.2.

"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time-to-time, or any successor legislation.

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Property" means (a) the Debentures, (b) any cash on deposit in, or owing to, the Property Account and (c) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held or deemed to be held by the Institutional Trustee pursuant to the trusts of this Declaration.

"U.S. Person" means a United States Person as defined in Section 7701(a)(30) of the Code.

ARTICLE II

ORGANIZATION

Section 2.1. Name. The Trust is named "Portage Bancshares Capital Trust I," as such name may be modified from time to time by the Administrators following written notice to the Institutional Trustee and the Holders of the Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Administrators.

Section 2.2. Office. The address of the principal office of the Trust, which shall be in a State of the United States or the District of Columbia, is 1311 East Main Street, Ravenna, Ohio 44266. On ten Business Days' written notice to the Institutional Trustee and the Holders of the Securities, the Administrators may designate another principal office, which shall be in a State of the United States or the District of Columbia.

Section 2.3. Purpose. The exclusive purposes and functions of the Trust are (a) to issue and sell the Securities representing undivided beneficial interests in the assets of the Trust, (b) to invest the gross proceeds from such sale in the Debentures and (c) except as otherwise limited herein, to engage in only those other activities incidental thereto that are deemed necessary or advisable by the Institutional Trustee, including, without limitation, those activities specified in this Declaration. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust.

Section 2.4. Authority. Except as specifically provided in this Declaration, the Institutional Trustee shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by a Trustee on behalf of the Trust and in accordance with such Trustee's powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no Person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration. The Administrators shall have only those ministerial duties set forth herein with respect to accomplishing the purposes of the Trust and are not intended to be trustees or fiduciaries with respect to the Trust or the Holders. The Institutional Trustee shall have the right, but shall not be obligated except as provided in Section 2.6, to perform those duties assigned to the Administrators.

Section 2.5. Title to Property of the Trust. Except as provided in Section 2.8 with respect to the Debentures and the Property Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

Section 2.6. Powers and Duties of the Trustees and the Administrators.

(a) The Trustees and the Administrators shall conduct the affairs of the Trust in accordance with the terms of this Declaration. Subject to the limitations set forth in paragraph (b) of this Section, and in accordance with the following provisions (i) and (ii), the Administrators and, at the direction of the Administrators, the Trustees, shall have the authority to enter into all transactions and agreements determined by the Administrators to be appropriate in exercising the authority, express or implied, otherwise granted to the Trustees or the Administrators, as the case may be, under this Declaration, and to perform all acts in furtherance thereof, including without limitation, the following:

(i) Each Administrator shall have the power, duty and authority, and is hereby authorized, to act on behalf of the Trust with respect to the following matters:

- (A) the issuance and sale of the Securities;
- (B) to cause the Trust to enter into, and to execute, deliver and perform on behalf of the Trust, such agreements as may be necessary or desirable in connection with the purposes and function of the Trust, including agreements with the Paying Agent, a Debenture subscription agreement between the Trust and the Sponsor and a Common Securities subscription agreement between the Trust and the Sponsor;
- (C) ensuring compliance with the Securities Act and applicable state securities or blue sky laws;
- (D) if and at such time determined solely by the Sponsor at the request of the Holders, assisting in the designation of the Capital Securities for trading in the Private Offering, Resales and Trading through the Automatic Linkages ("PORTAL") system if available;
- (E) the sending of notices (other than notices of default) and other information regarding the Securities and the Debentures to the Holders in accordance with this Declaration, including notice of any notice received from the Debenture Issuer of its election to defer payments of interest on the Debentures by extending the interest payment period under the Indenture;
- (F) the appointment of a Paying Agent, Transfer Agent and Registrar in accordance with this Declaration;
- (G) execution and delivery of the Securities in accordance with this Declaration;
- (H) execution and delivery of closing certificates pursuant to the Purchase Agreement and the application for a taxpayer identification number;
- (I) unless otherwise determined by the Holders of a Majority in liquidation amount of the Securities or as otherwise required by the Statutory Trust Act, to execute on behalf of the Trust (either acting alone or together with any or all of the Administrators) any documents that the Administrators have the power to execute pursuant to this Declaration;
- (J) the taking of any action incidental to the foregoing as the Sponsor or an Administrator may from time to time determine is necessary or advisable to give effect to the terms of this Declaration for the benefit

of the Holders (without consideration of the effect of any such action on any particular Holder);

(K) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Capital Securities and Holders of Common Securities as to such actions and applicable record dates;

(L) to duly prepare and file on behalf of the Trust all applicable tax returns and tax information reports that are required to be filed with respect to the Trust;

(M) to negotiate the terms of, and the execution and delivery of, the Purchase Agreement providing for the sale of the Capital Securities;

(N) to employ or otherwise engage employees, agents (who may be designated as officers with titles), managers, contractors, advisors, attorneys and consultants and pay reasonable compensation for such services;

(O) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(P) to give the certificate required by § 314(a)(4) of the Trust Indenture Act to the Institutional Trustee, which certificate may be executed by an Administrator; and

(Q) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory trust under the laws of each jurisdiction (other than the State of Delaware) in which such existence is necessary to protect the limited liability of the Holders of the Capital Securities or to enable the Trust to effect the purposes for which the Trust was created.

(ii) As among the Trustees and the Administrators, the Institutional Trustee shall have the power, duty and authority, and is hereby authorized, to act on behalf of the Trust with respect to the following matters:

(A) the establishment of the Property Account;

(B) the receipt of the Debentures;

(C) the collection of interest, principal and any other payments made in respect of the Debentures in the Property Account;

(D) the distribution through the Paying Agent of amounts owed to the Holders in respect of the Securities;

(E) the exercise of all of the rights, powers and privileges of a holder of the Debentures;

(F) the sending of notices of default and other information regarding the Securities and the Debentures to the Holders in accordance with this Declaration;

(G) the distribution of the Trust Property in accordance with the terms of this Declaration;

(H) to the extent provided in this Declaration, the winding up of the affairs of and liquidation of the Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of the State of Delaware;

(I) after any Event of Default (of which the Institutional Trustee has knowledge (as provided in Section 2.10(m) hereof)) (provided, that such Event of Default is not by or with respect to the Institutional Trustee), the taking of any action incidental to the foregoing as the Institutional Trustee may from time to time determine is necessary or advisable to give effect to the terms of this Declaration and protect and conserve the Trust Property for the benefit of the Holders (without consideration of the effect of any such action on any particular Holder);

(J) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory trust under the laws of the State of Delaware to protect the limited liability of the Holders of the Capital Securities or to enable the Trust to effect the purposes for which the Trust was created; and

(K) to undertake any actions set forth in § 317(a) of the Trust Indenture Act.

(iii) The Institutional Trustee shall have the power and authority, and is hereby authorized, to act on behalf of the Trust with respect to any of the duties, liabilities, powers or the authority of the Administrators set forth in Section 2.6(a)(i)(E) and (F) herein but shall not have a duty to do any such act unless specifically requested to do so in writing by the Sponsor, and shall then be fully protected in acting pursuant to such written request; and in the event of a conflict between the action of the Administrators and the action of the Institutional Trustee, the action of the Institutional Trustee shall prevail.

(b) So long as this Declaration remains in effect, the Trust (or the Trustees or Administrators acting on behalf of the Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, neither the Trustees nor the Administrators may cause the Trust to (i) acquire any investments or engage in any activities not authorized by this Declaration, (ii) sell, assign, transfer, exchange, mortgage, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Holders, except as expressly provided herein, (iii) take any action that would cause (or in the case of the Institutional Trustee, to the actual knowledge of a Responsible Officer would cause) the Trust to fail or cease to qualify as a "grantor trust" for United States federal income tax purposes, (iv) incur any indebtedness for borrowed money or issue any other debt or (v) take or consent to any action that would result in the placement of a lien on any of the Trust Property. The Institutional Trustee shall, at the sole cost and expense of the Trust subject to reimbursement under Section 9.6(a), defend all claims and demands of all Persons at any time claiming any lien on any of the Trust Property adverse to the interest of the Trust or the Holders in their capacity as Holders.

(c) In connection with the issuance and sale of the Capital Securities, the Sponsor shall have the right and responsibility to assist the Trust with respect to, or effect on behalf of the Trust, the following (and any actions taken by the Sponsor in furtherance of the following prior to the date of this Declaration are hereby ratified and confirmed in all respects):

(i) the taking of any action necessary to obtain an exemption from the Securities Act;

(ii) the determination of the States in which to take appropriate action to qualify or register for sale all or part of the Capital Securities and the determination of any and all such acts, other than actions which must be taken by or on behalf of the Trust, and the advisement of and direction to the Trustees of actions they must take on behalf of the Trust, and the preparation for execution and filing of any documents to be executed and filed by the Trust or on behalf of the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States in connection with the sale of the Capital Securities; and

(iii) the taking of any other actions necessary or desirable to carry out any of the foregoing activities.

(d) Notwithstanding anything herein to the contrary, the Administrators, the Institutional Trustee and the Holders of a Majority in liquidation amount of the Common Securities are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that (i) the Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act (in the case of the Institutional Trustee, to the actual knowledge of a Responsible Officer); (ii) the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes (in the case of the Institutional Trustee, to the actual knowledge of a Responsible Officer); and (iii) the Trust will not take any action inconsistent with the treatment of the Debentures as indebtedness of the Debenture Issuer for

United States federal income tax purposes (in the case of the Institutional Trustee, to the actual knowledge of a Responsible Officer). In this connection, the Institutional Trustee, the Administrators and the Holders of a Majority in liquidation amount of the Common Securities are authorized to take any action, not inconsistent with applicable laws or this Declaration, as amended from time to time, that each of the Institutional Trustee, the Administrators and such Holders determine in their discretion to be necessary or desirable for such purposes, even if such action adversely affects the interests of the Holders of the Capital Securities.

(e) All expenses incurred by the Administrators or the Trustees pursuant to this Section 2.6 shall be reimbursed by the Sponsor, and the Trustees shall have no obligations with respect to such expenses.

(f) The assets of the Trust shall consist of the Trust Property.

(g) Legal title to all Trust Property shall be vested at all times in the Institutional Trustee (in its capacity as such) and shall be held and administered by the Institutional Trustee for the benefit of the Trust in accordance with this Declaration.

(h) If the Institutional Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Declaration and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Institutional Trustee or to such Holder, then and in every such case the Sponsor, the Institutional Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Institutional Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 2.7. Prohibition of Actions by the Trust and the Trustees.

The Trust shall not, and the Institutional Trustee and the Administrators shall not, and the Administrators shall cause the Trust not to, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not, and the Institutional Trustee and the Administrators shall not cause the Trust to:

(a) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of the Securities pursuant to the terms of this Declaration and of the Securities;

(b) acquire any assets other than as expressly provided herein;

(c) possess Trust Property for other than a Trust purpose;

(d) make any loans or incur any indebtedness other than loans represented by the Debentures;

(e) possess any power or otherwise act in such a way as to vary the Trust Property or the terms of the Securities;

(f) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Securities; or

(g) other than as provided in this Declaration (including Annex I), (i) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (ii) waive any past default that is waivable under the Indenture, (iii) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be due and payable, or (iv) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received a written opinion of counsel experienced in such matters to the effect that such amendment, modification or termination will not cause the Trust to cease to be classified as a grantor trust for United States federal income tax purposes.

Section 2.8. Powers and Duties of the Institutional Trustee.

(a) The legal title to the Debentures shall be owned by and held of record in the name of the Institutional Trustee in trust for the benefit of the Trust. The right, title and interest of the Institutional Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Institutional Trustee in accordance with Section 4.7. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

(b) The Institutional Trustee shall not transfer its right, title and interest in the Debentures to the Administrators or to the Delaware Trustee.

(c) The Institutional Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Property Account") in the United States (as defined in Treasury Regulations section 301.7701-7), in the name of and under the exclusive control of the Institutional Trustee, and maintained in the Institutional Trustee's trust department, on behalf of the Holders of the Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Institutional Trustee, deposit such funds into the Property Account and make payments to the Holders of the Capital Securities and Holders of the Common Securities from the Property Account in accordance with Section 5.1. Funds in the Property Account shall be held uninvested until disbursed in accordance with this Declaration;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the Capital Securities and the Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon written notice of distribution issued by the Administrators in accordance with the terms of the Securities, engage in such ministerial activities as shall be necessary or appropriate to effect the distribution of the Debentures to

Holders of Securities upon the occurrence of certain circumstances pursuant to the terms of the Securities.

(d) The Institutional Trustee shall take all actions and perform such duties as may be specifically required of the Institutional Trustee pursuant to the terms of the Securities.

(e) The Institutional Trustee may bring or defend, pay, collect, compromise, arbitrate, resort to legal action with respect to, or otherwise adjust claims or demands of or against, the Trust (a "Legal Action") which arise out of or in connection with an Event of Default of which a Responsible Officer of the Institutional Trustee has actual knowledge or the Institutional Trustee's duties and obligations under this Declaration or the Trust Indenture Act; provided, however, that if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of the Capital Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Capital Securities of such Holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the Holders of the Common Securities will be subrogated to the rights of such Holder of the Capital Securities to the extent of any payment made by the Debenture Issuer to such Holder of the Capital Securities in such Direct Action; provided, however, that a Holder of the Common Securities may exercise such right of subrogation only if no Event of Default with respect to the Capital Securities has occurred and is continuing.

(f) The Institutional Trustee shall continue to serve as a Trustee until either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of the Securities pursuant to the terms of the Securities and this Declaration (including Annex I); or

(ii) a Successor Institutional Trustee has been appointed and has accepted that appointment in accordance with Section 4.7.

(g) The Institutional Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of the Debentures under the Indenture and, if an Event of Default occurs and is continuing, the Institutional Trustee may, for the benefit of Holders of the Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to this Declaration (including Annex I) and the terms of the Securities.

(h) The Institutional Trustee must exercise the powers set forth in this Section 2.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 2.3, and the Institutional Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 2.3.

Section 2.9. Certain Duties and Responsibilities of the Trustees and the Administrators.

(a) The Institutional Trustee, before the occurrence of any Event of Default (of which the Institutional Trustee has knowledge (as provided in Section 2.10(m) hereof)) and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and no implied covenants shall be read into this Declaration against the Institutional Trustee. In case an Event of Default (of which the Institutional Trustee has knowledge (as provided in Section 2.10(m) hereof)), has occurred (that has not been cured or waived pursuant to Section 6.7), the Institutional Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The duties and responsibilities of the Trustees and the Administrators shall be as provided by this Declaration and, in the case of the Institutional Trustee, by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Declaration shall require any Trustee or Administrator to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Declaration relating to the conduct or affecting the liability of or affording protection to the Trustees or the Administrators shall be subject to the provisions of this Article. Nothing in this Declaration shall be construed to release a Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. Nothing in this Declaration shall be construed to release an Administrator from liability for its own gross negligent action, its own gross negligent failure to act, or its own willful misconduct. To the extent that, at law or in equity, a Trustee or an Administrator has duties and liabilities relating to the Trust or to the Holders, such Trustee or Administrator shall not be liable to the Trust or to any Holder for such Trustee's or Administrator's good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of the Administrators or the Trustees otherwise existing at law or in equity, are agreed by the Sponsor and the Holders to replace such other duties and liabilities of the Administrators or the Trustees.

(c) All payments made by the Institutional Trustee or a Paying Agent in respect of the Securities shall be made only from the revenue and proceeds from the Trust Property and only to the extent that there shall be sufficient revenue or proceeds from the Trust Property to enable the Institutional Trustee or a Paying Agent to make payments in accordance with the terms hereof. Each Holder, by its acceptance of a Security, agrees that it will look solely to the revenue and proceeds from the Trust Property to the extent legally available for distribution to it as herein provided and that the Trustees and the Administrators are not personally liable to it for any amount distributable in respect of any Security or for any other liability in respect of any Security. This Section 2.9(c) does not limit the liability of the Trustees expressly set forth elsewhere in this Declaration or, in the case of the Institutional Trustee, in the Trust Indenture Act.

(d) No provision of this Declaration shall be construed to relieve the Institutional Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct with respect to matters that are within the authority of the Institutional Trustee under this Declaration, except that:

(i) the Institutional Trustee shall not be liable for any error or judgment made in good faith by an Authorized Officer of the Institutional Trustee, unless it shall be proved that the Institutional Trustee was negligent in ascertaining the pertinent facts;

(ii) the Institutional Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Capital Securities or the Common Securities, as applicable, relating to the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under this Declaration;

(iii) the Institutional Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Debentures and the Property Account shall be to deal with such property in a similar manner as the Institutional Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Institutional Trustee under this Declaration and the Trust Indenture Act;

(iv) the Institutional Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree in writing with the Sponsor; and money held by the Institutional Trustee need not be segregated from other funds held by it except in relation to the Property Account maintained by the Institutional Trustee pursuant to Section 2.8(c)(i) and except to the extent otherwise required by law; and

(v) the Institutional Trustee shall not be responsible for monitoring the compliance by the Administrators or the Sponsor with their respective duties under this Declaration, nor shall the Institutional Trustee be liable for any default or misconduct of the Administrators or the Sponsor.

Section 2.10. Certain Rights of Institutional Trustee. Subject to the provisions of Section 2.9:

(a) the Institutional Trustee may conclusively rely and shall fully be protected in acting or refraining from acting in good faith upon any resolution, written opinion of counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document

believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(b) if (i) in performing its duties under this Declaration, the Institutional Trustee is required to decide between alternative courses of action, (ii) in construing any of the provisions of this Declaration, the Institutional Trustee finds the same ambiguous or inconsistent with any other provisions contained herein, or (iii) the Institutional Trustee is unsure of the application of any provision of this Declaration, then, except as to any matter as to which the Holders of Capital Securities are entitled to vote under the terms of this Declaration, the Institutional Trustee may deliver a notice to the Sponsor requesting the Sponsor's opinion as to the course of action to be taken and the Institutional Trustee shall take such action, or refrain from taking such action, as the Institutional Trustee in its sole discretion shall deem advisable and in the best interests of the Holders, in which event the Institutional Trustee shall have no liability except for its own negligence or willful misconduct;

(c) any direction or act of the Sponsor or the Administrators contemplated by this Declaration shall be sufficiently evidenced by an Officers' Certificate;

(d) whenever in the administration of this Declaration, the Institutional Trustee shall deem it desirable that a matter be proved or established before undertaking, suffering or omitting any action hereunder, the Institutional Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Administrators;

(e) the Institutional Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or reregistration thereof;

(f) the Institutional Trustee may consult with counsel of its selection (which counsel may be counsel to the Sponsor or any of its Affiliates) and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon and in accordance with such advice; the Institutional Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(g) the Institutional Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any of the Holders pursuant to this Declaration, unless such Holders shall have offered to the Institutional Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction; provided, that nothing contained in this Section 2.10(g) shall be taken to relieve the Institutional Trustee, upon the occurrence of an Event of Default (of which the Institutional Trustee has knowledge (as provided in Section 2.10(m) hereof)) that has not been cured or waived, of its obligation to exercise the rights and powers vested in it by this Declaration;

(h) the Institutional Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, note or other evidence of indebtedness or other paper or document, unless requested in writing to do so by one or more Holders, but the Institutional Trustee may make such further inquiry or investigation into such facts or matters as it may see fit;

(i) the Institutional Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys and the Institutional Trustee shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent or attorney appointed with due care by it hereunder;

(j) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Institutional Trustee (i) may request instructions from the Holders of the Common Securities and the Capital Securities, which instructions may be given only by the Holders of the same proportion in liquidation amount of the Common Securities and the Capital Securities as would be entitled to direct the Institutional Trustee under the terms of the Common Securities and the Capital Securities in respect of such remedy, right or action, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be fully protected in acting in accordance with such instructions;

(k) except as otherwise expressly provided in this Declaration, the Institutional Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration;

(l) when the Institutional Trustee incurs expenses or renders services in connection with a Bankruptcy Event, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally;

(m) the Institutional Trustee shall not be charged with knowledge of an Event of Default unless a Responsible Officer of the Institutional Trustee has actual knowledge of such event or the Institutional Trustee receives written notice of such event from any Holder, except with respect to an Event of Default pursuant to Sections 5.01(a) or 5.01(b) of the Indenture (other than an Event of Default resulting from the default in the payment of Additional Interest or premium, if any, if the Institutional Trustee does not have actual knowledge or written notice that such payment is due and payable), of which the Institutional Trustee shall be deemed to have knowledge;

(n) any action taken by the Institutional Trustee or its agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of the Institutional Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Institutional Trustee to so act or as to its

compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Institutional Trustee's or its agent's taking such action; and

(o) no provision of this Declaration shall be deemed to impose any duty or obligation on the Institutional Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Institutional Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Institutional Trustee shall be construed to be a duty.

Section 2.11. Delaware Trustee. Notwithstanding any other provision of this Declaration other than Section 4.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of any of the Trustees or the Administrators described in this Declaration (except as may be required under the Statutory Trust Act). Except as set forth in Section 4.2, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of § 3807 of the Statutory Trust Act.

Section 2.12. Execution of Documents. Unless otherwise determined in writing by the Institutional Trustee, and except as otherwise required by the Statutory Trust Act, the Institutional Trustee, or any one or more of the Administrators, as the case may be, is authorized to execute and deliver on behalf of the Trust any documents, agreements, instruments or certificates that the Trustees or the Administrators, as the case may be, have the power and authority to execute pursuant to Section 2.6.

Section 2.13. Not Responsible for Recitals or Issuance of Securities. The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration, the Debentures or the Securities.

Section 2.14. Duration of Trust. The Trust, unless dissolved pursuant to the provisions of Article VII hereof, shall have existence for thirty-five (35) years from the Closing Date.

Section 2.15. Mergers (a) The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other Person, except as described in this Section 2.15 and except with respect to the distribution of Debentures to Holders of Securities pursuant to Section 7.1(a)(iv) of the Declaration or Section 4 of Annex I.

(b) The Trust may, with the consent of the Administrators (which consent will not be unreasonably withheld) and without the consent of the Institutional Trustee, the Delaware Trustee or the Holders of the Capital Securities, consolidate, amalgamate, merge with or into, or

be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to a trust organized as such under the laws of any State; provided, that:

(i) if the Trust is not the survivor, such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Securities; or

(B) substitutes for the Securities other securities having substantially the same terms as the Securities (the "Successor Securities") so that the Successor Securities rank the same as the Securities rank with respect to Distributions and payments upon Liquidation, redemption and otherwise;

(ii) the Sponsor expressly appoints, as the holder of the Debentures, a trustee of the Successor Entity that possesses the same powers and duties as the Institutional Trustee;

(iii) the Capital Securities or any Successor Securities (excluding any securities substituted for the Common Securities) are listed or quoted, or any Successor Securities will be listed or quoted upon notification of issuance, on any national securities exchange or with another organization on which the Capital Securities are then listed or quoted, if any;

(iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Capital Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, if the Capital Securities are then rated;

(v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interests in the Successor Entity as a result of such merger, consolidation, amalgamation or replacement);

(vi) such Successor Entity has a purpose substantially identical to that of the Trust;

(vii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Trust has received a written opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that:

(A) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights,

preferences and privileges of the Holders of the Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interests in the Successor Entity);

(B) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States federal income tax purposes;

(viii) the Sponsor guarantees the obligations of such Successor Entity under the Successor Securities to the same extent provided by the Guarantee, the Debentures and this Declaration; and

(ix) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Institutional Trustee shall have received an Officers' Certificate of the Administrators and an opinion of counsel, each to the effect that all conditions precedent of this paragraph (b) to such transaction have been satisfied.

(c) Notwithstanding Section 2.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Securities, consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to, any other Person or permit any other Person to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or Successor Entity to be classified as other than a grantor trust for United States federal income tax purposes.

ARTICLE III

SPONSOR

Section 3.1. Sponsor's Purchase of Common Securities. On the Closing Date, the Sponsor will purchase all of the Common Securities issued by the Trust, in an amount at least equal to 3% of the capital of the Trust, at the same time as the Capital Securities are sold.

Section 3.2. Responsibilities of the Sponsor. In connection with the issue and sale of the Capital Securities, the Sponsor shall have the exclusive right and responsibility to engage in, or direct the Administrators to engage in, the following activities:

(a) to determine the States in which to take appropriate action to qualify or register for sale all or part of the Capital Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and

prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States;

(b) to prepare for filing and request the Administrators to cause the filing by the Trust, as may be appropriate, of an application to the PORTAL system, for listing or quotation upon notice of issuance of any Capital Securities, as requested by the Holders of not less than a Majority in liquidation amount of the Capital Securities; and

(c) to negotiate the terms of and/or execute and deliver on behalf of the Trust, the Purchase Agreement and other related agreements providing for the sale of the Capital Securities.

ARTICLE IV

TRUSTEES AND ADMINISTRATORS

Section 4.1. Number of Trustees. The number of Trustees initially shall be two, and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Securities, the number of Trustees may be increased or decreased by vote of the Holder of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holder of the Common Securities; provided, however, that there shall be a Delaware Trustee if required by Section 4.2; and there shall always be one Trustee who shall be the Institutional Trustee, and such Trustee may also serve as Delaware Trustee if it meets the applicable requirements, in which case Section 2.11 shall have no application to such entity in its capacity as Institutional Trustee.

Section 4.2. Delaware Trustee. If required by the Statutory Trust Act, one Trustee (the "Delaware Trustee") shall be:

(a) a natural person who is a resident of the State of Delaware; or

(b) if not a natural person, an entity which is organized under the laws of the United States or any State thereof or the District of Columbia, has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law, including §3807 of the Statutory Trust Act.

Section 4.3. Institutional Trustee; Eligibility. (a) There shall at all times be one Trustee which shall act as Institutional Trustee which shall:

(i) not be an Affiliate of the Sponsor;

(ii) not offer or provide credit or credit enhancement to the Trust; and

(iii) be a banking corporation or national association organized and doing business under the laws of the United States of America or any State thereof or of the District of Columbia and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least fifty million U.S. dollars (\$50,000,000), and subject to supervision or examination by federal, State or District of Columbia authority. If such corporation or national association publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 4.3(a)(iii), the combined capital and surplus of such corporation or national association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Institutional Trustee shall cease to be eligible to so act under Section 4.3(a), the Institutional Trustee shall immediately resign in the manner and with the effect set forth in Section 4.7.

(c) If the Institutional Trustee has or shall acquire any "conflicting interest" within the meaning of § 310(b) of the Trust Indenture Act, the Institutional Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to this Declaration.

(d) The initial Institutional Trustee shall be Wilmington Trust Company.

Section 4.4. Certain Qualifications of the Delaware Trustee Generally. The Delaware Trustee shall be a U.S. Person and either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

Section 4.5. Administrators. Each Administrator shall be a U.S. Person. There shall at all times be at least one Administrator. Except where a requirement for action by a specific number of Administrators is expressly set forth in this Declaration and except with respect to any action the taking of which is the subject of a meeting of the Administrators, any action required or permitted to be taken by the Administrators may be taken by, and any power of the Administrators may be exercised by, or with the consent of, any one such Administrator acting alone.

Section 4.6. Initial Delaware Trustee. The initial Delaware Trustee shall be Wilmington Trust Company.

Section 4.7. Appointment, Removal and Resignation of the Trustees and the Administrators.

(a) No resignation or removal of any Trustee (the "Relevant Trustee") and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of this Section 4.7.

(b) Subject to Section 4.7(a), a Relevant Trustee may resign at any time by giving written notice thereof to the Holders of the Securities and by appointing a successor Relevant Trustee. Upon the resignation of the Institutional Trustee, the Institutional Trustee shall appoint a successor by requesting from at least three Persons meeting the eligibility requirements their expenses and charges to serve as the successor Institutional Trustee on a form provided by the Administrators, and selecting the Person who agrees to the lowest expense and charges (the "Successor Institutional Trustee"). If the instrument of acceptance by the successor Relevant Trustee required by this Section 4.7 shall not have been delivered to the Relevant Trustee within 60 days after the giving of such notice of resignation or delivery of the instrument of removal, the Relevant Trustee may petition, at the expense of the Trust, any federal, State or District of Columbia court of competent jurisdiction for the appointment of a successor Relevant Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Relevant Trustee. The Institutional Trustee shall have no liability for the selection of such successor pursuant to this Section 4.7.

(c) Unless an Event of Default shall have occurred and be continuing, any Trustee may be removed at any time by an act of the Holders of a Majority in liquidation amount of the Common Securities. If any Trustee shall be so removed, the Holders of the Common Securities, by act of the Holders of a Majority in liquidation amount of the Common Securities delivered to the Relevant Trustee, shall promptly appoint a successor Relevant Trustee, and such successor Trustee shall comply with the applicable requirements of this Section 4.7. If an Event of Default shall have occurred and be continuing, the Institutional Trustee or the Delaware Trustee, or both of them, may be removed by the act of the Holders of a Majority in liquidation amount of the Capital Securities, delivered to the Relevant Trustee (in its individual capacity and on behalf of the Trust). If any Trustee shall be so removed, the Holders of Capital Securities, by act of the Holders of a Majority in liquidation amount of the Capital Securities then outstanding delivered to the Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and such successor Trustee shall comply with the applicable requirements of this Section 4.7. If no successor Relevant Trustee shall have been so appointed by the Holders of a Majority in liquidation amount of the Capital Securities and accepted appointment in the manner required by this Section 4.7 within 30 days after delivery of an instrument of removal, the Relevant Trustee or any Holder who has been a Holder of the Securities for at least six months may, on behalf of himself and all others similarly situated, petition any federal, State or District of Columbia court of competent jurisdiction for the appointment of a successor Relevant Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a successor Relevant Trustee or Trustees.

(d) The Institutional Trustee shall give notice of each resignation and each removal of a Trustee and each appointment of a successor Trustee to all Holders and to the Sponsor. Each notice shall include the name of the successor Relevant Trustee and the address of its Corporate Trust Office if it is the Institutional Trustee.

(e) Notwithstanding the foregoing or any other provision of this Declaration, in the event a Delaware Trustee who is a natural person dies or is adjudged by a court to have become incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by the Institutional Trustee following the procedures in this Section 4.7

(with the successor being a Person who satisfies the eligibility requirement for a Delaware Trustee set forth in this Declaration) (the "Successor Delaware Trustee").

(f) In case of the appointment hereunder of a successor Relevant Trustee, the retiring Relevant Trustee and each successor Relevant Trustee with respect to the Securities shall execute and deliver an amendment hereto wherein each successor Relevant Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Relevant Trustee all the rights, powers, trusts and duties of the retiring Relevant Trustee with respect to the Securities and the Trust and (ii) shall add to or change any of the provisions of this Declaration as shall be necessary to provide for or facilitate the administration of the Trust by more than one Relevant Trustee, it being understood that nothing herein or in such amendment shall constitute such Relevant Trustees co-trustees and upon the execution and delivery of such amendment the resignation or removal of the retiring Relevant Trustee shall become effective to the extent provided therein and each such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee; but, on request of the Trust or any successor Relevant Trustee, such retiring Relevant Trustee shall duly assign, transfer and deliver to such successor Relevant Trustee all Trust Property, all proceeds thereof and money held by such retiring Relevant Trustee hereunder with respect to the Securities and the Trust subject to the payment of all unpaid fees, expenses and indemnities of such retiring Relevant Trustee.

(g) No Institutional Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

(h) The Holders of the Capital Securities will have no right to vote to appoint, remove or replace the Administrators, which voting rights are vested exclusively in the Holders of the Common Securities.

(i) Any successor Delaware Trustee shall file an amendment to the Certificate of Trust with the Secretary of State of the State of Delaware identifying the name and principal place of business of such Delaware Trustee in the State of Delaware.

Section 4.8. Vacancies Among Trustees. If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 4.1, or if the number of Trustees is increased pursuant to Section 4.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by the Trustees or, if there are more than two, a majority of the Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 4.7.

Section 4.9. Effect of Vacancies. The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to dissolve, terminate or annul the Trust or terminate this Declaration. Whenever a vacancy in the number of Trustees shall occur, until such vacancy is filled by the appointment of a Trustee in accordance with Section 4.7, the Institutional Trustee shall have all

the powers granted to the Trustees and shall discharge all the duties imposed upon the Trustees by this Declaration.

Section 4.10. Meetings of the Trustees and the Administrators. Meetings of the Trustees or the Administrators shall be held from time to time upon the call of any Trustee or Administrator, as applicable. Regular meetings of the Trustees and the Administrators, respectively, may be in person in the United States or by telephone, at a place (if applicable) and time fixed by resolution of the Trustees or the Administrators, as applicable. Notice of any in-person meetings of the Trustees or the Administrators shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Trustees or the Administrators or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Trustee or an Administrator, as the case may be, at a meeting shall constitute a waiver of notice of such meeting except where a Trustee or an Administrator, as the case may be, attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Trustees or the Administrators, as the case may be, may be taken at a meeting by vote of a majority of the Trustees or the Administrators present (whether in person or by telephone) and eligible to vote with respect to such matter; provided, that, in the case of the Administrators, a Quorum is present, or without a meeting by the unanimous written consent of the Trustees or the Administrators, as the case may be. Meetings of the Trustees and the Administrators together shall be held from time to time upon the call of any Trustee or Administrator.

Section 4.11. Delegation of Power. (a) Any Trustee or any Administrator, as the case may be, may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 that is a U.S. Person his or her power for the purpose of executing any documents, instruments or other writings contemplated in Section 2.6.

(b) The Trustees shall have power to delegate from time to time to such of their number or to any officer of the Trust that is a U.S. Person, the doing of such things and the execution of such instruments or other writings either in the name of the Trust or the names of the Trustees or otherwise as the Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 4.12. Merger, Conversion, Consolidation or Succession to Business. Any Person into which the Institutional Trustee or the Delaware Trustee, as the case may be, may be merged or converted or with which either may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Institutional Trustee or the Delaware Trustee, as the case may be, shall be a party, or any Person succeeding to all or substantially all the corporate trust business of the Institutional Trustee or the Delaware Trustee, as the case may be, shall be the successor of the Institutional Trustee or the Delaware Trustee, as the case may be, hereunder, without the execution or filing of any paper or any further act on the part of any of

the parties hereto, provided such Person shall be otherwise qualified and eligible under this Article and, provided, further, that such Person shall file an amendment to the Certificate of Trust with the Secretary of State of the State of Delaware as contemplated in Section 4.7(i).

ARTICLE V

DISTRIBUTIONS

Section 5.1. Distributions. Holders shall receive Distributions in accordance with the applicable terms of the relevant Holder's Securities. Distributions shall be made on the Capital Securities and the Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Debenture Issuer makes a payment of interest (including any Additional Interest or Deferred Interest) and/or principal on the Debentures held by the Institutional Trustee (the amount of any such payment being a "Payment Amount"), the Institutional Trustee shall and is directed, to the extent funds are available in the Property Account for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

ARTICLE VI

ISSUANCE OF SECURITIES

Section 6.1. General Provisions Regarding Securities.

(a) The Administrators shall on behalf of the Trust issue one series of capital securities, evidenced by a certificate substantially in the form of Exhibit A-1, representing undivided beneficial interests in the assets of the Trust and having such terms as are set forth in Annex I (the "Capital Securities"), and one series of common securities, evidenced by a certificate substantially in the form of Exhibit A-2, representing undivided beneficial interests in the assets of the Trust and having such terms as are set forth in Annex I (the "Common Securities"). The Trust shall issue no securities or other interests in the assets of the Trust other than the Capital Securities and the Common Securities. The Capital Securities rank *pari passu* and payment thereon shall be made Pro Rata with the Common Securities except that, where an Event of Default has occurred and is continuing, the rights of Holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of the Holders of the Capital Securities.

(b) The Certificates shall be signed on behalf of the Trust by one or more Administrators. Such signature shall be the facsimile or manual signature of any Administrator. In case any Administrator of the Trust who shall have signed any of the Securities shall cease to be such Administrator before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Administrator. Any Certificate may be signed on behalf of the Trust by such person who, at the actual date of execution of such Security, shall be an Administrator of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such an Administrator. A Capital Security shall not be valid until authenticated by the

manual signature of an Authorized Officer of the Institutional Trustee. Such signature shall be conclusive evidence that the Capital Security has been authenticated under this Declaration. Upon written order of the Trust signed by one Administrator, the Institutional Trustee shall authenticate the Capital Securities for original issue. The Institutional Trustee may appoint an authenticating agent that is a U.S. Person acceptable to the Trust to authenticate the Capital Securities. A Common Security need not be so authenticated and shall be valid upon execution by one or more Administrators.

(c) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(d) Upon issuance of the Securities as provided in this Declaration, the Securities so issued shall be deemed to be validly issued, fully paid and non-assessable, and each Holder thereof shall be entitled to the benefits provided by this Declaration.

(e) Every Person, by virtue of having become a Holder in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration and the Guarantee.

Section 6.2. Paying Agent, Transfer Agent, Calculation Agent and Registrar.

(a) The Trust shall maintain in Wilmington, Delaware, an office or agency where the Securities may be presented for payment (the "Paying Agent"), and an office or agency where Securities may be presented for registration of transfer or exchange (the "Transfer Agent"). The Trust shall keep or cause to be kept at such office or agency a register for the purpose of registering Securities and transfers and exchanges of Securities, such register to be held by a registrar (the "Registrar"). The Administrators may appoint the Paying Agent, the Registrar and the Transfer Agent, and may appoint one or more additional Paying Agents, one or more co-Registrars, or one or more co-Transfer Agents in such other locations as it shall determine. The term "Paying Agent" includes any additional Paying Agent, the term "Registrar" includes any additional Registrar or co-Registrar and the term "Transfer Agent" includes any additional Transfer Agent or co-Transfer Agent. The Administrators may change any Paying Agent, Transfer Agent or Registrar at any time without prior notice to any Holder. The Administrators shall notify the Institutional Trustee of the name and address of any Paying Agent, Transfer Agent and Registrar not a party to this Declaration. The Administrators hereby initially appoint the Institutional Trustee to act as Paying Agent, Transfer Agent and Registrar for the Capital Securities and the Common Securities at its Corporate Trust Office. The Institutional Trustee or any of its Affiliates in the United States may act as Paying Agent, Transfer Agent or Registrar.

(b) The Trust shall also appoint a Calculation Agent, which shall determine the Coupon Rate in accordance with the terms of the Securities. The Trust initially appoints the Institutional Trustee as Calculation Agent.

Section 6.3. Form and Dating.

(a) The Capital Securities and the Institutional Trustee's certificate of authentication thereon shall be substantially in the form of Exhibit A-1, and the Common Securities shall be substantially in the form of Exhibit A-2, each of which is hereby incorporated in and expressly made a part of this Declaration. Certificates may be typed, printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrators, as conclusively evidenced by their execution thereof. The Securities may have letters, numbers, notations or other marks of identification or designation and such legends or endorsements required by law, stock exchange rule, agreements to which the Trust is subject, if any, or usage (provided, that any such notation, legend or endorsement is in a form acceptable to the Sponsor). The Trust at the direction of the Sponsor shall furnish any such legend not contained in Exhibit A-1 to the Institutional Trustee in writing. Each Capital Security shall be dated the date of its authentication. The terms and provisions of the Securities set forth in Annex I and the forms of Securities set forth in Exhibits A-1 and A-2 are part of the terms of this Declaration and to the extent applicable, the Institutional Trustee, the Delaware Trustee, the Administrators and the Sponsor, by their execution and delivery of this Declaration, expressly agree to such terms and provisions and to be bound thereby. Capital Securities will be issued only in blocks having a stated liquidation amount of not less than \$100,000.

(b) The Capital Securities are being offered and sold by the Trust pursuant to the Purchase Agreement in definitive form, registered in the name of the Holder thereof, without coupons and with the Restricted Securities Legend.

Section 6.4. Mutilated, Destroyed, Lost or Stolen Certificates. If:

(a) any mutilated Certificates should be surrendered to the Registrar, or if the Registrar shall receive evidence to its satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Registrar, the Administrators and the Institutional Trustee such security or indemnity as may be required by them to keep each of them harmless; then, in the absence of notice that such Certificate shall have been acquired by a bona fide purchaser, an Administrator on behalf of the Trust shall execute (and in the case of a Capital Security Certificate, the Institutional Trustee shall authenticate) and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 6.4, the Registrar or the Administrators may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

Section 6.5. Temporary Securities. Until definitive Securities are ready for delivery, the Administrators may prepare and, in the case of the Capital Securities, the Institutional Trustee shall authenticate, temporary Securities. Temporary Securities shall be substantially in form of definitive Securities but may have variations that the Administrators consider appropriate for temporary Securities. Without unreasonable delay, the Administrators

shall prepare and, in the case of the Capital Securities, the Institutional Trustee shall authenticate definitive Securities in exchange for temporary Securities.

Section 6.6. Cancellation. The Administrators at any time may deliver Securities to the Institutional Trustee for cancellation. The Registrar shall forward to the Institutional Trustee any Securities surrendered to it for registration of transfer, redemption or payment. The Institutional Trustee shall promptly cancel all Securities surrendered for registration of transfer, payment, replacement or cancellation and shall dispose of such canceled Securities as the Administrators direct. The Administrators may not issue new Securities to replace Securities that have been paid or that have been delivered to the Institutional Trustee for cancellation.

Section 6.7. Rights of Holders; Waivers of Past Defaults.

(a) The legal title to the Trust Property is vested exclusively in the Institutional Trustee (in its capacity as such) in accordance with Section 2.5, and the Holders shall not have any right or title therein other than the undivided beneficial interest in the assets of the Trust conferred by their Securities and they shall have no right to call for any partition or division of property, profits or rights of the Trust except as described below. The Securities shall be personal property giving only the rights specifically set forth therein and in this Declaration. The Securities shall have no, and the issuance of the Securities shall not be subject to, preemptive or other similar rights and when issued and delivered to Holders against payment of the purchase price therefor, the Securities will be fully paid and nonassessable by the Trust.

(b) For so long as any Capital Securities remain outstanding, if, upon an Indenture Event of Default, the Debenture Trustee fails or the holders of not less than 25% in principal amount of the outstanding Debentures fail to declare the principal of all of the Debentures to be immediately due and payable, the Holders of not less than a Majority in liquidation amount of the Capital Securities then outstanding shall have the right to make such declaration by a notice in writing to the Institutional Trustee, the Sponsor and the Debenture Trustee.

(c) At any time after a declaration of acceleration with respect to the Debentures has been made and before a judgment or decree for payment of the money due has been obtained by the Debenture Trustee as provided in the Indenture, if the Institutional Trustee, subject to the provisions hereof, fails to annul any such declaration and waive such default, the Holders of not less than a Majority in liquidation amount of the Capital Securities, by written notice to the Institutional Trustee, the Sponsor and the Debenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Sponsor has paid or deposited with the Debenture Trustee a sum sufficient to pay

(A) all overdue installments of interest on all of the Debentures;

(B) any accrued Deferred Interest on all of the Debentures;

(C) all payments on any Debentures that have become due otherwise than by such declaration of acceleration and interest and Deferred Interest thereon at the rate borne by the Debentures; and

(D) all sums paid or advanced by the Debenture Trustee under the Indenture and the reasonable compensation, documented expenses, disbursements and advances of the Debenture Trustee and the Institutional Trustee, their agents and counsel; and

(ii) all Events of Default with respect to the Debentures, other than the non-payment of the principal of the Debentures that has become due solely by such acceleration, have been cured or waived as provided in Section 5.07 of the Indenture.

(d) The Holders of not less than a Majority in liquidation amount of the Capital Securities may, on behalf of the Holders of all the Capital Securities, waive any past default or Event of Default, except a default or Event of Default in the payment of principal or interest (unless such default or Event of Default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Debenture Trustee) or a default or Event of Default in respect of a covenant or provision that under the Indenture cannot be modified or amended without the consent of the holder of each outstanding Debenture. No such rescission shall affect any subsequent default or impair any right consequent thereon.

(e) Upon receipt by the Institutional Trustee of written notice declaring such an acceleration, or rescission and annulment thereof, by Holders of any part of the Capital Securities, a record date shall be established for determining Holders of outstanding Capital Securities entitled to join in such notice, which record date shall be at the close of business on the day the Institutional Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; provided, that, unless such declaration of acceleration, or rescission and annulment, as the case may be, shall have become effective by virtue of the requisite percentage having joined in such notice prior to the day that is 90 days after such record date, such notice of declaration of acceleration, or rescission and annulment, as the case may be, shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new written notice of declaration of acceleration, or rescission and annulment thereof, as the case may be, that is identical to a written notice that has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 6.7.

(f) Except as otherwise provided in this Section 6.7, the Holders of not less than a Majority in liquidation amount of the Capital Securities may, on behalf of the Holders of all the Capital Securities, waive any past default or Event of Default and its consequences. Upon such waiver, any such default or Event of Default shall cease to exist, and any default or Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this

Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

ARTICLE VII

DISSOLUTION AND TERMINATION OF TRUST

Section 7.1. Dissolution and Termination of Trust. (a) The Trust shall dissolve on the first to occur of :

- (i) unless earlier dissolved, on April 23, 2039, the expiration of the term of the Trust;
- (ii) a Bankruptcy Event with respect to the Sponsor, the Trust or the Debenture Issuer;
- (iii) (other than in connection with a merger, consolidation or similar transaction not prohibited by the Indenture, this Declaration or the Guarantee, as the case may be) the filing of a certificate of dissolution or its equivalent with respect to the Sponsor or upon the revocation of the charter of the Sponsor and the expiration of 90 days after the date of revocation without a reinstatement thereof;
- (iv) the distribution of the Debentures to the Holders of the Securities, upon exercise of the right of the Holders of all of the outstanding Common Securities to dissolve the Trust as provided in Annex I hereto;
- (v) the entry of a decree of judicial dissolution of any Holder of the Common Securities, the Sponsor, the Trust or the Debenture Issuer;
- (vi) when all of the Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Securities; or
- (vii) before the issuance of any Securities, with the consent of all of the Trustees and the Sponsor.

(b) As soon as is practicable after the occurrence of an event referred to in Section 7.1(a), and after satisfaction of liabilities to creditors of the Trust as required by applicable law, including Section 3808 of the Statutory Trust Act, and subject to the terms set forth in Annex I, the Institutional Trustee shall terminate the Trust by filing a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Section 2.9 and Article IX shall survive the termination of the Trust.

ARTICLE VIII

TRANSFER OF INTERESTS

Section 8.1. General. (a) Where Capital Securities are presented to the Registrar with a request to register a transfer or to exchange them for an equal number of Capital Securities represented by different Certificates, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Trust shall issue and the Institutional Trustee shall authenticate Capital Securities at the Registrar's request.

(b) Upon issuance of the Common Securities, the Sponsor shall acquire and retain beneficial and record ownership of the Common Securities and, for so long as the Securities remain outstanding, the Sponsor shall maintain 100% ownership of the Common Securities; provided, however, that any permitted successor of the Sponsor under the Indenture that is a U.S. Person may succeed to the Sponsor's ownership of the Common Securities.

(c) Capital Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Capital Securities. To the fullest extent permitted by applicable law, any transfer or purported transfer of any Security not made in accordance with this Declaration shall be null and void and will be deemed to be of no legal effect whatsoever and any such transferee shall be deemed not to be the holder of such Capital Securities for any purpose, including but not limited to the receipt of Distributions on such Capital Securities, and such transferee shall be deemed to have no interest whatsoever in such Capital Securities.

(d) The Registrar shall provide for the registration of Securities and of transfers of Securities, which will be effected without charge but only upon payment (with such indemnity as the Registrar may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Upon surrender for registration of transfer of any Securities, the Registrar shall cause one or more new Securities to be issued in the name of the designated transferee or transferees. Any Security issued upon any registration of transfer or exchange pursuant to the terms of this Declaration shall evidence the same Security and shall be entitled to the same benefits under this Declaration as the Security surrendered upon such registration of transfer or exchange. Every Security surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form similar to Exhibit B or C satisfactory to the Registrar duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Security surrendered for registration of transfer shall be canceled by the Institutional Trustee pursuant to Section 6.6. A transferee of a Security shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Security. By acceptance of a Security, each transferee shall be deemed to have agreed to be bound by this Declaration.

(e) Neither the Trust nor the Registrar shall be required (i) to issue, register the transfer of, or exchange any Securities during a period beginning at the opening of business 15 days before the day of any selection of Securities for redemption and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of the Securities to be redeemed, or (ii) to register the transfer or exchange of any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Section 8.2. Transfer Procedures and Restrictions.

(a) The Capital Securities shall bear the Restricted Securities Legend (as defined below), which shall not be removed unless there is delivered to the Trust such satisfactory evidence, which may include an opinion of counsel licensed to practice law in the State of New York, as may be reasonably required by the Trust, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of the Securities Act or that such Securities are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision of such satisfactory evidence, the Institutional Trustee, at the written direction of the Trust, shall authenticate and deliver Capital Securities that do not bear the Restricted Securities Legend.

(b) When Capital Securities are presented to the Registrar (x) to register the transfer of such Capital Securities, or (y) to exchange such Capital Securities for an equal number of Capital Securities represented by different Certificates, the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Capital Securities surrendered for registration of transfer or exchange, other than in connection with the initial transfer by the initial purchaser, shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Trust and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing and (i) if such Capital Securities are being transferred to a QIB, accompanied by a certificate of the transferor substantially in the form set forth as Exhibit C hereto or (ii) if such Capital Securities are being transferred otherwise than to a QIB, accompanied by a certificate of the transferee substantially in the form set forth as Exhibit B hereto.

(c) Except as permitted by Section 8.2(a), each Capital Security shall bear a legend (the "Restricted Securities Legend") in substantially the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE DEBENTURE ISSUER OR THE TRUST, (B) PURSUANT TO RULE

144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE DEBENTURE ISSUER'S AND THE TRUST'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM IN ACCORDANCE WITH THE AMENDED AND RESTATED DECLARATION OF TRUST, A COPY OF WHICH MAY BE OBTAINED FROM THE DEBENTURE ISSUER OR THE TRUST. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A

TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS MAY BE REQUIRED BY THE AMENDED AND RESTATED DECLARATION OF TRUST TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A LIQUIDATION AMOUNT OF NOT LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF: ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A LIQUIDATION AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

(d) Capital Securities may only be transferred in minimum blocks of \$100,000 aggregate liquidation amount (100 Capital Securities) and multiples of \$1,000 in excess thereof. Any attempted transfer of Capital Securities in a block having an aggregate liquidation amount of less than \$100,000 shall be deemed to be void and of no legal effect whatsoever. Any such purported transferee shall be deemed not to be a Holder of such Capital Securities for any purpose, including, but not limited to, the receipt of Distributions on such Capital Securities, and such purported transferee shall be deemed to have no interest whatsoever in such Capital Securities.

Section 8.3. Deemed Security Holders. The Trust, the Administrators, the Trustees, the Paying Agent, the Transfer Agent or the Registrar may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trust, the Administrators, the Trustees, the Paying Agent, the Transfer Agent or the Registrar shall have actual or other notice thereof.

Section 8.4. Initial Transfer of Capital Securities. If the initial holder of a beneficial interest in any or all of the Capital Securities issued to such initial holder on the date of this Declaration (the "Initial Securities") wishes to transfer its interest in the Initial Securities,

then, notwithstanding the foregoing provisions of this Article VIII or any other provision of this Declaration (including all Annexes and Exhibits hereto) to the contrary, such initial holder may transfer such interest in the Initial Securities to such transferees as the initial holder may direct, subject to the provisions of this Section 8.4, and no other conditions, restrictions or other provisions of this Declaration or any other document shall apply to such transfer. Upon receipt by JPMorgan Chase Bank of written instructions from the initial holder directing JPMorgan Chase Bank to credit a beneficial interest in the Initial Securities and information regarding the amount of Initial Securities and account to be credited, then JPMorgan Chase Bank shall reduce the principal amount of the Initial Securities beneficially owned by the initial holder and credit to the account of the person specified in such instructions a beneficial interest in the Initial Securities equal to the amount specified in such instructions.

ARTICLE IX

LIMITATION OF LIABILITY OF HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

Section 9.1. Liability. (a) Except as expressly set forth in this Declaration, the Guarantee and the terms of the Securities, the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Securities which shall be made solely from assets of the Trust; and

(ii) required to pay to the Trust or to any Holder of the Securities any deficit upon dissolution of the Trust or otherwise.

(b) The Holder of the Common Securities shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to § 3803(a) of the Statutory Trust Act, the Holders of the Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware, except as otherwise specifically set forth herein.

Section 9.2. Exculpation. (a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person (other than an Administrator) shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions and except that an Administrator shall be liable for any such loss, damage or claim incurred by reason of such Administrator's gross negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and, if selected by such Indemnified Person, has been selected by such Indemnified Person with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

Section 9.3. Fiduciary Duty. (a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Institutional Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of the Indemnified Person.

(b) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

Section 9.4. Indemnification. (a) (i) The Sponsor shall indemnify, to the fullest extent permitted by law, any Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that such Person is or was an Indemnified Person against expenses (including attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Person in connection with such action, suit or proceeding if such Person acted in good faith and in a manner such Person reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnified Person did not act in good faith and in a manner which such Person reasonably believed to be in

or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such conduct was unlawful.

(ii) The Sponsor shall indemnify, to the fullest extent permitted by law, any Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that such Person is or was an Indemnified Person against expenses (including attorneys' fees and expenses) actually and reasonably incurred by such Person in connection with the defense or settlement of such action or suit if such Person acted in good faith and in a manner such Person reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such Person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that an Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 9.4(a), or in defense of any claim, issue or matter therein, such Person shall be indemnified, to the fullest extent permitted by law, against expenses (including attorneys' fees and expenses) actually and reasonably incurred by such Person in connection therewith.

(iv) Any indemnification of an Administrator under paragraphs (i) and (ii) of this Section 9.4(a) (unless ordered by a court) shall be made by the Sponsor only as authorized in the specific case upon a determination that indemnification of the Indemnified Person is proper in the circumstances because such Person has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (A) by the Administrators by a majority vote of a Quorum consisting of such Administrators who were not parties to such action, suit or proceeding, (B) if such a Quorum is not obtainable, or, even if obtainable, if a Quorum of disinterested Administrators so directs, by independent legal counsel in a written opinion, or (C) by the Common Security Holder of the Trust.

(v) To the fullest extent permitted by law, expenses (including attorneys' fees and expenses) incurred by an Indemnified Person in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 9.4(a) shall be paid by the Sponsor in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount

if it shall ultimately be determined that such Person is not entitled to be indemnified by the Sponsor as authorized in this Section 9.4(a). Notwithstanding the foregoing, no advance shall be made by the Sponsor if a determination is reasonably and promptly made (1) in the case of a Company Indemnified Person (A) by the Administrators by a majority vote of a Quorum of disinterested Administrators, (B) if such a Quorum is not obtainable, or, even if obtainable, if a Quorum of disinterested Administrators so directs, by independent legal counsel in a written opinion or (C) by the Common Security Holder of the Trust, that, based upon the facts known to the Administrators, counsel or the Common Security Holder at the time such determination is made, such Indemnified Person acted in bad faith or in a manner that such Person either believed to be opposed to or did not believe to be in the best interests of the Trust, or, with respect to any criminal proceeding, that such Indemnified Person believed or had reasonable cause to believe such conduct was unlawful, or (2) in the case of a Fiduciary Indemnified Person, by independent legal counsel in a written opinion that, based upon the facts known to the counsel at the time such determination is made, such Indemnified Person acted in bad faith or in a manner that such Indemnified Person either believed to be opposed to or did not believe to be in the best interests of the Trust, or, with respect to any criminal proceeding, that such Indemnified Person believed or had reasonable cause to believe such conduct was unlawful. In no event shall any advance be made (i) to a Company Indemnified Person in instances where the Administrators, independent legal counsel or the Common Security Holder reasonably determine that such Person deliberately breached such Person's duty to the Trust or its Common or Capital Security Holders or (ii) to a Fiduciary Indemnified Person in instances where independent legal counsel promptly and reasonably determines in a written opinion that such Person deliberately breached such Person's duty to the Trust or its Common or Capital Security Holders.

(b) The Sponsor shall indemnify, to the fullest extent permitted by applicable law, each Indemnified Person from and against any and all loss, damage, liability, tax (other than taxes based on the income of such Indemnified Person), penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person arising out of or in connection with or by reason of the creation, administration or termination of the Trust, or any act or omission of such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Declaration, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage, liability, tax, penalty, expense or claim incurred by such Indemnified Person by reason of negligence or willful misconduct with respect to such acts or omissions.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Section 9.4 shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Sponsor or Capital Security Holders of the Trust or otherwise, both as to action in such Person's official capacity

and as to action in another capacity while holding such office. All rights to indemnification under this Section 9.4 shall be deemed to be provided by a contract between the Sponsor and each Indemnified Person who serves in such capacity at any time while this Section 9.4 is in effect. Any repeal or modification of this Section 9.4 shall not affect any rights or obligations then existing.

(d) The Sponsor or the Trust may purchase and maintain insurance on behalf of any Person who is or was an Indemnified Person against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as such, whether or not the Sponsor would have the power to indemnify such Person against such liability under the provisions of this Section 9.4.

(e) For purposes of this Section 9.4, references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger, so that any Person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 9.4 with respect to the resulting or surviving entity as such Person would have with respect to such constituent entity if its separate existence had continued.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 9.4 shall, unless otherwise provided when authorized or ratified, continue as to a Person who has ceased to be an Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a Person.

(g) The provisions of this Section 9.4 shall survive the termination of this Declaration or the earlier resignation or removal of the Institutional Trustee. The obligations of the Sponsor under this Section 9.4 to compensate and indemnify the Trustees and to pay or reimburse the Trustees for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Securities upon all property and funds held or collected by the Trustees as such, except funds held in trust for the benefit of the holders of particular Capital Securities, provided, that the Sponsor is the holder of the Common Securities.

Section 9.5. Outside Businesses. Any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee (subject to Section 4.3(c)) may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. None of any Covered Person, the Sponsor, the Delaware Trustee or the Institutional Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee shall have the

right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Institutional Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

Section 9.6. Compensation; Fee. (a) The Sponsor agrees:

(i) to pay to the Trustees from time to time such compensation for all services rendered by them hereunder as the parties shall agree in writing from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

(ii) except as otherwise expressly provided herein, to reimburse the Trustees upon request for all reasonable, documented expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of this Declaration (including the reasonable compensation and the expenses and disbursements of their respective agents and counsel), except any such expense, disbursement or advance attributable to their negligence or willful misconduct.

(b) The provisions of this Section 9.6 shall survive the dissolution of the Trust and the termination of this Declaration and the removal or resignation of any Trustee.

ARTICLE X

ACCOUNTING

Section 10.1. Fiscal Year. The fiscal year (the "Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

Section 10.2. Certain Accounting Matters.

(a) At all times during the existence of the Trust, the Administrators shall keep, or cause to be kept at the principal office of the Trust in the United States, as defined for purposes of Treasury Regulations section 301.7701-7, full books of account, records and supporting documents, which shall reflect in reasonable detail each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied.

(b) The Sponsor shall cause the Administrators to deliver to each Holder of the Securities: (i) each report on Form 10-K and Form 10-Q prepared by the Sponsor and any Subsidiaries (as defined in the Purchase Agreement) and filed with the Commission in accordance with the Exchange Act, within 90 days after the filing of each Form 10-K and within 30 days after the filing of each Form 10-Q (or such earlier number of days prescribed by the

Commission for the filing of such Form by companies subject to the information reporting requirements of the Exchange Act), (ii) if the Company or any of its Subsidiaries is not then (y) subject to Section 13 or 15(d) of the Exchange Act or (z) exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the audited annual financial statements of the Company and any Subsidiaries within 90 days after the end of the Fiscal Year, and (iii) within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the statements of income or loss for the Fiscal Year then ended, that are prepared at the principal office of the Trust in the United States, as defined for purposes of Treasury Regulations section 301.7701-7.

(c) The Administrators shall cause to be duly prepared and delivered to each of the Holders of Securities Form 1099 or such other annual United States federal income tax information statement required by the Code, containing such information with regard to the Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Administrators shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(d) The Administrators shall cause to be duly prepared in the United States, as defined for purposes of Treasury Regulations section 301.7701-7, and filed an annual United States federal income tax return on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Administrators on behalf of the Trust with any state or local taxing authority.

(e) So long as the only Holder or beneficial owner of the Capital Securities is NBC Capital Markets Group, Inc. or the initial transferee thereof, the Administrators will cause the Sponsor's reports on FR Y-6 to be delivered to the Holder promptly following their filing with the Federal Reserve.

Section 10.3. Banking. The Trust shall maintain one or more bank accounts in the United States, as defined for purposes of Treasury Regulations section 301.7701-7, in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Institutional Trustee shall be made directly to the Property Account and no other funds of the Trust shall be deposited in the Property Account. The sole signatories for such accounts (including the Property Account) shall be designated by the Institutional Trustee.

Section 10.4. Withholding. The Institutional Trustee or any Paying Agent and the Administrators shall comply with all withholding requirements under United States federal, state and local law. The Institutional Trustee or any Paying Agent shall request, and each Holder shall provide to the Institutional Trustee or any Paying Agent, such forms or certificates as are necessary to establish an exemption from withholding with respect to the Holder, and any representations and forms as shall reasonably be requested by the Institutional Trustee or any Paying Agent to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Administrators shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts

witnereid with respect to the Holder to applicable jurisdictions. To the extent that the Institutional Trustee or any Paying Agent is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a Distribution to the Holder in the amount of the withholding. In the event of any claimed overwithholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Institutional Trustee or any Paying Agent may reduce subsequent Distributions by the amount of such withholding.

ARTICLE XI

AMENDMENTS AND MEETINGS

Section 11.1. Amendments. (a) Except as otherwise provided in this Declaration or by any applicable terms of the Securities, this Declaration may only be amended by a written instrument approved and executed by

- (i) the Institutional Trustee,
- (ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee,
- (iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Administrators, the Administrators, and
- (iv) the Holders of a Majority in liquidation amount of the Common Securities.

(b) Notwithstanding any other provision of this Article XI, no amendment shall be made, and any such purported amendment shall be void and ineffective:

- (i) unless the Institutional Trustee shall have first received
 - (A) an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and
 - (B) an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities) and that all conditions precedent to the execution and delivery of such amendment have been satisfied; or
- (ii) if the result of such amendment would be to
 - (A) cause the Trust to cease to be classified for purposes of United States federal income taxation as a grantor trust;

(B) reduce or otherwise adversely affect the powers of the Institutional Trustee in contravention of the Trust Indenture Act;

(C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act; or

(D) cause the Debenture Issuer to be unable to treat an amount equal to the Liquidation Amount of the Debentures as "Tier 1 Capital" for purposes of the capital adequacy guidelines of the Federal Reserve.

(c) Except as provided in Section 11.1(d), (e) or (g), no amendment shall be made, and any such purported amendment shall be void and ineffective, unless the Holders of a Majority in liquidation amount of the Capital Securities shall have consented to such amendment.

(d) In addition to and notwithstanding any other provision in this Declaration, without the consent of each affected Holder, this Declaration may not be amended to (i) change the amount or timing of any Distribution on the Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Securities as of a specified date or (ii) restrict the right of a Holder to institute suit for the enforcement of any such payment on or after such date.

(e) Sections 9.1(b) and 9.1(c) and this Section 11.1 shall not be amended without the consent of all of the Holders of the Securities.

(f) The rights of the Holders of the Capital Securities and Common Securities, as applicable, under Article IV to increase or decrease the number of, and appoint and remove, Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Capital Securities or Common Securities, as applicable.

(g) This Declaration may be amended by the Institutional Trustee and the Holder of a Majority in liquidation amount of the Common Securities without the consent of the Holders of the Capital Securities to:

(i) cure any ambiguity;

(ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;

(iii) add to the covenants, restrictions or obligations of the Sponsor; or

(iv) modify, eliminate or add to any provision of this Declaration to such extent as may be necessary or desirable, including, without limitation, to ensure that the Trust will be classified for United States federal income tax purposes at all times as a grantor trust and will not be required to register as an Investment Company under the Investment Company Act (including without limitation to conform to any change in Rule 3a-5, Rule 3a-7 or any other

applicable rule under the Investment Company Act or written change in interpretation or application thereof by any legislative body, court, government agency or regulatory authority) which amendment does not have a material adverse effect on the right, preferences or privileges of the Holders of Securities;

provided, however, that no such modification, elimination or addition referred to in clauses (i), (ii), (iii) or (iv) shall adversely affect the powers, preferences or rights of Holders of Capital Securities.

Section 11.2. Meetings of the Holders of the Securities; Action by Written

Consent.

(a) Meetings of the Holders of any class of Securities may be called at any time by the Administrators (or as provided in the terms of the Securities) to consider and act on any matter on which Holders of such class of Securities are entitled to act under the terms of this Declaration, the terms of the Securities or the rules of any stock exchange on which the Capital Securities are listed or admitted for trading, if any. The Administrators shall call a meeting of the Holders of such class if directed to do so by the Holders of not less than 10% in liquidation amount of such class of Securities. Such direction shall be given by delivering to the Administrators one or more calls in a writing stating that the signing Holders of the Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of the Securities calling a meeting shall specify in writing the Certificates held by the Holders of the Securities exercising the right to call a meeting and only those Securities represented by such Certificates shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provisions shall apply to meetings of Holders of the Securities:

(i) notice of any such meeting shall be given to all the Holders of the Securities having a right to vote thereat at least 7 days and not more than 60 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of the Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Capital Securities are listed or admitted for trading, if any, such vote, consent or approval may be given at a meeting of the Holders of the Securities. Any action that may be taken at a meeting of the Holders of the Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of the Securities owning not less than the minimum amount of Securities that would be necessary to authorize or take such action at a meeting at which all Holders of the Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of the Securities entitled to vote who have not consented in writing. The Administrators may specify that any written ballot submitted to the Holders of the Securities for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Administrators;

(ii) each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of the Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation; each meeting of the Holders of the Securities shall be conducted by the Administrators or by such other Person that the Administrators may designate; and

(iii) unless the Statutory Trust Act, this Declaration, the terms of the Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Capital Securities are then listed for trading, if any, otherwise provides, the Administrators, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of the Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote; provided, however, that each meeting shall be conducted in the United States (as that term is defined in Treasury Regulations section 301.7701-7).

ARTICLE XII

REPRESENTATIONS OF INSTITUTIONAL TRUSTEE AND DELAWARE TRUSTEE

Section 12.1. Representations and Warranties of Institutional Trustee. The Trustee that acts as initial Institutional Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Institutional Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Institutional Trustee's acceptance of its appointment as Institutional Trustee, that:

(a) the Institutional Trustee is a banking corporation or national association with trust powers, duly organized, validly existing and in good standing under the laws of the State of Delaware or the United States of America, respectively, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration;

(b) the Institutional Trustee has a combined capital and surplus of at least fifty million U.S. dollars (\$50,000,000);

(c) the Institutional Trustee is not an affiliate of the Sponsor, nor does the Institutional Trustee offer or provide credit or credit enhancement to the Trust;

(d) the execution, delivery and performance by the Institutional Trustee of this Declaration has been duly authorized by all necessary action on the part of the Institutional Trustee. This Declaration has been duly executed and delivered by the Institutional Trustee, and under Delaware law (excluding any securities laws) constitutes a legal, valid and binding obligation of the Institutional Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether considered in a proceeding in equity or at law);

(e) the execution, delivery and performance of this Declaration by the Institutional Trustee does not conflict with or constitute a breach of the charter or by-laws of the Institutional Trustee; and

(f) no consent, approval or authorization of, or registration with or notice to, any state or federal banking authority governing the trust powers of the Institutional Trustee is required for the execution, delivery or performance by the Institutional Trustee of this Declaration.

Section 12.2. Representations and Warranties of Delaware Trustee. The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee that:

(a) if it is not a natural person, the Delaware Trustee is duly organized, validly existing and in good standing under the laws of the State of Delaware;

(b) if it is not a natural person, the execution, delivery and performance by the Delaware Trustee of this Declaration has been duly authorized by all necessary corporate action on the part of the Delaware Trustee. This Declaration has been duly executed and delivered by the Delaware Trustee, and under Delaware law (excluding any securities laws) constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether considered in a proceeding in equity or at law);

(c) if it is not a natural person, the execution, delivery and performance of this Declaration by the Delaware Trustee does not conflict with or constitute a breach of the charter or by-laws of the Delaware Trustee;

(d) it has trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration;

(e) no consent, approval or authorization of, or registration with or notice to, any state or federal banking authority governing the trust powers of the Delaware Trustee is required for the execution, delivery or performance by the Delaware Trustee of this Declaration; and

(f) the Delaware Trustee is a natural person who is a resident of the State of Delaware or, if not a natural person, it is an entity which has its principal place of business in the State of Delaware and, in either case, a Person that satisfies for the Trust the requirements of Section 3807 of the Statutory Trust Act.

ARTICLE XIII

MISCELLANEOUS

Section 13.1. Notices. All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied (which telecopy shall be followed by notice delivered or mailed by first class mail) or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Administrators at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Securities):

Portage Bancshares Capital Trust I
1311 East Main Street
Ravenna, Ohio 44266
Attention: Richard J. Coe
Telecopy: (330) 296-6082
Telephone: (330) 296-8090

(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as the Delaware Trustee may give notice of to the Holders of the Securities):

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration
Telecopy: (302) 651-8882
Telephone: (302) 651-1000

(c) if given to the Institutional Trustee, at the Institutional Trustee's mailing address set forth below (or such other address as the Institutional Trustee may give notice of to the Holders of the Securities):

Wilmington Trust Company

Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration
Telecopy: (302) 651-8882
Telephone: (302) 651-1000

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice of to the Trust):

Portage Bancshares, Inc.
1311 East Main Street
Ravenna, Ohio 44266
Attention: Richard J. Coe
Telecopy: (330) 296-6082
Telephone: (330) 296-8090

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 13.2. Governing Law. This Declaration and the rights and obligations of the parties hereunder shall be governed by and interpreted in accordance with the law of the State of Delaware and all rights, obligations and remedies shall be governed by such laws without regard to the principles of conflict of laws of the State of Delaware or any other jurisdiction that would call for the application of the law of any jurisdiction other than the State of Delaware.

Section 13.3. Submission to Jurisdiction.

(a) Each of the parties hereto agrees that any suit, action or proceeding arising out of or based upon this Declaration, or the transactions contemplated hereby, may be instituted in any of the courts of the State of New York and the United States District Courts, in each case located in the Borough of Manhattan, City and State of New York, and further agrees to submit to the jurisdiction of any competent court in the place of its corporate domicile in respect of actions brought against it as a defendant. In addition, each such party irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of such suit, action or proceeding brought in any such court and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and irrevocably waives any right to which it may be entitled on account of its place of corporate domicile. Each such party hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Declaration or the

transactions contemplated hereby. Each such party agrees that final judgment in any proceedings brought in such a court shall be conclusive and binding upon it and may be enforced in any court to the jurisdiction of which it is subject by a suit upon such judgment.

(b) Each of the Sponsor, the Trustees, the Administrators and the Holder of the Common Securities irrevocably consents to the service of process on it in any such suit, action or proceeding in any such court by the mailing thereof by registered or certified mail, postage prepaid, to it at its address given in or pursuant to Section 13.1 hereof.

(c) To the extent permitted by law, nothing herein contained shall preclude any party from effecting service of process in any lawful manner or from bringing any suit, action or proceeding in respect of this Declaration in any other state, country or place.

Section 13.4. Intention of the Parties. It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

Section 13.5. Headings. Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

Section 13.6. Successors and Assigns. Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 13.7. Partial Enforceability. If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 13.8. Counterparts. This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees and Administrators to any of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned have caused this Declaration to be
duly executed as of the day and year first above written.

WILMINGTON TRUST COMPANY,
as Delaware Trustee

By: _____

Name: Denise M. Geran
Title: Vice President

WILMINGTON TRUST COMPANY,
as Institutional Trustee

By: _____

Name: Denise M. Geran
Title: Vice President

PORTAGE BANCSHARES, INC.
as Sponsor

By: _____

Name: William E. Hale
Title: President

By: _____

Richard J. Coe
Administrator

By: _____

John S. Forberg
Administrator

000165

IN WITNESS WHEREOF, the undersigned have caused this Declaration to be
duly executed as of the day and year first above written.

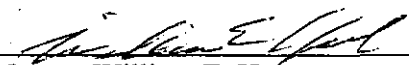
WILMINGTON TRUST COMPANY,
as Delaware Trustee

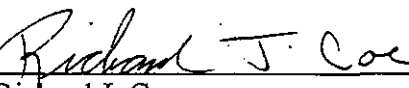
By: _____
Name:
Title

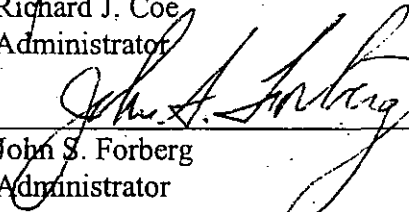
WILMINGTON TRUST COMPANY,
as Institutional Trustee

By: _____
Name:
Title:

PORTAGE BANCSHARES, INC.
as Sponsor

By: 
Name: William E. Hale
Title: President

By: 
Richard J. Coe
Administrator

By: 
John S. Forberg
Administrator

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ANNEX I

TERMS OF FLOATING RATE CAPITAL SECURITIES AND FLOATING RATE COMMON SECURITIES

Pursuant to Section 6.1 of the Amended and Restated Declaration of Trust, dated as of March 25, 2004 (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Capital Securities and the Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration):

1. Designation and Number.

(a) **Capital Securities.** 2,500 Capital Securities of Portage Bancshares Capital Trust I (the "Trust"), with an aggregate stated liquidation amount with respect to the assets of the Trust of Two Million Five Hundred Thousand Dollars (\$2,500,000) and a stated liquidation amount with respect to the assets of the Trust of \$1,000 per Capital Security, are hereby designated for the purposes of identification only as the "Floating Rate Capital Securities" (the "Capital Securities"). The Capital Security Certificates evidencing the Capital Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Capital Securities are listed, if any.

(b) **Common Securities.** 78 Common Securities of the Trust (the "Common Securities") will be evidenced by Common Security Certificates substantially in the form of Exhibit A-2 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice. In the absence of an Event of Default, the Common Securities will have an aggregate stated liquidation amount with respect to the assets of the Trust of Seventy-Eight Thousand Dollars (\$78,000) and a stated liquidation amount with respect to the assets of the Trust of \$1,000 per Common Security.

2. Distributions. (a) Distributions payable on each Security will be payable at a variable per annum rate of interest, reset quarterly, equal to LIBOR, as determined on the LIBOR Determination Date immediately following each Distribution Payment Date (except in the case of the first Distribution Payment Date), plus 2.85% (the "Coupon Rate") of the stated liquidation amount of \$1,000 per Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Except as set forth below in respect of an Extension Period, Distributions in arrears for more than one quarterly period will bear interest thereon compounded quarterly at the applicable Coupon Rate for each such quarterly period (to the extent permitted by applicable law). The term "Distributions" as used herein includes cash distributions; any such compounded distributions and any Additional Interest payable on the Debentures unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available in the Property Account therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period

on the basis of a 360-day year and the actual number of days elapsed in the relevant Distribution period; provided, however, that upon the occurrence of a Special Event redemption pursuant to paragraph 4(a) below the amounts payable pursuant to this Declaration shall be calculated as set forth in the definition of Special Redemption Price.

The term "Distribution Period" means the period from and including each Distribution Payment Date or, in the case of the first Distribution Period, the original date of issuance of the securities to, but excluding, the next succeeding Distribution Payment Date or, in the case of the last Distribution Period, the Redemption Date, Special Redemption Date or Maturity Date, as applicable.

(b) LIBOR shall be determined by the Calculation Agent for each Distribution Period in accordance with the following provisions:

(1) On the second LIBOR Business Day (provided, that on such day commercial banks are open for business (including dealings in foreign currency deposits) in London (a "LIBOR Banking Day"), and otherwise the next preceding LIBOR Business Day that is also a LIBOR Banking Day) prior to January 23, April 23, July 23 and October 23, as the case may be, immediately preceding the commencement of such Distribution Period (or, in the case of the first Distribution Period, prior to March 25, 2004), (each such day, a "LIBOR Determination Date"), LIBOR shall equal the rate, as obtained by the Calculation Agent for three-month U.S. Dollar deposits in Europe, which appears on Telerate Page 3750 (as defined in the International Swaps and Derivatives Association, Inc. 1991 Interest Rate and Currency Exchange Definitions) or such other page as may replace such Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date, as reported by Bloomberg Financial Markets Commodities News; provided, however, that in the case of the first Distribution Period, LIBOR will be interpolated from LIBOR for three-month U.S. Dollar deposits in Europe and LIBOR for four-month U.S. Dollar deposits in Europe on a straight-line basis. "LIBOR Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, New York or Wilmington, Delaware are authorized or obligated by law or executive order to be closed. If such rate is superseded on Telerate Page 3750 by a corrected rate before 12:00 noon (London time) on the same LIBOR Determination Date, the corrected rate as so substituted will be the applicable LIBOR for that LIBOR Determination Date.

(2) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 as reported by Bloomberg Financial Markets Commodities News or such other page as may replace such Telerate Page 3750, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks (as defined below) to leading banks in the London interbank market for three-month U.S. Dollar deposits in Europe (in an amount determined by the Calculation Agent) by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made

by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal the arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such a quotation, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that at least two leading banks in the City of New York (as selected by the Calculation Agent) are quoting on the relevant LIBOR Determination Date for three-month U.S. Dollar deposits in Europe at approximately 11:00 a.m. (London time) (in an amount determined by the Calculation Agent). As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent.

(3) If the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR in effect on the previous LIBOR Determination Date (whether or not LIBOR for such period was in fact determined on such LIBOR Determination Date).

(c) All percentages resulting from any calculations on the Securities will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)); and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

(d) On each LIBOR Determination Date, the Calculation Agent shall notify, in writing, the Sponsor and the Paying Agent of the applicable Coupon Rate in effect for the related Distribution payment period. The Calculation Agent shall, upon the request of the Holder of any Securities, provide the Coupon Rate then in effect. All calculations made by the Calculation Agent in the absence of manifest error shall be conclusive for all purposes and binding on the Sponsor and the Holders of the Securities. The Paying Agent shall be entitled to rely on information received from the Calculation Agent or the Sponsor as to the Coupon Rate. The Sponsor shall, from time to time, provide any necessary information to the Paying Agent relating to any original issue discount and interest on the Securities that is included in any payment and reportable for taxable income calculation purposes.

(e) Distributions on the Securities will be cumulative, will accrue from the date of original issuance, and will be payable, subject to extension of Distribution payment periods as described herein, quarterly in arrears on January 23, April 23, July 23 and October 23 of each year, commencing on July 23, 2004 (each, a "Distribution Payment Date"). The Debenture Issuer has the right under the Indenture to defer payments of interest on the Debentures by extending the interest payment period for up to 20 consecutive quarterly periods (each, an "Extension Period") at any time and from time to time on the Debentures, subject to the conditions described below, during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). During any Extension Period, interest will continue to accrue on the Debentures, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue at an

annual rate equal to the Coupon Rate in effect for each such Extension Period, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, to the extent permitted by law. No Extension Period may end on a date other than a Distribution Payment Date. At the end of any such Extension Period, the Debenture Issuer shall pay all Deferred Interest then accrued and unpaid on the Debentures; provided, however, that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date and provided, further, that, during any such Extension Period, the Debenture Issuer may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Debenture Issuer's capital stock or (ii) make any payment due on or repay, repurchase or redeem any debt securities of the Debenture Issuer that rank *pari passu* in all respects with or junior in interest to the Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Debenture Issuer (A) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, (B) in connection with a dividend reinvestment or stockholder stock purchase plan or (C) in connection with the issuance of capital stock of the Debenture Issuer (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of any exchange or conversion of any class or series of the Debenture Issuer's capital stock (or any capital stock of a subsidiary of the Debenture Issuer) for any class or series of the Debenture Issuer's capital stock or of any class or series of the Debenture Issuer's indebtedness for any class or series of the Debenture Issuer's capital stock, (c) the purchase of fractional interests in shares of the Debenture Issuer's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock). Prior to the termination of any Extension Period, the Debenture Issuer may further extend such period, provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed 20 consecutive quarterly periods, or extend beyond the Maturity Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Debenture Issuer may commence a new Extension Period, subject to the foregoing requirements. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof, but interest shall accrue upon each installment of interest that would otherwise have been due and payable during such Extension Period until such installment is paid. If Distributions are deferred, the Distributions due shall be paid on the date that the related Extension Period terminates, or, if such date is not a Distribution Payment Date, on the immediately following Distribution Payment Date, to Holders of the Securities as they appear on the books and records of the Trust on the record date immediately preceding such date. Distributions on the Securities must be paid on the dates payable (after giving effect to any Extension Period) to the extent that the Trust has funds legally available for the payment of such distributions in the Property Account of the Trust. The Trust's funds available for Distribution to the Holders of the Securities will be limited to payments received from the Debenture Issuer.

The payment of Distributions out of moneys held by the Trust is guaranteed by the Guarantor pursuant to the Guarantee.

(f) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Registrar on the relevant record dates. The relevant record dates shall be selected by the Administrators, which dates shall be 15 days before the relevant payment dates. Distributions payable on any Securities that are not punctually paid on any Distribution Payment Date, as a result of the Debenture Issuer having failed to make a payment under the Debentures, as the case may be, when due (taking into account any Extension Period), will cease to be payable to the Person in whose name such Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Securities are registered on the special record date or other specified date determined in accordance with the Indenture. If any Distribution Payment Date other than any date of redemption, falls on a day that is not a Business Day, then Distributions payable will be paid on, and such Distribution Payment Date will be moved to, the next succeeding Business Day, and additional Distributions will accrue for each day that such payment is delayed as a result thereof.

(g) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed pro rata (as defined herein) among the Holders of the Securities.

3. Liquidation Distribution Upon Dissolution. In the event of the voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each, a "Liquidation") other than in connection with a redemption of the Debentures, the Holders of the Securities will be entitled to receive out of the assets of the Trust available for distribution to Holders of the Securities, after satisfaction of liabilities to creditors of the Trust (to the extent not satisfied by the Debenture Issuer), distributions equal to the aggregate of the stated liquidation amount of \$1,000 per Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless in connection with such Liquidation, the Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such Securities, with an interest rate equal to the Coupon Rate of, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on, and having the same record date as, such Securities, after paying or making reasonable provision to pay all claims and obligations of the Trust in accordance with Section 3808(e) of the Statutory Trust Act, shall be distributed on a Pro Rata basis to the Holders of the Securities in exchange for such Securities.

The Sponsor, as the Holder of all of the Common Securities, has the right at any time to dissolve the Trust (including without limitation upon the occurrence of a Tax Event, an Investment Company Event or a Capital Treatment Event), subject to the receipt by the Debenture Issuer of prior approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve"), if then required under applicable capital guidelines or policies of the Federal Reserve and, after satisfaction of liabilities to creditors of the Trust, cause the Debentures to be distributed to the Holders of the Securities on a Pro Rata basis in accordance with the aggregate stated liquidation amount thereof.

The Trust shall dissolve on the first to occur of (i) April 23, 2039, the expiration of the term of the Trust, (ii) a Bankruptcy Event with respect to the Sponsor, the Trust or the Debenture Issuer, (iii) (other than in connection with a merger, consolidation or similar transaction not prohibited by the Indenture, this Declaration or the Guarantee, as the case may be) the filing of a certificate of dissolution of the Sponsor or upon the revocation of the charter of the Sponsor and the expiration of 90 days after the date of revocation without a reinstatement thereof, (iv) the distribution to the Holders of the Securities of the Debentures, upon exercise of the right of the Holder of all of the outstanding Common Securities to dissolve the Trust as described above, (v) the entry of a decree of a judicial dissolution of the Sponsor or the Trust, or (vi) when all of the Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Securities. As soon as practicable after the dissolution of the Trust and upon completion of the winding up of the Trust, the Trust shall terminate upon the filing of a certificate of cancellation with the Secretary of State of the State of Delaware.

If a Liquidation of the Trust occurs as described in clause (i), (ii), (iii) or (v) in the immediately preceding paragraph, the Trust shall be liquidated by the Institutional Trustee of the Trust as expeditiously as such Trustee determines to be possible by distributing, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, to the Holders of the Securities, the Debentures on a Pro Rata basis to the extent not satisfied by the Debenture Issuer, unless such distribution is determined by the Institutional Trustee not to be practical, in which event such Holders will be entitled to receive out of the assets of the Trust available for distribution to the Holders, after satisfaction of liabilities to creditors of the Trust to the extent not satisfied by the Debenture Issuer, an amount equal to the Liquidation Distribution. An early Liquidation of the Trust pursuant to clause (iv) of the immediately preceding paragraph shall occur if the Institutional Trustee determines that such Liquidation is possible by distributing, after satisfaction of liabilities to creditors of Trust, to the Holders of the Securities on a Pro Rata basis, the Debentures, and such distribution occurs.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on such Capital Securities shall be paid to the Holders of the Securities on a Pro Rata basis, except that if an Event of Default has occurred and is continuing, the Capital Securities shall have a preference over the Common Securities with regard to such distributions.

Upon any such Liquidation of the Trust involving a distribution of the Debentures, if at the time of such Liquidation, the Capital Securities were rated by at least one nationally-recognized statistical rating organization, the Debenture Issuer will use its reasonable best efforts to obtain from at least one such or other rating organization a rating for the Debentures.

After the date for any distribution of the Debentures upon dissolution of the Trust, (i) the Securities of the Trust will be deemed to be no longer outstanding, (ii) any certificates representing the Capital Securities will be deemed to represent undivided beneficial interests in such of the Debentures as have an aggregate principal amount equal to the aggregate stated

liquidation amount of, with an interest rate identical to the distribution rate of, and bearing accrued and unpaid interest equal to accrued and unpaid distributions on, the Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissuance (and until such certificates are so surrendered, no payments of interest or principal shall be made to Holders of Securities in respect of any payments due and payable under the Debentures) and (iii) all rights of Holders of Securities under the Capital Securities or the Common Securities, as applicable, shall cease, except the right of such Holders to receive Debentures upon surrender of certificates representing such Securities.

4. Redemption and Distribution.

(a) The Debentures will mature on April 23, 2034. The Debentures may be redeemed by the Debenture Issuer, in whole or in part, on any January 23, April 23, July 23 and October 23 on or after April 23, 2009, at the Redemption Price, upon not less than 30 nor more than 60 days' notice to Holders of such Debentures. In addition, upon the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, the Debentures may be redeemed by the Debenture Issuer in whole but not in part, at any time within 90 days following the occurrence of such Tax Event, Investment Company Event or Capital Treatment Event, as the case may be (the "Special Redemption Date"), at the Special Redemption Price, upon not less than 30 nor more than 60 days' notice to Holders of the Debentures so long as such Tax Event, Investment Company Event or Capital Treatment Event, as the case may be, is continuing. In each case, the right of the Debenture Issuer to redeem the Debentures is subject to the Debenture Issuer having received prior approval from the Federal Reserve, if then required under applicable capital guidelines or policies of the Federal Reserve.

"Tax Event" means the receipt by the Debenture Issuer and the Trust of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to or change (including any announced prospective change) in the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement (including any private letter ruling, technical advice memorandum, regulatory procedure, notice or announcement)(an "Administrative Action") or judicial decision interpreting or applying such laws or regulations, regardless of whether such Administrative Action or judicial decision is issued to or in connection with a proceeding involving the Debenture Issuer or the Trust and whether or not subject to review or appeal, which amendment, clarification, change, Administrative Action or decision is enacted, promulgated or announced, in each case on or after the date of original issuance of the Debentures, there is more than an insubstantial risk that: (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Debentures; (ii) interest payable by the Debenture Issuer on the Debentures is not, or within 90 days of the date of such opinion, will not be, deductible by the Debenture Issuer, in whole or in part, for United States federal income tax purposes; or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes (including withholding taxes), duties, assessments or other governmental charges.

"Investment Company Event" means the receipt by the Debenture Issuer and the Trust of an opinion of counsel experienced in such matters to the effect that, as a result of a change in law or regulation or written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Trust is or, within 90 days of the date of such opinion will be, considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the original issuance of the Debentures.

"Capital Treatment Event" means the receipt by the Debenture Issuer and the Trust of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision thereof or therein, or as the result of any official or administrative pronouncement or action or decision interpreting or applying such laws, rules or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of original issuance of the Debentures, there is more than an insubstantial risk that the Debenture Issuer will not, within 90 days of the date of such opinion, be entitled to treat an amount equal to the aggregate Liquidation Amount of the Capital Securities as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the capital adequacy guidelines of the Federal Reserve (or any successor regulatory authority with jurisdiction over bank holding companies), as then in effect and applicable to the Debenture Issuer; provided, however, that the distribution of the Debentures in connection with the Liquidation of the Trust by the Debenture Issuer shall not in and of itself constitute a Capital Treatment Event unless such Liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Special Event" means any of a Capital Treatment Event, a Tax Event or an Investment Company Event.

"Redemption Price" means 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest on such Debentures to the Redemption Date or, in the case of a redemption in full at maturity, the Maturity Date, or, in the case of a redemption due to the occurrence of a Special Event, to the Special Redemption Date if such Special Redemption Date is on or after April 23, 2009.

"Special Redemption Price" means, with respect to the redemption of any Debt Security following a Special Event, an amount in cash equal to the percentage for the principal amount of the Debt Securities that is specified below for the Special Redemption Date plus unpaid interest accrued thereon to the Special Redemption Date:

<u>Special Event Redemption During Quarter Beginning On</u>	<u>Percentage of Principal Amount</u>
April 23, 2004	104.40
July 23, 2004	104.18
October 23, 2004	103.96
January 23, 2005	103.74

April 23, 2005	103.52
July 23, 2005	103.30
October 23, 2005	103.08
January 23, 2006	102.86
April 23, 2006	102.64
July 23, 2006	102.42
October 23, 2006	102.20
January 23, 2007	101.98
April 23, 2007	101.76
July 23, 2007	101.54
October 23, 2007	101.32
January 23, 2008	101.10
April 23, 2008	100.88
July 23, 2008	100.66
October 23, 2008	100.44
January 23, 2009	100.22
April 23, 2009 and thereafter	100.00

"Redemption Date" means the date fixed for the redemption of Capital Securities, which shall be any January 23, April 23, July 23 and October 23 on or after April 23, 2009.

(b) Upon the repayment in full at maturity or redemption in whole or in part of the Debentures (other than following the distribution of the Debentures to the Holders of the Securities), the proceeds from such repayment or payment shall concurrently be applied to redeem Pro Rata at the applicable Redemption Price, Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed; provided, however, that holders of such Securities shall be given not less than 30 nor more than 60 days' notice of such redemption (other than at the scheduled maturity of the Debentures).

(c) If fewer than all the outstanding Securities are to be so redeemed, the Common Securities and the Capital Securities will be redeemed Pro Rata and the Capital Securities to be redeemed will be as described in Section 4(e)(ii) below.

(d) The Trust may not redeem fewer than all the outstanding Capital Securities unless all accrued and unpaid Distributions have been paid on all Capital Securities for all quarterly Distribution periods terminating on or before the date of redemption.

(e) Redemption or Distribution Procedures.

(i) Notice of any redemption of, or notice of distribution of the Debentures in exchange for, the Securities (a "Redemption/Distribution Notice") will be given by the Trust by mail to each Holder of Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange

whereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 4(e)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of such Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of such Securities at the address of each such Holder appearing on the books and records of the Registrar. No defect in the Redemption/Distribution Notice or in the mailing thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Securities are to be redeemed, the Securities to be redeemed shall be redeemed Pro Rata from each Holder of Capital Securities.

(iii) If the Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, which notice may only be issued if the Debentures are redeemed as set out in this Section 4 (which notice will be irrevocable), then, provided, that the Institutional Trustee has a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Institutional Trustee will pay the relevant Redemption Price to the Holders of such Securities by check mailed to the address of each such Holder appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit, Distributions will cease to accrue on the Securities so called for redemption and all rights of Holders of such Securities so called for redemption will cease, except the right of the Holders of such Securities to receive the applicable Redemption Price specified in Section 4(a), but without interest on such Redemption Price. If any date fixed for redemption of Securities is not a Business Day, then payment of any such Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Securities is improperly withheld or refused and not paid either by the Trust or by the Debenture Issuer as guarantor pursuant to the Guarantee, Distributions on such Securities will continue to accrue at the then applicable rate from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price. In the event of any redemption of the Capital Securities issued by the Trust in part, the Trust shall not be required to (i) issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before any selection for redemption of the Capital Securities and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of the Capital Securities to be so redeemed or (ii) register the transfer of or

exchange any Capital Securities so selected for redemption, in whole or in part, except for the unredeemed portion of any Capital Securities being redeemed in part.

(iv) Redemption/Distribution Notices shall be sent by the Administrators on behalf of the Trust (A) in respect of the Capital Securities, to the Holders thereof, and (B) in respect of the Common Securities, to the Holder thereof.

(v) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), and provided, that the acquiror is not the Holder of the Common Securities or the obligor under the Indenture, the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Capital Securities by tender, in the open market or by private agreement.

5. Voting Rights - Capital Securities. (a) Except as provided under Sections 5(b) and 7 and as otherwise required by law and the Declaration, the Holders of the Capital Securities will have no voting rights. The Administrators are required to call a meeting of the Holders of the Capital Securities if directed to do so by Holders of not less than 10% in liquidation amount of the Capital Securities.

(b) Subject to the requirements of obtaining a tax opinion by the Institutional Trustee in certain circumstances set forth in the last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Capital Securities, voting separately as a class, have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as holder of the Debentures, to (i) exercise the remedies available under the Indenture as the holder of the Debentures, (ii) waive any past default that is waivable under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable or (iv) consent on behalf of all the Holders of the Capital Securities to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required; provided, however, that, where a consent or action under the Indenture would require the consent or act of the holders of greater than a simple majority in principal amount of Debentures (a "Super Majority") affected thereby, the Institutional Trustee may only give such consent or take such action at the written direction of the Holders of not less than the proportion in liquidation amount of the Capital Securities outstanding which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. If the Institutional Trustee fails to enforce its rights under the Debentures after the Holders of a Majority in liquidation amount of such Capital Securities have so directed the Institutional Trustee, to the fullest extent permitted by law, a Holder of the Capital Securities may institute a legal proceeding directly against the Debenture Issuer to enforce the Institutional Trustee's rights under the Debentures without first instituting any legal proceeding against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date the interest or principal is payable (or in the case of redemption, the redemption date), then a Holder of record of the Capital Securities may directly institute a proceeding for enforcement of payment, on or after the respective due

dates specified in the Debentures, to such Holder directly of the principal of or interest on the Debentures having an aggregate principal amount equal to the aggregate liquidation amount of the Capital Securities of such Holder. The Institutional Trustee shall notify all Holders of the Capital Securities of any default actually known to the Institutional Trustee with respect to the Debentures unless (x) such default has been cured prior to the giving of such notice or (y) the Institutional Trustee determines in good faith that the withholding of such notice is in the interest of the Holders of such Capital Securities, except where the default relates to the payment of principal of or interest on any of the Debentures. Such notice shall state that such Indenture Event of Default also constitutes an Event of Default hereunder. Except with respect to directing the time, method and place of conducting a proceeding for a remedy, the Institutional Trustee shall not take any of the actions described in clause (i), (ii) or (iii) above unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that, as a result of such action, the Trust will not be classified as other than a grantor trust for United States federal income tax purposes.

In the event the consent of the Institutional Trustee, as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination of the Indenture, the Institutional Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of a Super Majority, the Institutional Trustee may only give such consent at the written direction of the Holders of not less than the proportion in liquidation amount of such Securities outstanding which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. The Institutional Trustee shall not take any such action in accordance with the written directions of the Holders of the Securities unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that, as a result of such action, the Trust will not be classified as other than a grantor trust for United States federal income tax purposes.

A waiver of an Indenture Event of Default will constitute a waiver of the corresponding Event of Default hereunder. Any required approval or direction of Holders of the Capital Securities may be given at a separate meeting of Holders of the Capital Securities convened for such purpose, at a meeting of all of the Holders of the Securities in the Trust or pursuant to written consent. The Institutional Trustee will cause a notice of any meeting at which Holders of the Capital Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of the Capital Securities. Each such notice will include a statement setting forth the following information (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents. No vote or consent of the Holders of the Capital Securities will be required for the Trust to redeem and cancel Capital Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

Notwithstanding that Holders of the Capital Securities are entitled to vote or consent under any of the circumstances described above, any of the Capital Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not entitle the Holder thereof to vote or consent and shall, for purposes of such vote or consent, be treated as if such Capital Securities were not outstanding.

In no event will Holders of the Capital Securities have the right to vote to appoint, remove or replace the Administrators, which voting rights are vested exclusively in the Sponsor as the Holder of all of the Common Securities of the Trust. Under certain circumstances as more fully described in the Declaration, Holders of Capital Securities have the right to vote to appoint, remove or replace the Institutional Trustee and the Delaware Trustee.

6. Voting Rights - Common Securities. (a) Except as provided under Sections 6(b); 6(c) and 7 and as otherwise required by law and the Declaration, the Common Securities will have no voting rights.

(b) The Holders of the Common Securities are entitled, in accordance with Article IV of the Declaration, to vote to appoint, remove or replace any Administrators.

(c) Subject to Section 6.7 of the Declaration and only after each Event of Default (if any) with respect to the Capital Securities has been cured, waived or otherwise eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including (i) directing the time, method, place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waiving any past default and its consequences that are waivable under the Indenture, or (iii) exercising any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable, provided, however, that, where a consent or action under the Indenture would require a Super Majority, the Institutional Trustee may only give such consent or take such action at the written direction of the Holders of not less than the proportion in liquidation amount of the Common Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. Notwithstanding this Section 6(c), the Institutional Trustee shall not revoke any action previously authorized or approved by a vote or consent of the Holders of the Capital Securities. Other than with respect to directing the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action described in clause (i), (ii) or (iii) above, unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust on account of such action. If the Institutional Trustee fails to enforce its rights under the Declaration, to the fullest extent permitted by law any Holder of the Common Securities may institute a legal proceeding directly against any Person to enforce the Institutional Trustee's rights under the Declaration, without first instituting a legal proceeding against the Institutional Trustee or any other Person.

Any approval or direction of Holders of the Common Securities may be given at a separate meeting of Holders of the Common Securities convened for such purpose, at a meeting of all of the Holders of the Securities in the Trust or pursuant to written consent. The Administrators will cause a notice of any meeting at which Holders of the Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of the Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

7. Amendments to Declaration and Indenture. (a) In addition to any requirements under Section 11.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the Liquidation of the Trust, other than as described in Section 7.1 of the Declaration, then the Holders of outstanding Securities, voting together as a single class, will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of not less than a Majority in liquidation amount of the Securities affected thereby; provided, however, if any amendment or proposal referred to in clause (i) above would adversely affect only the Capital Securities or only the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Securities.

(b) In the event the consent of the Institutional Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination of the Indenture or the Debentures, the Institutional Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification, or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; provided, however, that where a consent under the Indenture would require a Super Majority, the Institutional Trustee may only give such consent at the written direction of the Holders of not less than the proportion in liquidation amount of the Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding.

(c) Notwithstanding the foregoing, no amendment or modification may be made to the Declaration if such amendment or modification would (i) cause the Trust to be classified for purposes of United States federal income taxation as other than a grantor trust, (ii) reduce or otherwise adversely affect the powers of the Institutional Trustee or (iii) cause the Trust to be deemed an "investment company" which is required to be registered under the Investment Company Act.

(d) Notwithstanding any provision of the Declaration, the right of any Holder of the Capital Securities to receive payment of distributions and other payments upon redemption or otherwise, on or after their respective due dates, or to institute a suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder. For the protection and enforcement of the foregoing provision, each and every Holder of the Capital Securities shall be entitled to such relief as can be given either at law or equity.

8. Pro Rata. A reference in these terms of the Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of the Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, an Event of Default has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Capital Securities Pro Rata according to the aggregate liquidation amount of the Capital Securities held by the relevant Holder relative to the aggregate liquidation amount of all Capital Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Capital Securities, to each Holder of the Common Securities Pro Rata according to the aggregate liquidation amount of the Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

9. Ranking. The Capital Securities rank *pari passu* with, and payment thereon shall be made Pro Rata with, the Common Securities except that, where an Event of Default has occurred and is continuing, the rights of Holders of the Common Securities to receive payment of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of the Holders of the Capital Securities with the result that no payment of any Distribution on, or Redemption Price of, any Common Security, and no other payment on account of redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions on all outstanding Capital Securities for all distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price the full amount of such Redemption Price on all outstanding Capital Securities then called for redemption, shall have been made or provided for, and all funds immediately available to the Institutional Trustee shall first be applied to the payment in full in cash of all Distributions on, or the Redemption Price of, the Capital Securities then due and payable.

10. Acceptance of Guarantee and Indenture. Each Holder of the Capital Securities and the Common Securities, by the acceptance of such Securities, agrees to the provisions of the Guarantee, including the subordination provisions therein and to the provisions of the Indenture.

11. No Preemptive Rights. The Holders of the Securities shall have no, and the issuance of the Securities is not subject to, preemptive or similar rights to subscribe for any additional securities.

12. Miscellaneous. These terms constitute a part of the Declaration. The Sponsor will provide a copy of the Declaration, the Guarantee, and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.

EXHIBIT A-1

FORM OF CAPITAL SECURITY CERTIFICATE

[FORM OF FACE OF SECURITY]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE DEBENTURE ISSUER OR THE TRUST, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE DEBENTURE ISSUER'S AND THE TRUST'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM IN ACCORDANCE WITH THE AMENDED AND RESTATED DECLARATION OF TRUST, A COPY OF WHICH MAY BE OBTAINED FROM THE DEBENTURE ISSUER OR THE TRUST. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT

SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS MAY BE REQUIRED BY THE AMENDED AND RESTATED DECLARATION OF TRUST TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A LIQUIDATION AMOUNT OF NOT LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A LIQUIDATION AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

Certificate Number P-____

Number of Capital Securities _____

Certificate Evidencing Capital Securities

of

PORTAGE BANCSHARES CAPITAL TRUST I

Floating Rate Capital Securities

(liquidation amount \$1,000 per Capital Security)

Portage Bancshares Capital Trust I, a statutory trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that SIGLER & CO. (the "Holder") is the registered owner of _____ capital securities of the Trust representing undivided beneficial interests in the assets of the Trust, designated the Floating Rate Capital Securities (liquidation amount \$1,000 per Capital Security) (the "Capital Securities"). Subject to the Declaration (as defined below), the Capital Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this Certificate duly endorsed and in proper form for transfer. The Capital Securities represented hereby are issued pursuant to, and the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Capital Securities shall in all respects be subject to, the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of March 25, 2004, among Richard J. Coe and John S. Forberg, as Administrators, Wilmington Trust Company, as Delaware Trustee, Wilmington Trust Company, as Institutional Trustee, Portage Bancshares, Inc., as Sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Trust, including the designation of the terms of the Capital Securities as set forth in Annex I to the Declaration, as the same may be amended from time to time (the "Declaration"). Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Guarantee, and the Indenture to the Holder without charge upon written request to the Sponsor at its principal place of business.

Upon receipt of this Security, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance of this Security, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Capital Securities as evidence of beneficial ownership in the Debentures.

This Capital Security is governed by, and shall be construed in accordance with, the laws of the State of Delaware, without regard to principles of conflict of laws.

IN WITNESS WHEREOF, the Trust has duly executed this certificate.

PORTAGE BANCSHARES CAPITAL TRUST I

By: _____

Name: Richard J. Coe

Title: Administrator

Dated: _____

CERTIFICATE OF AUTHENTICATION

This is one of the Capital Securities referred to in the within-mentioned
Declaration.

WILMINGTON TRUST COMPANY,
not in its individual capacity but solely as the
Institutional Trustee

By: _____
Authorized Officer

Dated: _____

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Capital Security will be payable at a variable per annum rate of interest, reset quarterly, equal to LIBOR (as defined in the Declaration) plus 2.85% (the "Coupon Rate") of the stated liquidation amount of \$1,000 per Capital Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Except as set forth below in respect of an Extension Period, Distributions in arrears for more than one quarterly period will bear interest thereon compounded quarterly at the applicable Coupon Rate for each such quarterly period (to the extent permitted by applicable law). The term "Distributions" as used herein includes cash distributions, any such compounded distributions and any Additional Interest payable on the Debentures unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds legally available in the Property Account therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year and the actual number of days elapsed in the relevant Distribution period.

Except as otherwise described below, Distributions on the Capital Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears on January 23, April 23, July 23 and October 23 of each year, commencing on July 23, 2004 (each, a "Distribution Payment Date"). The Debenture Issuer has the right under the Indenture to defer payments of interest on the Debentures by extending the interest payment period for up to 20 consecutive quarterly periods (each, an "Extension Period") at any time and from time to time on the Debentures, subject to the conditions described below, during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). During any Extension Period, interest will continue to accrue on the Debentures, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue at an annual rate equal to the Coupon Rate in effect for each such Extension Period, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, to the extent permitted by law. No Extension Period may end on a date other than a Distribution Payment Date. At the end of any such Extension Period, the Debenture Issuer shall pay all Deferred Interest then accrued and unpaid on the Debentures; provided, however, that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date. Prior to the termination of any Extension Period, the Debenture Issuer may further extend such period, provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed 20 consecutive quarterly periods, or extend beyond the Maturity Date, Redemption Date or Special Redemption Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Debenture Issuer may commence a new Extension Period, subject to the foregoing requirements. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof, but interest shall accrue upon each installment of interest that would otherwise have been due and payable during such Extension Period until such installment is paid. If Distributions are deferred, the Distributions due shall be paid on the date that the related Extension Period terminates to Holders of the Securities as they appear on the books and records of the Trust on the record date immediately preceding such date. Distributions on the Securities must be paid on the dates payable (after giving effect to any Extension Period) to the extent that the Trust has funds legally available for the payment of such distributions in the Property Account of the Trust. The Trust's funds available for Distribution to the Holders of the Securities will be limited to payments received from the Debenture Issuer.

The payment of Distributions out of moneys held by the Trust is guaranteed by the Guarantor
provided to the Guarantee.

The Capital Securities shall be redeemable as provided in the Declaration.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Capital Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee),

and irrevocably appoints _____
as agent to transfer this Capital Security Certificate on the books of the Trust. The agent may substitute another to act for it, him or her.

Date: _____

Signature: _____

(Sign exactly as your name appears on the other side of this Capital Security Certificate)

Signature Guarantee:¹ _____

¹ Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Security registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT A-2

FORM OF COMMON SECURITY CERTIFICATE

THIS COMMON SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION.

EXCEPT AS SET FORTH IN SECTION 8.1(b) OF THE DECLARATION (AS DEFINED BELOW), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED.

Certificate Number C-__ Number of Common Securities ____

Certificate Evidencing Common Securities

of

PORTAGE BANCSHARES CAPITAL TRUST I

Portage Bancshares Capital Trust I, a statutory trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Portage Bancshares, Inc. (the "Holder") is the registered owner of ____ common securities of the Trust representing undivided beneficial interests in the assets of the Trust (liquidation amount \$1,000 per Common Security)(the "Common Securities"). The Common Securities represented hereby are issued pursuant to, and the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities shall in all respects be subject to, the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of March 25, 2004, among Richard J. Coe and John S. Forberg, as Administrators, Wilmington Trust Company, as Delaware Trustee, Wilmington Trust Company, as Institutional Trustee, the Holder, as Sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Trust, including the designation of the terms of the Common Securities as set forth in Annex I to the Declaration, as the same may be amended from time to time (the "Declaration"). Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Sponsor will provide a copy of the Declaration and the Indenture to the Holder without charge upon written request to the Sponsor at its principal place of business.

As set forth in the Declaration, when an Event of Default has occurred and is continuing, the rights of Holders of Common Securities to payment in respect of Distributions and payments upon Liquidation, redemption or otherwise are subordinated to the rights of payment of Holders of the Capital Securities.

Upon receipt of this Certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance of this Certificate, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Common Securities as evidence of undivided beneficial ownership in the Debentures.

This Common Security is governed by, and shall be construed in accordance with, the laws of the State of Delaware, without regard to principles of conflict of laws.

IN WITNESS WHEREOF, the Trust has executed this certificate this ____ day of
____, 2004.

PORTAGE BANCSHARES CAPITAL TRUST I

By: _____

Name: Richard J. Coe

Title: Administrator

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be identical in amount to the Distributions payable on each Capital Security, which is at a variable per annum rate of interest, reset quarterly, equal to LIBOR (as defined in the Declaration) plus 2.85% (the "Coupon Rate") of the stated liquidation amount of \$1,000 per Capital Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Except as set forth below in respect of an Extension Period, Distributions in arrears for more than one quarterly period will bear interest thereon compounded quarterly at the applicable Coupon Rate for each such quarterly period (to the extent permitted by applicable law). The term "Distributions" as used herein includes cash distributions, any such compounded distributions and any Additional Interest payable on the Debentures unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds legally available in the Property Account therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year and the actual number of days elapsed in the relevant Distribution period.

Except as otherwise described below, Distributions on the Common Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears on January 23, April 23, July 23 and October 23 of each year, commencing on July 23, 2004 (each, a "Distribution Payment Date"). The Debenture Issuer has the right under the Indenture to defer payments of interest on the Debentures by extending the interest payment period for up to 20 consecutive quarterly periods (each, an "Extension Period") at any time and from time to time on the Debentures, subject to the conditions described below, during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). During any Extension Period, interest will continue to accrue on the Debentures, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue at an annual rate equal to the Coupon Rate in effect for each such Extension Period, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, to the extent permitted by law. No Extension Period may end on a date other than a Distribution Payment Date. At the end of any such Extension Period, the Debenture Issuer shall pay all Deferred Interest then accrued and unpaid on the Debentures; provided, however, that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date. Prior to the termination of any Extension Period, the Debenture Issuer may further extend such period, provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed 20 consecutive quarterly periods, or extend beyond the Maturity Date, Redemption Date or Special Redemption Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Debenture Issuer may commence a new Extension Period, subject to the foregoing requirements. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof, but interest shall accrue upon each installment of interest that would otherwise have been due and payable during such Extension Period until such installment is paid. If Distributions are deferred, the Distributions due shall be paid on the date that the related Extension Period terminates to Holders of the Securities as they appear on the books and records of the Trust on the record date immediately preceding such date.

Distributions on the Securities must be paid on the dates payable (after giving effect to any Extension Period) to the extent that the Trust has funds legally available for the payment of such distributions in the Property Account of the Trust. The Trust's funds available for Distribution to the Holders of the Securities will be limited to payments received from the Debenture Issuer. The payment of Distributions out of moneys held by the Trust is guaranteed by the Guarantor pursuant to the Guarantee.

The Common Securities shall be redeemable as provided in the Declaration.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Common Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee),

and irrevocably appoints _____ as agent to transfer this Common Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: _____

Signature: _____

(Sign exactly as your name appears on the other side of this Common Security Certificate)

Signature Guarantee:¹ _____

¹ Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union, meeting the requirements of the Security registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

FORM OF TRANSFEREE CERTIFICATE
TO BE EXECUTED BY TRANSFEREES OTHER THAN QIBS

_____, []

Portage Bancshares, Inc.
Portage Bancshares Capital Trust I
1311 East Main Street
Ravenna, Ohio 44266

Re: Purchase of \$1,000 stated liquidation amount of Floating Rate Capital Securities
(the "Capital Securities") of Portage Bancshares Capital Trust I

Ladies and Gentlemen:

In connection with our purchase of the Capital Securities we confirm that:

1. We understand that the Floating Rate Capital Securities (the "Capital Securities") of Portage Bancshares Capital Trust I (the "Trust") (including the guarantee (the "Guarantee") of Portage Bancshares, Inc. (the "Company") executed in connection therewith) and the Floating Rate Junior Subordinated Debt Securities due 2034 of the Company (the "Subordinated Debt Securities") (the Capital Securities, the Guarantee and the Subordinated Debt Securities together being referred to herein as the "Offered Securities"), have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing the Capital Securities that, if we decide to offer, sell or otherwise transfer any such Capital Securities, such offer, sale or transfer will be made only (a) to the Company or the Trust, (b) pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a qualified institutional buyer under Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (c) pursuant to an exemption from registration, to an "accredited investor" within the meaning of subparagraph (a) (1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring Capital Securities for its own account or for the account of such an accredited investor for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, or (d) pursuant to another available exemption from the registration requirements of the Securities Act, and in each of the foregoing cases in accordance with any applicable state securities laws and any requirements of law that govern the disposition of our property. The foregoing restrictions on resale will not apply subsequent to the date on which, in the written opinion of counsel, the Capital Securities are not "restricted securities" within the meaning of Rule 144 under the Securities Act. If any resale or other transfer of the Capital Securities is proposed to be made pursuant to clause (c) or (d) above, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Institutional Trustee as Transfer Agent, which shall provide as applicable, among other things, that the transferee is an "accredited

investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring such Securities for investment purposes and not for distribution in violation of the Securities Act. We acknowledge on our behalf and on behalf of any investor account for which we are purchasing Securities that the Trust and the Company reserve the right prior to any offer, sale or other transfer pursuant to clause (c) or (d) to require the delivery of any opinion of counsel, certifications and/or other information satisfactory to the Trust and the Company. We understand that the certificates for any Capital Security that we receive will bear a legend substantially to the effect of the foregoing.

2. We are an "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act purchasing for our own account or for the account of such an "accredited investor," and we are acquiring the Capital Securities for investment purposes and not with view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Capital Securities, and we and any account for which we are acting are each able to bear the economic risks of our or its investment.

3. We are acquiring the Capital Securities purchased by us for our own account (or for one or more accounts as to each of which we exercise sole investment discretion and have authority to make, and do make, the statements contained in this letter) and not with a view to any distribution of the Capital Securities, subject, nevertheless, to the understanding that the disposition of our property will at all times be and remain within our control.

4. In the event that we purchase any Capital Securities or any Subordinated Debt Securities, we will acquire such Capital Securities having an aggregate stated liquidation amount of not less than \$100,000 or such Subordinated Debt Securities having an aggregate principal amount not less than \$100,000, for our own account and for each separate account for which we are acting.

5. We acknowledge that we either (A) are not a fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (a "Plan"), or an entity whose assets include "plan assets" by reason of any Plan's investment in the entity and are not purchasing the Capital Securities on behalf of or with "plan assets" by reason of any Plan's investment in the entity and are not purchasing the Capital Securities on behalf of or with "plan assets" of any Plan or (B) are eligible for the exemptive relief available under one or more of the following prohibited transaction class exemptions ("PTCEs") issued by the U.S. Department of Labor: PTCE 96-23, 95-60, 91-38, 90-1 or 84-14.

6. We acknowledge that the Trust and the Company and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agree that if any of the acknowledgments, representations, warranties and agreements deemed to have been made by our purchase of the Capital Securities are no longer accurate, we shall promptly notify the Purchaser. If we are acquiring any Capital Securities as a fiduciary or agent for one or more investor accounts, we represent that we have sole discretion

with respect to each such investor account and that we have full power to make the foregoing acknowledgments, representations and agreement on behalf of each such investor account.

You are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

(Name of Purchaser)

By: _____

Date: _____

Upon transfer, the Capital Securities would be registered in the name of the new beneficial owner as follows.

Name: _____

Address: _____

Taxpayer ID Number: _____

FORM OF TRANSFEROR CERTIFICATE
TO BE EXECUTED FOR QIBs

_____, []

Portage Bancshares, Inc.
Portage Bancshares Capital Trust I
1311 East Main Street
Ravenna, Ohio 44266

Re: Purchase of \$1,000 stated liquidation amount of Floating Rate Capital Securities
(the "Capital Securities") of Portage Bancshares Capital Trust I

Reference is hereby made to the Amended and Restated Declaration of Trust of Portage Bancshares Capital Trust I, dated as of March 25, 2004 (the "Declaration"), among Richard J. Coe and John S. Forberg, as Administrators, Wilmington Trust Company, as Delaware Trustee, Wilmington Trust Company, as Institutional Trustee, Portage Bancshares, Inc., as Sponsor, and the holders from time to time of undivided beneficial interests in the assets of Portage Bancshares Capital Trust I. Capitalized terms used but not defined herein shall have the meanings given them in the Declaration.

This letter relates to \$[] aggregate liquidation amount of Capital Securities which are held in the name of [name of transferor] (the "Transferor").

In accordance with Section 8.2(b) of the Declaration, the Transferor does hereby certify that such Capital Securities are being transferred in accordance with (i) the transfer restrictions set forth in the Capital Securities and (ii) Rule 144A under the Securities Act ("Rule 144A"), to a transferee that the Transferor reasonably believes is purchasing the Capital Securities for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.

You are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

(Name of Transferor)

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT NO. 3(b)

000201

PORTAGE BANCSHARES, INC.
as Issuer

INDENTURE

Dated as of March 25, 2004

WILMINGTON TRUST COMPANY
as Trustee

FLOATING RATE JUNIOR SUBORDINATED DEBT SECURITIES DUE 2034

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THIS INDENTURE, dated as of March 25, 2004, between Portage Bancshares, Inc., a bank holding company incorporated in Ohio (hereinafter sometimes called the "Company"), and Wilmington Trust Company, a Delaware banking corporation, as trustee (hereinafter sometimes called the "Trustee").

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its Floating Rate Junior Subordinated Debt Securities due 2034 (the "Debt Securities") under this Indenture and to provide, among other things, for the execution and authentication, delivery and administration thereof, the Company has duly authorized the execution of this Indenture.

NOW, THEREFORE, in consideration of the premises, and the purchase of the Debt Securities by the holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Debt Securities as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions.

The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles and the term "generally accepted accounting principles" means such accounting principles as are generally accepted in the United States at the time of any computation. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Additional Interest" shall have the meaning set forth in Section 3.06.

"Additional Provisions" shall have the meaning set forth in Section 15.01.

"Authenticating Agent" means any agent or agents of the Trustee which at the time shall be appointed and acting pursuant to Section 6.12.

"Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors.

"Board of Directors" means the board of directors or the executive committee or any other duly authorized designated officers of the Company.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banking institutions in Wilmington, Delaware, New York City or Ravenna, Ohio are permitted or required by any applicable law or executive order to close.

"Calculation Agent" means the Person identified as "Trustee" in the first paragraph hereof with respect to the Debt Securities and the Institutional Trustee with respect to the Trust Securities.

"Capital Securities" means undivided beneficial interests in the assets of the Trust which are designated as "Capital Securities" and rank *pari passu* with Common Securities issued by the Trust; provided, however, that if an Event of Default (as defined in the Declaration) has occurred and is continuing, the rights of holders of such Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of such Capital Securities.

"Capital Securities Guarantee" means the guarantee agreement that the Company will enter into with Wilmington Trust Company or other Persons that operates directly or indirectly for the benefit of holders of Capital Securities of the Trust.

"Capital Treatment Event" means the receipt by the Company and the Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision thereof or therein, or as the result of any official or administrative pronouncement or action or decision interpreting or applying such laws, rules or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of original issuance of the Debt Securities, there is more than an insubstantial risk that the Company will not, within 90 days of the date of such opinion, be entitled to treat an amount equal to the aggregate Liquidation Amount of the Capital Securities as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the capital adequacy guidelines of the Federal Reserve (or any successor regulatory authority with jurisdiction over bank holding companies), as then in effect and applicable to the Company, provided, however, that the distribution of the Debt Securities in connection with the liquidation of the Trust by the Company shall not in and of itself constitute a Capital Treatment Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Certificate" means a certificate signed by any one of the principal executive officer, the principal financial officer or the principal accounting officer of the Company.

"Common Securities" means undivided beneficial interests in the assets of the Trust which are designated as "Common Securities" and rank *pari passu* with Capital Securities issued by the Trust; provided, however, that if an Event of Default (as defined in the Declaration) has occurred and is continuing, the rights of holders of such Common Securities to payment in

respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of such Capital Securities.

"Company" means Portage Bancshares, Inc., a bank holding company incorporated in Ohio, and, subject to the provisions of Article XI, shall include its successors and assigns.

"Debt Security" or "Debt Securities" has the meaning stated in the first recital of this Indenture.

"Debt Security Register" has the meaning specified in Section 2.05.

"Declaration" means the Amended and Restated Declaration of Trust of the Trust dated as of March 25, 2004, as amended or supplemented from time to time.

"Default" means any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulted Interest" has the meaning set forth in Section 2.08.

"Deferred Interest" has the meaning set forth in Section 2.11.

"Event of Default" means any event specified in Section 5.01, which has continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

"Extension Period" has the meaning set forth in Section 2.11.

"Federal Reserve" means the Board of Governors of the Federal Reserve System.

"Indenture" means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented, or both.

"Institutional Trustee" has the meaning set forth in the Declaration.

"Interest Payment Date" means January 23, April 23, July 23 and October 23 of each year, commencing on July 23, 2004, during the term of this Indenture.

"Interest Period" has the meaning set forth in Section 2.08.

"Interest Rate" means a per annum rate of interest, reset quarterly, equal to LIBOR, as determined on the LIBOR Determination Date immediately following each Interest Payment Date (except for the first Interest Payment Date), plus 2.85%.

"Investment Company Event" means the receipt by the Company and the Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of a change in law or regulation or written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Trust is or, within 90 days of the date of such opinion will be,

considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the original issuance of the Debt Securities.

"LIBOR" means the London Interbank Offered Rate for three-month U.S. Dollar deposits in Europe as determined by the Calculation Agent according to Section 2.10(b).

"LIBOR Banking Day" has the meaning set forth in Section 2.10(b)(1).

"LIBOR Business Day" has the meaning set forth in Section 2.10(b)(1).

"LIBOR Determination Date" has the meaning set forth in Section 2.10(b).

"Liquidation Amount" means the stated amount of \$1,000 per Trust Security.

"Maturity Date" means April 23, 2034.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the Vice Chairman, the President or any Vice President, and by the Chief Financial Officer, the Treasurer, an Assistant Treasurer, the Comptroller, an Assistant Comptroller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Each such certificate shall include the statements provided for in Section 14.06 if and to the extent required by the provisions of such Section.

"Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or may be other counsel reasonably satisfactory to the Trustee. Each such opinion shall include the statements provided for in Section 14.06 if and to the extent required by the provisions of such Section.

The term "outstanding," when used with reference to Debt Securities, subject to the provisions of Section 7.04, means, as of any particular time, all Debt Securities authenticated and delivered by the Trustee or the Authenticating Agent under this Indenture, except

(a) Debt Securities theretofore canceled by the Trustee or the Authenticating Agent or delivered to the Trustee for cancellation;

(b) Debt Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent); provided, that, if such Debt Securities, or portions thereof, are to be redeemed prior to maturity thereof, notice of such redemption shall have been given as provided in Articles X and XIV or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Debt Securities paid pursuant to Section 2.06 or in lieu of or in substitution for which other Debt Securities shall have been authenticated and delivered

pursuant to the terms of Section 2.06 unless proof satisfactory to the Company and the Trustee is presented that any such Debt Securities are held by bona fide holders in due course.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Debt Security means every previous Debt Security evidencing all or a portion of the same debt as that evidenced by such particular Debt Security; and, for the purposes of this definition, any Debt Security authenticated and delivered under Section 2.06 in lieu of a lost, destroyed or stolen Debt Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Debt Security.

"Principal Office of the Trustee" means the office of the Trustee, at which at any particular time its corporate trust business shall be principally administered, which at all times shall be located within the United States and at the time of the execution of this Indenture shall be Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001.

"Purchase Agreement" means the Purchase Agreement dated as of March 25, 2004 among the Company, the Trust and NBC Capital Markets Group, Inc.

"Redemption Date" has the meaning set forth in Section 10.01.

"Redemption Price" means 100% of the principal amount of the Debt Securities being redeemed plus accrued and unpaid interest on such Debt Securities to the Redemption Date or, in the case of redemption at maturity, the Maturity Date, or, in the case of a redemption due to the occurrence of a Special Event, to the Special Redemption Date if such Special Redemption Date is on or after April 23, 2009.

"Responsible Officer" means, with respect to the Trustee, any officer within the Principal Office of the Trustee with direct responsibility for the administration of the Indenture, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or other officer of the Principal Office of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Securityholder," "holder of Debt Securities" or other similar terms, means any Person in whose name at the time a particular Debt Security is registered on the Debt Security Register.

"Senior Indebtedness" means, with respect to the Company, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of the Company for money borrowed and (B) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the Company; (ii) all capital lease obligations of the Company; (iii) all obligations of the Company issued or assumed as the deferred purchase price of property, all

conditional sale obligations of the Company and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of the Company for the reimbursement of any letter of credit, any banker's acceptance, any security purchase facility, any repurchase agreement or similar arrangement, any interest rate swap, any other hedging arrangement, any obligation under options or any similar credit or other transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other Persons for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other Persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), whether incurred on or prior to the date of this Indenture or thereafter incurred, unless, with the prior approval of the Federal Reserve if not otherwise generally approved, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior or are *pari passu* in right of payment to the Debt Securities.

"Special Event" means any of a Tax Event, an Investment Company Event or a Capital Treatment Event.

"Special Redemption Date" has the meaning set forth in Section 10.02.

"Special Redemption Price" means, with respect to the redemption of any Debt Security following a Special Event, an amount in cash equal to the percentage for the principal amount of the Debt Securities that is specified below for the Special Redemption Date plus unpaid interest accrued thereon to the Special Redemption Date:

<u>Special Event Redemption During Quarter Beginning On</u>	<u>Percentage of Principal Amount</u>
April 23, 2004	104.40
July 23, 2004	104.18
October 23, 2004	103.96
January 23, 2005	103.74
April 23, 2005	103.52
July 23, 2005	103.30
October 23, 2005	103.08
January 23, 2006	102.86
April 23, 2006	102.64
July 23, 2006	102.42
October 23, 2006	102.20
January 23, 2007	101.98
April 23, 2007	101.76
July 23, 2007	101.54
October 23, 2007	101.32
January 23, 2008	101.10
April 23, 2008	100.88
July 23, 2008	100.66

October 23, 2008	100.44
January 23, 2009	100.22
April 23, 2009 and thereafter	100.00

“Subsidiary” means, with respect to any Person, (i) any corporation, at least a majority of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries, (ii) any general partnership, joint venture or similar entity, at least a majority of the outstanding partnership or similar interests of which shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries, and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner. For the purposes of this definition, “voting stock” means shares, interests, participations or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person, other than shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

“Tax Event” means the receipt by the Company and the Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of any amendment to or change (including any announced prospective change) in the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement (including any private letter ruling, technical advice memorandum, regulatory procedure, notice or announcement (an “Administrative Action”)) or judicial decision interpreting or applying such laws or regulations, regardless of whether such Administrative Action or judicial decision is issued to or in connection with a proceeding involving the Company or the Trust and whether or not subject to review or appeal, which amendment, clarification, change, Administrative Action or decision is enacted, promulgated or announced, in each case on or after the date of original issuance of the Debt Securities, there is more than an insubstantial risk that: (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Debt Securities; (ii) interest payable by the Company on the Debt Securities is not, or within 90 days of the date of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes; or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes (including withholding taxes), duties, assessments or other governmental charges.

“Trust” means Portage Bancshares Capital Trust I, the Delaware statutory trust, or any other similar trust created for the purpose of issuing Capital Securities in connection with the issuance of Debt Securities under this Indenture, of which the Company is the sponsor.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended from time-to-time, or any successor legislation.

“Trust Securities” means Common Securities and Capital Securities of Portage Bancshares Capital Trust I.

"Trustee" means the Person identified as "Trustee" in the first paragraph hereof, and, subject to the provisions of Article VI hereof, shall also include its successors and assigns as Trustee hereunder.

"United States" means the United States of America and the District of Columbia.

"U.S. Person" has the meaning given to United States Person as set forth in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended.

ARTICLE II
DEBT SECURITIES

Section 2.01. Authentication and Dating.

Upon the execution and delivery of this Indenture, or from time to time thereafter, Debt Securities in an aggregate principal amount not in excess of \$2,578,000 may be executed and delivered by the Company to the Trustee for authentication, and the Trustee shall thereupon authenticate and make available for delivery said Debt Securities to or upon the written order of the Company, signed by its Chairman of the Board of Directors, Vice Chairman, President or Chief Financial Officer or one of its Vice Presidents, without any further action by the Company hereunder. In authenticating such Debt Securities, and accepting the additional responsibilities under this Indenture in relation to such Debt Securities, the Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon a copy of any Board Resolution or Board Resolutions relating thereto and, if applicable, an appropriate record of any action taken pursuant to such resolution, in each case certified by the Secretary or an Assistant Secretary or other officer with appropriate delegated authority of the Company as the case may be.

The Trustee shall have the right to decline to authenticate and deliver any Debt Securities under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if a Responsible Officer of the Trustee in good faith shall determine that such action would expose the Trustee to personal liability to existing securityholders.

The definitive Debt Securities shall be typed, printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Debt Securities, as evidenced by their execution of such Debt Securities.

Section 2.02. Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication on all Debt Securities shall be in substantially the following form:

This is one of the Debt Securities referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY, not in its individual capacity but solely as trustee

By _____
Authorized Officer

Section 2.03. Form and Denomination of Debt Securities.

The Debt Securities shall be substantially in the form of Exhibit A hereto. The Debt Securities shall be in registered, certificated form without coupons and in minimum denominations of \$100,000 and any multiple of \$1,000 in excess thereof. The Debt Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with

such plans as the officers executing the same may determine with the approval of the Trustee as evidenced by the execution and authentication thereof.

Section 2.04. Execution of Debt Securities.

The Debt Securities shall be signed in the name and on behalf of the Company by the manual or facsimile signature of its Chairman of the Board of Directors, Vice Chairman, President or Chief Financial Officer or one of its Executive Vice Presidents, Senior Vice Presidents or Vice Presidents, under its corporate seal which may be affixed thereto or printed, engraved or otherwise reproduced thereon, by facsimile or otherwise, and which need not be attested. Only such Debt Securities as shall bear thereon a certificate of authentication substantially in the form herein before recited, executed by the Trustee or the Authenticating Agent by the manual signature of an authorized officer, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee or the Authenticating Agent upon any Debt Security executed by the Company shall be conclusive evidence that the Debt Security so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

In case any officer of the Company who shall have signed any of the Debt Securities shall cease to be such officer before the Debt Securities so signed shall have been authenticated and delivered by the Trustee or the Authenticating Agent, or disposed of by the Company, such Debt Securities nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Debt Securities had not ceased to be such officer of the Company; and any Debt Security may be signed on behalf of the Company by such Persons as, at the actual date of the execution of such Debt Security, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such an officer.

Every Debt Security shall be dated the date of its authentication.

Section 2.05. Exchange and Registration of Transfer of Debt Securities.

The Company shall cause to be kept, at the office or agency maintained for the purpose of registration of transfer and for exchange as provided in Section 3.02, a register (the "Debt Security Register") for the Debt Securities issued hereunder in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration and transfer of all Debt Securities as provided in this Article II. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time.

Debt Securities to be exchanged may be surrendered at the Principal Office of the Trustee or at any office or agency to be maintained by the Company for such purpose as provided in Section 3.02, and the Company shall execute, the Company or the Trustee shall register and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in exchange therefor the Debt Security or Debt Securities which the Securityholder making the exchange shall be entitled to receive. Upon due presentment for registration of transfer of any Debt Security at the Principal Office of the Trustee or at any office or agency of the Company maintained for such purpose as provided in Section 3.02, the Company shall

execute, the Company or the Trustee shall register and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in the name of the transferee or transferees a new Debt Security for a like aggregate principal amount. Registration or registration of transfer of any Debt Security by the Trustee or by any agent of the Company appointed pursuant to Section 3.02, and delivery of such Debt Security, shall be deemed to complete the registration or registration of transfer of such Debt Security.

All Debt Securities presented for registration of transfer or for exchange or payment shall (if so required by the Company or the Trustee or the Authenticating Agent) be duly endorsed by, or be accompanied by, a written instrument or instruments of transfer in form satisfactory to the Company and either the Trustee or the Authenticating Agent duly executed by, the holder or such holder's attorney duly authorized in writing.

No service charge shall be made for any exchange or registration of transfer of Debt Securities, but the Company or the Trustee may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in connection therewith.

The Company or the Trustee shall not be required to exchange or register a transfer of any Debt Security for a period of 15 days immediately preceding the date of selection of Debt Securities for redemption.

Notwithstanding the foregoing, Debt Securities may not be transferred except in compliance with the restricted securities legend set forth below, unless otherwise determined by the Company in accordance with applicable law, which legend shall be placed on each Debt Security:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE COMPANY, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN

VIOLOGATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT IN ACCORDANCE WITH THE INDENTURE, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS MAY BE REQUIRED BY THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A PRINCIPAL AMOUNT OF NOT LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A PRINCIPAL AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES, INCLUDING THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"). THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND THE CLAIMS OF GENERAL AND SECURED CREDITORS OF THE COMPANY, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE COMPANY OR ANY OF ITS SUBSIDIARIES AND IS NOT SECURED.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Debt Securities.

In case any Debt Security shall become mutilated or be destroyed, lost or stolen, the Company shall execute, and upon its written request the Trustee shall authenticate and deliver, a new Debt Security bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debt Security, or in lieu of and in substitution for the Debt Security so destroyed, lost or stolen. In every case the applicant for a substituted Debt Security shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee evidence to their satisfaction of the destruction, loss or theft of such Debt Security and of the ownership thereof.

The Trustee may authenticate any such substituted Debt Security and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Debt Security, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Debt Security which has matured or is about to mature or has been called for redemption in full shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Debt Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Debt Security) if the applicant for such payment shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless and, in case of destruction, loss or theft, evidence satisfactory to the Company and to the Trustee of the destruction, loss or theft of such Security and of the ownership thereof.

Every substituted Debt Security issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any such Debt Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen

Debt Security shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debt Securities duly issued hereunder. All Debt Securities shall be held and owned upon the express condition that, to the extent permitted by applicable law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debt Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.07. Temporary Debt Securities.

Pending the preparation of definitive Debt Securities, the Company may execute and the Trustee shall authenticate and make available for delivery temporary Debt Securities that are typed, printed or lithographed. Temporary Debt Securities shall be issuable in any authorized denomination, and substantially in the form of the definitive Debt Securities but with such omissions, insertions and variations as may be appropriate for temporary Debt Securities, all as may be determined by the Company. Every such temporary Debt Security shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Debt Securities. Without unreasonable delay, the Company will execute and deliver to the Trustee or the Authenticating Agent definitive Debt Securities and thereupon any or all temporary Debt Securities may be surrendered in exchange therefor, at the Principal Office of the Trustee or at any office or agency maintained by the Company for such purpose as provided in Section 3.02, and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in exchange for such temporary Debt Securities a like aggregate principal amount of such definitive Debt Securities. Such exchange shall be made by the Company at its own expense and without any charge therefor except that in case of any such exchange involving a registration of transfer the Company may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Until so exchanged, the temporary Debt Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Debt Securities authenticated and delivered hereunder.

Section 2.08. Payment of Interest.

Each Debt Security will bear interest at the then applicable Interest Rate from and including each Interest Payment Date or, in the case of the first interest period, the original date of issuance of such Debt Security to, but excluding, the next succeeding Interest Payment Date or, in the case of the last interest period, the Redemption Date, Special Redemption Date or Maturity Date, as applicable (each such period an "Interest Period"), on the principal thereof, on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on Deferred Interest and on any overdue installment of interest (including Defaulted Interest), payable (subject to the provisions of Article XII) on each Interest Payment Date commencing on July 23, 2004. Interest and any Deferred Interest on any Debt Security that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name said Debt Security (or one or more Predecessor Securities) is registered at the close of business on the regular record date for such interest installment, except that interest and any Deferred Interest payable on the Maturity Date, the Redemption Date or the

Special Redemption Date, as the case may be, shall be paid to the Person to whom principal is paid. In the event that any Debt Security or portion thereof is called for redemption and the redemption date is subsequent to a regular record date with respect to any Interest Payment Date and prior to such Interest Payment Date, interest on such Debt Security will be paid upon presentation and surrender of such Debt Security.

Any interest on any Debt Security, other than Deferred Interest, that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered holder on the relevant regular record date by virtue of having been such holder, and such Defaulted Interest shall be paid by the Company to the Persons in whose names such Debt Securities (or their respective Predecessor Securities) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Debt Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall not be more than fifteen nor less than ten days prior to the date of the proposed payment and not less than ten days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Securityholder at his or her address as it appears in the Debt Security Register, not less than ten days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Debt Securities (or their respective Predecessor Securities) are registered on such special record date and thereafter the Company shall have no further payment obligation in respect of the Defaulted Interest.

Any interest scheduled to become payable on an Interest Payment Date occurring during an Extension Period shall not be Defaulted Interest and shall be payable on such other date as may be specified in the terms of such Debt Securities.

The term "regular record date" as used in this Section shall mean the fifteenth day prior to an Interest Payment Date whether or not such date is a Business Day.

Subject to the foregoing provisions of this Section, each Debt Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Debt Security shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Debt Security.

Section 2.09. Cancellation of Debt Securities Paid, etc.

All Debt Securities surrendered for the purpose of payment, redemption, exchange or registration of transfer, shall, if surrendered to the Company or any paying agent, be surrendered to the Trustee and promptly canceled by it, or, if surrendered to the Trustee or any Authenticating Agent, shall be promptly canceled by it, and no Debt Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. All Debt Securities canceled by any Authenticating Agent shall be delivered to the Trustee. The Trustee shall destroy all canceled Debt Securities unless the Company otherwise directs the Trustee in writing, in which case the Trustee shall dispose of such Debt Securities as directed by the Company. If the Company shall acquire any of the Debt Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Debt Securities unless and until the same are surrendered to the Trustee for cancellation.

Section 2.10. Computation of Interest.

(a) The amount of interest payable for any interest period will be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant interest period; provided, however, that upon the occurrence of a Special Event Redemption pursuant to Section 10.02 the amounts payable pursuant to this Indenture shall be calculated as set forth in the definition of Special Redemption Price.

(b) LIBOR shall be determined by the Calculation Agent for each Interest Period in accordance with the following provisions:

(1) On the second LIBOR Business Day (provided, that on such day commercial banks are open for business (including dealings in foreign currency deposits) in London (a "LIBOR Banking Day"), and otherwise the next preceding LIBOR Business Day that is also a LIBOR Banking Day) prior to January 23, April 23, July 23 and October 23, as the case may be, immediately preceding the commencement of such Interest Period (or, in the case of the first Interest Period, prior to March 25, 2004), (each such day, a "LIBOR Determination Date"), LIBOR shall equal the rate, as obtained by the Calculation Agent for three-month U.S. Dollar deposits in Europe, which appears on Telerate Page 3750 (as defined in the International Swaps and Derivatives Association, Inc. 1991 Interest Rate and Currency Exchange Definitions) or such other page as may replace such Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date, as reported by Bloomberg Financial Markets Commodities News; provided, however, that in the case of the first Interest Period, LIBOR will be interpolated from LIBOR for three-month U.S. Dollar deposits in Europe and LIBOR for four-month U.S. Dollar deposits in Europe on a straight-line basis. "LIBOR Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, New York or Wilmington, Delaware are authorized or obligated by law or executive order to be closed. If such rate is superseded on Telerate Page 3750 by a corrected rate before 12:00 noon (London time) on the same LIBOR Determination Date, the

corrected rate as so substituted will be the applicable LIBOR for that LIBOR Determination Date.

(2) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 as reported by Bloomberg Financial Markets Commodities News or such other page as may replace such Telerate Page 3750, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks (as defined below) to leading banks in the London interbank market for three-month U.S. Dollar deposits in Europe (in an amount determined by the Calculation Agent) by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal the arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such a quotation, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that at least two leading banks in the City of New York (as selected by the Calculation Agent) are quoting on the relevant LIBOR Determination Date for three-month U.S. Dollar deposits in Europe at approximately 11:00 a.m. (London time) (in an amount determined by the Calculation Agent). As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent.

(3) If the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR in effect on the previous LIBOR Determination Date (whether or not LIBOR for such period was in fact determined on such LIBOR Determination Date).

(c) All percentages resulting from any calculations on the Debt Securities will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

(d) On each LIBOR Determination Date, the Calculation Agent shall notify, in writing, the Company and the Paying Agent of the applicable Interest Rate in effect for the related Interest Payment Date. The Calculation Agent shall, upon the request of the holder of any Debt Securities, provide the Interest Rate then in effect. All calculations made by the Calculation Agent in the absence of manifest error shall be conclusive for all purposes and binding on the Company and the Holders of the Debt Securities. The Paying Agent shall be entitled to rely on information received from the Calculation Agent or the Company as to the Interest Rate. The Company shall, from time to time, provide any necessary information to the Paying Agent relating to any original issue discount and interest on the Debt Securities that is included in any payment and reportable for taxable income calculation purposes.

Section 2.11. Extension of Interest Payment Period.

So long as no Event of Default has occurred and is continuing, the Company shall have the right, from time to time and without causing an Event of Default, to defer payments of interest on the Debt Securities by extending the interest payment period on the Debt Securities at any time and from time to time during the term of the Debt Securities, for up to twenty consecutive quarterly periods (each such extended interest payment period, an "Extension Period"), during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). No Extension Period may end on a date other than an Interest Payment Date. During any Extension Period, interest will continue to accrue on the Debt Securities, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue, at the Interest Rate, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, both to the extent permitted by law. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof. At the end of any such Extension Period the Company shall pay all Deferred Interest then accrued and unpaid on the Debt Securities; provided, however, that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date; and provided further, however, that during any such Extension Period, the Company shall be subject to the restrictions set forth in Section 3.08 of this Indenture. Prior to the termination of any Extension Period, the Company may further extend such period, provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed twenty consecutive quarterly periods, or extend beyond the Maturity Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Company may commence a new Extension Period, subject to the foregoing requirements. The Company must give the Trustee notice of its election to begin such Extension Period at least one Business Day prior to the earlier of (i) the next succeeding date on which interest on the Debt Securities would have been payable except for the election to begin such Extension Period or (ii) the date such interest is payable, but in any event not later than the related regular record date. The Trustee shall give notice of the Company's election to begin a new Extension Period to the Securityholders.

Section 2.12. CUSIP Numbers.

The Company in issuing the Debt Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Securityholders; provided, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debt Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debt Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the CUSIP numbers.

ARTICLE III

PARTICULAR COVENANTS OF THE COMPANY

Section 3.01. Payment of Principal, Premium and Interest; Agreed Treatment of the Debt Securities.

(a) The Company covenants and agrees that it will duly and punctually pay or cause to be paid all payments due on the Debt Securities at the place, at the respective times and in the manner provided in this Indenture and the Debt Securities. At the option of the Company, each installment of interest on the Debt Securities may be paid (i) by mailing checks for such interest payable to the order of the holders of Debt Securities entitled thereto as they appear on the Debt Security Register or (ii) by wire transfer to any account with a banking institution located in the United States designated by such Person to the paying agent no later than the related record date.

(b) The Company will treat the Debt Securities as indebtedness, and the interest payable in respect of such Debt Securities as interest, for all U.S. federal income tax purposes. All payments in respect of such Debt Securities will be made free and clear of U.S. withholding tax to any beneficial owner thereof that has provided an Internal Revenue Service Form W-8BEN (or any substitute or successor form) establishing its non-U.S. status for U.S. federal income tax purposes.

(c) As of the date of this Indenture, the Company has no intention to exercise its right under Section 2.11 to defer payments of interest on the Debt Securities by commencing an Extension Period.

(d) As of the date of this Indenture, the Company believes that the likelihood that it would exercise its right under Section 2.11 to defer payments of interest on the Debt Securities by commencing an Extension Period at any time during which the Debt Securities are outstanding is remote because of the restrictions that would be imposed on the Company's ability to declare or pay dividends or distributions on, or to redeem, purchase or make a liquidation payment with respect to, any of its outstanding equity and on the Company's ability to make any payments of principal of or interest on, or repurchase or redeem, any of its debt securities that rank *pari passu* in all respects with (or junior in interest to) the Debt Securities.

Section 3.02. Offices for Notices and Payments, etc.

So long as any of the Debt Securities remain outstanding, the Company will maintain in Wilmington, Delaware or in Ravenna, Ohio an office or agency where the Debt Securities may be presented for payment, an office or agency where the Debt Securities may be presented for registration of transfer and for exchange as provided in this Indenture and an office or agency where notices and demands to or upon the Company in respect of the Debt Securities or of this Indenture may be served. The Company will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. Until otherwise designated from time to time by the Company in a notice to the Trustee, or specified as contemplated by Section 2.05, such office or agency for all of the above purposes shall be the

Principal Office of the Trustee. In case the Company shall fail to maintain any such office or agency in Wilmington, Delaware or in Ravenna, Ohio or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Principal Office of the Trustee.

In addition to any such office or agency, the Company may from time to time designate one or more offices or agencies outside Wilmington, Delaware or Ravenna, Ohio where the Debt Securities may be presented for registration of transfer and for exchange in the manner provided in this Indenture, and the Company may from time to time rescind such designation, as the Company may deem desirable or expedient; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain any such office or agency in Wilmington, Delaware or in Ravenna, Ohio for the purposes above mentioned. The Company will give to the Trustee prompt written notice of any such designation or rescission thereof.

Section 3.03. Appointments to Fill Vacancies in Trustee's Office.

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 6.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 3.04. Provision as to Paying Agent.

(a) If the Company shall appoint a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provision of this Section 3.04,

(1) that it will hold all sums held by it as such agent for the payment of all payments due on the Debt Securities (whether such sums have been paid to it by the Company or by any other obligor on the Debt Securities) in trust for the benefit of the holders of the Debt Securities;

(2) that it will give the Trustee prompt written notice of any failure by the Company (or by any other obligor on the Debt Securities) to make any payment on the Debt Securities when the same shall be due and payable; and

(3) that it will, at any time during the continuance of any Event of Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such paying agent.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the payments due on the Debt Securities, set aside, segregate and hold in trust for the benefit of the holders of the Debt Securities a sum sufficient to pay such principal, premium or interest so becoming due and will notify the Trustee in writing of any failure to take such action and of any failure by the Company (or by any other obligor under the Debt Securities) to make any payment on the Debt Securities when the same shall become due and payable.

Whenever the Company shall have one or more paying agents for the Debt Securities, it will, on or prior to each due date of the payments on the Debt Securities, deposit with a paying agent a sum sufficient to pay all payments so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto and (unless such paying agent is the Trustee) the Company shall promptly notify the Trustee in writing of its action or failure to act.

(c) Anything in this Section 3.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge with respect to the Debt Securities, or for any other reason, pay, or direct any paying agent to pay to the Trustee all sums held in trust by the Company or any such paying agent, such sums to be held by the Trustee upon the same terms and conditions herein contained.

(d) Anything in this Section 3.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 3.04 is subject to Sections 12.03 and 12.04.

(e) The Company hereby initially appoints the Trustee to act as paying agent.

Section 3.05. Certificate to Trustee.

The Company will deliver to the Trustee on or before 120 days after the end of each fiscal year, so long as Debt Securities are outstanding hereunder, a Certificate stating that in the course of the performance by the signers of their duties as officers of the Company they would normally have knowledge of any default by the Company in the performance of any covenants contained herein, stating whether or not they have knowledge of any such default and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

Section 3.06. Additional Interest.

If and for so long as the Trust is the holder of all Debt Securities and is subject to, or otherwise required to pay, or is required to withhold from distributions to holders of Trust Securities, any additional taxes (including withholding taxes), duties, assessments or other governmental charges as a result of a Tax Event, the Company will pay such additional amounts (the "Additional Interest") on the Debt Securities as shall be required so that the net amounts received and retained by the Trust after paying taxes, duties, assessments or other governmental charges will be equal to the amounts the Trust would have received if no such taxes, duties, assessments or other governmental charges had been imposed. Whenever in this Indenture or the Debt Securities there is a reference in any context to the payment of principal of or interest on the Debt Securities, such mention shall be deemed to include mention of payments of the Additional Interest provided for in this paragraph to the extent that, in such context, Additional Interest is, was or would be payable in respect thereof pursuant to the provisions of this paragraph and express mention of the payment of Additional Interest (if applicable) in any provisions hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made, provided, however, that the deferral of the payment of interest during an Extension Period pursuant to Section 2.11 shall not defer the payment of any Additional Interest that may be due and payable.

Section 3.07. Compliance with Consolidation Provisions.

The Company will not, while any of the Debt Securities remain outstanding, consolidate with, or merge into any other Person, or merge into itself, or sell or convey all or substantially all of its property to any other Person unless the provisions of Article XI hereof are complied with.

Section 3.08. Limitation on Dividends.

If Debt Securities are initially issued to the Trust or a trustee of such Trust in connection with the issuance of Trust Securities by the Trust (regardless of whether Debt Securities continue to be held by such Trust) and (i) there shall have occurred and be continuing an Event of Default, (ii) the Company shall be in default with respect to its payment of any obligations under the Capital Securities Guarantee or (iii) the Company shall have given notice of its election to defer payments of interest on the Debt Securities by extending the interest payment period as provided herein and such period, or any extension thereof, shall have commenced and be continuing, then the Company may not (A) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (B) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank *pari passu* in all respects with or junior in interest to the Debt Securities (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company (I) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, (II) in connection with a dividend reinvestment or stockholder stock purchase plan or (III) in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the occurrence of (i), (ii) or (iii) above; (b) as a result of any exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock).

Section 3.09. Covenants as to the Trust.

For so long as such Trust Securities remain outstanding, the Company shall maintain 100% ownership of the Common Securities; provided, however, that any permitted successor of the Company under this Indenture that is a U.S. Person may succeed to the Company's ownership of such Common Securities. The Company, as owner of the Common Securities, shall use commercially reasonable efforts to cause the Trust (a) to remain a statutory

trust, except in connection with a distribution of Debt Securities to the holders of Trust Securities in liquidation of the Trust, the redemption of all of the Trust Securities or certain mergers, consolidations or amalgamations, each as permitted by the Declaration, (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes and (c) to cause each holder of Trust Securities to be treated as owning an undivided beneficial interest in the Debt Securities.

ARTICLE IV

LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 4.01. Securityholders' Lists.

The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee:

(a) on each regular record date for an Interest Payment Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Securityholders of the Debt Securities as of such record date; and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

except that no such lists need be furnished under this Section 4.01 so long as the Trustee is in possession thereof by reason of its acting as Debt Security registrar.

Section 4.02. Preservation and Disclosure of Lists.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Debt Securities (1) contained in the most recent list furnished to it as provided in Section 4.01 or (2) received by it in the capacity of Debt Securities registrar (if so acting) hereunder. The Trustee may destroy any list furnished to it as provided in Section 4.01 upon receipt of a new list so furnished.

(b) In case three or more holders of Debt Securities (hereinafter referred to as "applicants") apply in writing to the Trustee and furnish to the Trustee reasonable proof that each such applicant has owned a Debt Security for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Debt Securities with respect to their rights under this Indenture or under such Debt Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall within five Business Days after the receipt of such application, at its election, either:

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02, or

(2) inform such applicants as to the approximate number of holders of Debt Securities whose names and addresses appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02, and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

- If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Securityholder of Debt Securities whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02 a copy of the form of proxy or other communication which is specified in such request with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Securities and Exchange Commission, if permitted or required by applicable law, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of all Debt Securities, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If said Commission, as permitted or required by applicable law, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, said Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Securityholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of Debt Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Debt Securities in accordance with the provisions of subsection (b) of this Section 4.02, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (b).

Section 4.03. Financial and Other Information.

(a) The Company shall deliver to each holder of the Capital Securities (1) each report on Form 10-K and Form 10-Q prepared by the Company and any Subsidiaries (as defined in the Purchase Agreement) and filed with the Securities and Exchange Commission in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), within 90 days after the filing of each Form 10-K and within 30 days after the filing of each Form 10-Q (or such earlier number of days prescribed by the Securities and Exchange Commission for the filing of such Form by companies subject to the information reporting requirements of the Exchange Act), (2) if the Company or any of its Subsidiaries is not then (y) subject to Section 13 or 15(d) of the Exchange Act or (z) exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the audited annual financial statements of the Company and any Subsidiaries within

90 days after the end of the fiscal year, and (3) within 30 days after the end of the fiscal year of the Company and any of its Subsidiaries, Form 1099 or such other annual U.S. federal income tax information statement required by the Internal Revenue Code of 1986, as amended (the "Code"), containing such information with regard to the Debt Securities held by such holder as is required by the Code and the income tax regulations of the U.S. Treasury thereunder.

(b) If and so long as the Holder of the Capital Securities is an issuer of collateralized debt obligations or an entity that holds a pool of trust preferred securities and/or debt securities or a trustee thereof, the Company will cause copies of its reports on Form FR Y-9C and Form FR Y-9LP to be delivered to the Holder promptly following their filing with the Federal Reserve.

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ARTICLE V

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS UPON AN EVENT OF DEFAULT

Section 5.01. Events of Default.

The following events shall be "Events of Default" with respect to Debt Securities:

(a) the Company defaults in the payment of any interest upon any Debt Security when it becomes due and payable, and continuance of such default for a period of 30 days; for the avoidance of doubt, an extension of any interest payment period by the Company in accordance with Section 2.11 of this Indenture shall not constitute a default under this clause 5.01(a); or

(b) the Company defaults in the payment of all or any part of the principal of (or premium, if any, on) any Debt Securities as and when the same shall become due and payable either at maturity, upon redemption, by declaration of acceleration or otherwise; or

(c) the Company defaults in the performance of, or breaches, any of its covenants or agreements in Sections 3.06, 3.07, 3.08 or 3.09 of this Indenture (other than a covenant or agreement a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or orders the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or of any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(f) the Trust shall have voluntarily or involuntarily liquidated, dissolved, wound-up its business or otherwise terminated its existence except in connection with (1) the distribution of the Debt Securities to holders of the Trust Securities in liquidation of their interests in the Trust, (2) the redemption of all of the outstanding Trust Securities or (3) certain mergers, consolidations or amalgamations, each as permitted by the Declaration.

If an Event of Default occurs and is continuing with respect to the Debt Securities, then, and in each and every such case, unless the principal of the Debt Securities shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debt Securities then outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the entire principal of the Debt Securities and the interest accrued, but unpaid, thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal of the Debt Securities shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, (i) the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Debt Securities and all payments on the Debt Securities which shall have become due otherwise than by acceleration (with interest upon all such payments and Deferred Interest, to the extent permitted by law) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other amounts due to the Trustee pursuant to Section 6.06, if any, and (ii) all Events of Default under this Indenture, other than the non-payment of the payments on Debt Securities which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the holders of a majority in aggregate principal amount of the Debt Securities then outstanding, by written notice to the Company and to the Trustee, may waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the holders of the Debt Securities shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and

powers of the Company, the Trustee and the holders of the Debt Securities shall continue as though no such proceeding had been taken.

Section 5.02. Payment of Debt Securities on Default; Suit Therefor.

The Company covenants that upon the occurrence of an Event of Default pursuant to clause 5.01(a) or 5.01(b) and upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Debt Securities, the whole amount that then shall have become due and payable on all Debt Securities, including Deferred Interest accrued on the Debt Securities; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and any other amounts due to the Trustee under Section 6.06. In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on such Debt Securities and collect in the manner provided by law out of the property of the Company or any other obligor on such Debt Securities wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Debt Securities under Bankruptcy Law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any other similar judicial proceedings relative to the Company or other obligor upon the Debt Securities, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Debt Securities shall then be due and payable as therein expressed or by declaration of acceleration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Debt Securities and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all other amounts due to the Trustee under Section 6.06) and of the Securityholders allowed in such judicial proceedings relative to the Company or any other obligor on the Debt Securities, or to the creditors or property of the Company or such other obligor, unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Debt Securities in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or Person performing similar functions in comparable proceedings, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Securityholders to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable

compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other amounts due to the Trustee under Section 6.06.

Nothing herein contained shall be construed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Debt Securities or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Debt Securities, may be enforced by the Trustee without the possession of any of the Debt Securities, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of the Debt Securities.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Debt Securities, and it shall not be necessary to make any holders of the Debt Securities parties to any such proceedings.

Section 5.03. Application of Moneys Collected by Trustee.

Any moneys collected by the Trustee shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the several Debt Securities in respect of which moneys have been collected, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

First: To the payment of costs and expenses incurred by, and reasonable fees of, the Trustee, its agents, attorneys and counsel, and of all other amounts due to the Trustee under Section 6.06;

Second: To the payment of all Senior Indebtedness of the Company if and to the extent required by Article XV;

Third: To the payment of the amounts then due and unpaid upon Debt Securities, in respect of which or for the benefit of which money has been collected, ratably, without preference or priority of any kind, according to the amounts due on such Debt Securities; and

Fourth: The balance, if any, to the Company.

Section 5.04. Proceedings by Securityholders.

No holder of any Debt Security shall have any right to institute any suit, action or proceeding for any remedy hereunder, unless such holder previously shall have given to the Trustee written notice of an Event of Default with respect to the Debt Securities and unless the holders of not less than 25% in aggregate principal amount of the Debt Securities then outstanding shall have given the Trustee a written request to institute such action, suit or

proceeding and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action, suit or proceeding; provided, that no holder of Debt Securities shall have any right to prejudice the rights of any other holder of Debt Securities, obtain priority or preference over any other such holder or enforce any right under this Indenture except in the manner herein provided and for the equal, ratable and common benefit of all holders of Debt Securities.

Notwithstanding any other provisions in this Indenture, however, the right of any holder of any Debt Security to receive payment of the principal of, premium, if any, and interest on such Debt Security when due, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder. For the protection and enforcement of the provisions of this Section, each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 5.05. Proceedings by Trustee.

In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 5.06. Remedies Cumulative and Continuing.

Except as otherwise provided in Section 2.06, all powers and remedies given by this Article V to the Trustee or to the Securityholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other powers and remedies available to the Trustee or the holders of the Debt Securities, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture or otherwise established with respect to the Debt Securities, and no delay or omission of the Trustee or of any holder of any of the Debt Securities to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.04, every power and remedy given by this Article V or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

Section 5.07. Direction of Proceedings and Waiver of Defaults by Majority of Securityholders.

The holders of a majority in aggregate principal amount of the Debt Securities affected (voting as one class) at the time outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to such Debt Securities;

provided, however, that (subject to the provisions of Section 6.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine that the action so directed would be unjustly prejudicial to the holders not taking part in such direction or if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if a Responsible Officer of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability. Prior to any declaration accelerating the maturity of the Debt Securities, the holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding may on behalf of the holders of all of the Debt Securities waive (or modify any previously granted waiver of) any past default or Event of Default and its consequences, except a default (a) in the payment of principal of, premium, if any, or interest on any of the Debt Securities, (b) in respect of covenants or provisions hereof which cannot be modified or amended without the consent of the holder of each Debt Security affected, or (c) in respect of the covenants contained in Section 3.09; provided, however, that if the Debt Securities are held by the Trust or a trustee of such trust, such waiver or modification to such waiver shall not be effective until the holders of a majority in liquidation preference of the Trust Securities of the Trust shall have consented to such waiver or modification to such waiver; provided, further, that if the consent of the holder of each outstanding Debt Security is required, such waiver shall not be effective until each holder of the Trust Securities of the Trust shall have consented to such waiver. Upon any such waiver, the default covered thereby shall be deemed to be cured for all purposes of this Indenture and the Company, the Trustee and the holders of the Debt Securities shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 5.07, said default or Event of Default shall for all purposes of the Debt Securities and this Indenture be deemed to have been cured and to be not continuing.

Section 5.08. Notice of Defaults.

The Trustee shall, within 90 days after a Responsible Officer of the Trustee shall have actual knowledge or received written notice of the occurrence of a default with respect to the Debt Securities, mail to all Securityholders, as the names and addresses of such holders appear upon the Debt Security Register, notice of all defaults with respect to the Debt Securities known to the Trustee; unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purpose of this Section 5.08 being hereby defined to be the events specified in subsections (a), (b), (c), (d) and (e) of Section 5.01, not including periods of grace, if any, provided for therein); provided, that, except in the case of default in the payment of the principal of, premium, if any, or interest on any of the Debt Securities, the Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders.

Section 5.09. Undertaking to Pay Costs.

All parties to this Indenture agree, and each holder of any Debt Security by such holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party

litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in principal amount of the Debt Securities outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Debt Security against the Company on or after the same shall have become due and payable.

ARTICLE VI

CONCERNING THE TRUSTEE

Section 6.01. Duties and Responsibilities of Trustee.

With respect to the holders of Debt Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the Debt Securities and after the curing or waiving of all Events of Default which may have occurred, with respect to the Debt Securities, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to the Debt Securities has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default with respect to the Debt Securities and after the curing or waiving of all Events of Default which may have occurred

(1) the duties and obligations of the Trustee with respect to the Debt Securities shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations with respect to the Debt Securities as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith, in accordance with the direction of the Securityholders pursuant to Section 5.07, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(d) the Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Debt Securities unless either (1) a Responsible Officer shall have actual knowledge of such Default or Event of Default or (2) written notice of such Default or Event of Default shall have been given to the Trustee by the Company or any other obligor on the Debt Securities or by any holder of the Debt Securities, except with respect to an Event of Default pursuant to Sections 5.01(a) or 5.01(b) hereof (other than an Event of Default resulting from the default in the payment of Additional Interest or premium, if any, if the Trustee does not have actual knowledge or written notice that such payment is due and payable), of which the Trustee shall be deemed to have knowledge.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 6.02. Reliance on Documents, Opinions, etc.

Except as otherwise provided in Section 6.01:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, note, debenture or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel of its selection and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders, pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; nothing contained herein shall, however, relieve the Trustee of the obligation, upon the occurrence of an Event of Default with respect to the Debt Securities (that has not been cured or waived) to exercise with respect to the Debt Securities such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, coupon or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the outstanding Debt Securities affected thereby; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expense or liability as a condition to so proceeding; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents (including any Authenticating Agent) or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed by it with due care.

Section 6.03. No Responsibility for Recitals, etc.

The recitals contained herein and in the Debt Securities (except in the certificate of authentication of the Trustee or the Authenticating Agent) shall be taken as the statements of the Company and the Trustee and the Authenticating Agent assume no responsibility for the correctness of the same. The Trustee and the Authenticating Agent make no representations as to the validity or sufficiency of this Indenture or of the Debt Securities. The Trustee and the Authenticating Agent shall not be accountable for the use or application by the Company of any Debt Securities or the proceeds of any Debt Securities authenticated and delivered by the Trustee or the Authenticating Agent in conformity with the provisions of this Indenture.

Section 6.04. Trustee, Authenticating Agent, Paying Agents, Transfer Agents or Registrar May Own Debt Securities.

The Trustee or any Authenticating Agent or any paying agent or any transfer agent or any Debt Security registrar, in its individual or any other capacity, may become the owner or pledgee of Debt Securities with the same rights it would have if it were not Trustee, Authenticating Agent, paying agent, transfer agent or Debt Security registrar.

Section 6.05. Moneys to be Held in Trust.

Subject to the provisions of Section 12.04, all moneys received by the Trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purpose for which they were received, but need not be segregated from other funds except to the extent

required by law. The Trustee and any paying agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company. So long as no Event of Default shall have occurred and be continuing, all interest allowed on any such moneys, if any, shall be paid from time to time to the Company upon the written order of the Company, signed by the Chairman of the Board of Directors, the President, the Chief Operating Officer, a Vice President, the Treasurer or an Assistant Treasurer of the Company.

Section 6.06. Compensation and Expenses of Trustee.

The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation as shall be agreed to in writing between the Company and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee upon its written request for all documented reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance that arises from its negligence or bad faith. The Company also covenants to indemnify each of the Trustee (including in its individual capacity) and any predecessor Trustee (and its officers, agents, directors and employees) for, and to hold it harmless against, any and all loss, damage, claim, liability or expense including taxes (other than taxes based on the income of the Trustee), except to the extent such loss, damage, claim, liability or expense results from the negligence or bad faith of such indemnitee, arising out of or in connection with the acceptance or administration of this Trust, including the costs and expenses of defending itself against any claim or liability in the premises. The obligations of the Company under this Section 6.06 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for documented expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Debt Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Debt Securities.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in subsections (d), (e) or (f) of Section 5.01, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the resignation or removal of the Trustee and the defeasance or other termination of this Indenture.

Section 6.07. Officers' Certificate as Evidence.

Except as otherwise provided in Sections 6.01 and 6.02, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the

absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 6.08. Eligibility of Trustee.

The Trustee hereunder shall at all times be a U.S. Person that is a banking corporation or national association organized and doing business under the laws of the United States of America or any state thereof or of the District of Columbia and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least fifty million U.S. dollars (\$50,000,000) and subject to supervision or examination by federal, state, or District of Columbia authority. If such corporation or national association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.08 the combined capital and surplus of such corporation or national association shall be deemed to be its combined capital and surplus as set forth in its most recent records of condition so published.

The Company may not, nor may any Person directly or indirectly controlling, controlled by, or under common control with the Company, serve as Trustee, notwithstanding that such corporation or national association shall be otherwise eligible and qualified under this Article.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.08, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.09.

If the Trustee has or shall acquire any "conflicting interest" within the meaning of § 310(b) of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to this Indenture.

Section 6.09. Resignation or Removal of Trustee.

(a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign by giving written notice of such resignation to the Company and by mailing notice thereof, at the Company's expense, to the holders of the Debt Securities at their addresses as they shall appear on the Debt Security Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee or trustees by written instrument, in duplicate, executed by order of its Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation to the affected Securityholders, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Securityholder who has been a bona fide holder of a Debt Security or Debt Securities for at least six months may, subject to the provisions of Section 5.09, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor Trustee. Such court

may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

(b) In case at any time any of the following shall occur --

(1) the Trustee shall fail to comply with the provisions of the last paragraph of Section 6.08 after written request therefor by the Company or by any Securityholder who has been a bona fide holder of a Debt Security or Debt Securities for at least six months,

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.08 and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Company may remove the Trustee and appoint a successor Trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee, or, subject to the provisions of Section 5.09, if no successor Trustee shall have been so appointed and have accepted appointment within 30 days of the occurrence of any of (1),(2) or (3) above, any Securityholder who has been a bona fide holder of a Debt Security or Debt Securities for at least six months may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) Upon prior written notice to the Company and the Trustee, the holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding may at any time remove the Trustee and nominate a successor Trustee, which shall be deemed appointed as successor Trustee unless within ten Business Days after such nomination the Company objects thereto, in which case or in the case of a failure by such holders to nominate a successor Trustee, the Trustee so removed or any Securityholder, upon the terms and conditions and otherwise as in subsection (a) of this Section 6.09 provided, may petition any court of competent jurisdiction for an appointment of a successor.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section 6.09 shall become effective upon acceptance of appointment by the successor Trustee as provided in Section 6.10.

Section 6.10. Acceptance by Successor Trustee.

Any successor Trustee appointed as provided in Section 6.09 shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the retiring Trustee

shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations with respect to the Debt Securities of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor Trustee, the Trustee ceasing to act shall, upon payment of the amounts then due it pursuant to the provisions of Section 6.06, execute and deliver an instrument transferring to such successor Trustee all the rights and powers of the Trustee so ceasing to act and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Trustee all such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to the provisions of Section 6.06.

If a successor Trustee is appointed, the Company, the retiring Trustee and the successor Trustee shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities as to which the predecessor Trustee is not retiring shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the Trust hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee shall accept appointment as provided in this Section 6.10 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 6.08.

In no event shall a retiring Trustee be liable for the acts or omissions of any successor Trustee hereunder.

Upon acceptance of appointment by a successor Trustee as provided in this Section 6.10, the Company shall mail notice of the succession of such Trustee hereunder to the holders of Debt Securities at their addresses as they shall appear on the Debt Security Register. If the Company fails to mail such notice within ten Business Days after the acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Company.

Section 6.11. Succession by Merger, etc.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of

any of the parties hereto; provided, that such corporation shall be otherwise eligible and qualified under this Article.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Debt Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Debt Securities so authenticated; and in case at that time any of the Debt Securities shall not have been authenticated, any successor to the Trustee may authenticate such Debt Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Debt Securities or in this Indenture provided that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Debt Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 6.12. Authenticating Agents.

There may be one or more Authenticating Agents appointed by the Trustee upon the request of the Company with power to act on its behalf and subject to its direction in the authentication and delivery of Debt Securities issued upon exchange or registration of transfer thereof as fully to all intents and purposes as though any such Authenticating Agent had been expressly authorized to authenticate and deliver Debt Securities; provided, that the Trustee shall have no liability to the Company for any acts or omissions of the Authenticating Agent with respect to the authentication and delivery of Debt Securities. Any such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States or of any state or territory thereof or of the District of Columbia authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of at least \$50,000,000 and being subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section 6.12 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect herein specified in this Section.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section 6.12 without the execution or filing of any paper or any further act on the part of the parties hereto or such Authenticating Agent.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent with respect to the Debt Securities by giving written notice

of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 6.12, the Trustee may, and upon the request of the Company shall, promptly appoint a successor Authenticating Agent eligible under this Section 6.12, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all holders of Debt Securities as the names and addresses of such holders appear on the Debt Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities with respect to the Debt Securities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein.

The Company agrees to pay to any Authenticating Agent from time to time reasonable compensation for its services. Any Authenticating Agent shall have no responsibility or liability for any action taken by it as such in accordance with the directions of the Trustee.

ARTICLE VII

CONCERNING THE SECURITYHOLDERS

Section 7.01. Action by Securityholders.

Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Debt Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Securityholders in person or by agent or proxy appointed in writing, or (b) by the record of such holders of Debt Securities voting in favor thereof at any meeting of such Securityholders duly called and held in accordance with the provisions of Article VIII, or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Securityholders or (d) by any other method the Trustee deems satisfactory.

If the Company shall solicit from the Securityholders any request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same, the Company may, at its option, as evidenced by an Officers' Certificate, fix in advance a record date for such Debt Securities for the determination of Securityholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same may be given before or after the record date, but only the Securityholders of record at the close of business on the record date shall be deemed to be Securityholders for the purposes of determining whether Securityholders of the requisite proportion of outstanding Debt Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same, and for that purpose the outstanding Debt Securities shall be computed as of the record date; provided, however, that no such authorization, agreement or consent by such Securityholders on the record date shall be deemed

effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

Section 7.02. Proof of Execution by Securityholders.

Subject to the provisions of Sections 6.01, 6.02 and 8.05, proof of the execution of any instrument by a Securityholder or such Securityholder's agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The ownership of Debt Securities shall be proved by the Debt Security Register or by a certificate of the Debt Security registrar. The Trustee may require such additional proof of any matter referred to in this Section as it shall deem necessary.

The record of any Securityholders' meeting shall be proved in the manner provided in Section 8.06.

Section 7.03. Who Are Deemed Absolute Owners.

Prior to due presentment for registration of transfer of any Debt Security, the Company, the Trustee, any Authenticating Agent, any paying agent, any transfer agent and any Debt Security registrar may deem the Person in whose name such Debt Security shall be registered upon the Debt Security Register to be, and may treat such Person as, the absolute owner of such Debt Security (whether or not such Debt Security shall be overdue) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Debt Security and for all other purposes; and neither the Company nor the Trustee nor any Authenticating Agent nor any paying agent nor any transfer agent nor any Debt Security registrar shall be affected by any notice to the contrary. All such payments so made to any holder for the time being or upon such holder's order shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Debt Security.

Section 7.04. Debt Securities Owned by Company Deemed Not Outstanding.

In determining whether the holders of the requisite aggregate principal amount of Debt Securities have concurred in any direction, consent or waiver under this Indenture, Debt Securities which are owned by the Company or any other obligor on the Debt Securities or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Debt Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided, that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Debt Securities which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Debt Securities so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 7.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debt Securities and that the pledgee is not the Company or any such other obligor or Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any

such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 7.05. Revocation of Consents; Future Holders Bound.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 7.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Debt Securities specified in this Indenture in connection with such action, any holder (in cases where no record date has been set pursuant to Section 7.01) or any holder as of an applicable record date (in cases where a record date has been set pursuant to Section 7.01) of a Debt Security (or any Debt Security issued in whole or in part in exchange or substitution therefor) the serial number of which is shown by the evidence to be included in the Debt Securities the holders of which have consented to such action may, by filing written notice with the Trustee at the Principal Office of the Trustee and upon proof of holding as provided in Section 7.02, revoke such action so far as concerns such Debt Security (or so far as concerns the principal amount represented by any exchanged or substituted Debt Security). Except as aforesaid any such action taken by the holder of any Debt Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Debt Security, and of any Debt Security issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon such Debt Security or any Debt Security issued in exchange or substitution therefor.

ARTICLE VIII

SECURITYHOLDERS' MEETINGS

Section 8.01. Purposes of Meetings.

A meeting of Securityholders may be called at any time and from time to time pursuant to the provisions of this Article VIII for any of the following purposes:

- (a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Securityholders pursuant to any of the provisions of Article V;
- (b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article VI;
- (c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or
- (d) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of such Debt Securities under any other provision of this Indenture or under applicable law.

Section 8.02. Call of Meetings by Trustee.

The Trustee may at any time call a meeting of Securityholders to take any action specified in Section 8.01, to be held at such time and at such place in New York or Wilmington, Delaware, as the Trustee shall determine. Notice of every meeting of the Securityholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed to holders of Debt Securities affected at their addresses as they shall appear on the Debt Securities Register. Such notice shall be mailed not less than 20 nor more than 180 days prior to the date fixed for the meeting.

Section 8.03. Call of Meetings by Company or Securityholders.

In case at any time the Company pursuant to a Board Resolution, or the holders of at least 10% in aggregate principal amount of the Debt Securities, as the case may be, then outstanding, shall have requested the Trustee to call a meeting of Securityholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Securityholders may determine the time and the place in Ravenna, Ohio for such meeting and may call such meeting to take any action authorized in Section 8.01, by mailing notice thereof as provided in Section 8.02.

Section 8.04. Qualifications for Voting.

To be entitled to vote at any meeting of Securityholders a Person shall be (a) a holder of one or more Debt Securities with respect to which the meeting is being held or (b) a Person appointed by an instrument in writing as proxy by a holder of one or more such Debt Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 8.05. Regulations.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Securityholders, in regard to proof of the holding of Debt Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Securityholders as provided in Section 8.03, in which case the Company or the Securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote at the meeting.

Subject to the provisions of Section 7.04, at any meeting each holder of Debt Securities with respect to which such meeting is being held or proxy therefor shall be entitled to one vote for each \$1,000 principal amount of Debt Securities held or represented by such holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Debt

Security challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Debt Securities held by such chairman or instruments in writing as aforesaid duly designating such chairman as the Person to vote on behalf of other Securityholders. Any meeting of Securityholders duly called pursuant to the provisions of Section 8.02 or 8.03 may be adjourned from time to time by a majority of those present, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 8.06. Voting.

The vote upon any resolution submitted to any meeting of holders of Debt Securities with respect to which such meeting is being held shall be by written ballots on which shall be subscribed the signatures of such holders or of their representatives by proxy and the serial number or numbers of the Debt Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 8.02. The record shall show the serial numbers of the Debt Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 8.07. Quorum; Actions.

The Persons entitled to vote a majority in outstanding principal amount of the Debt Securities shall constitute a quorum for a meeting of Securityholders; provided, however, that if any action is to be taken at such meeting with respect to a consent, waiver, request, demand, notice, authorization, direction or other action which may be given by the holders of not less than a specified percentage in outstanding principal amount of the Debt Securities, the Persons holding or representing such specified percentage in outstanding principal amount of the Debt Securities will constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Securityholders, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the permanent chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the permanent chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 8.02, except that such notice need be given only once not less than five days prior to the date on which

the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the outstanding principal amount of the Debt Securities which shall constitute a quorum.

Except as limited by the proviso in the first paragraph of Section 9.02, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the holders of not less than a majority in outstanding principal amount of the Debt Securities; provided, however, that, except as limited by the proviso in the first paragraph of Section 9.02, any resolution with respect to any consent, waiver, request, demand, notice, authorization, direction or other action that this Indenture expressly provides may be given by the holders of not less than a specified percentage in outstanding principal amount of the Debt Securities may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid only by the affirmative vote of the holders of not less than such specified percentage in outstanding principal amount of the Debt Securities.

Any resolution passed or decision taken at any meeting of holders of Debt Securities duly held in accordance with this Section shall be binding on all the Securityholders, whether or not present or represented at the meeting.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures without Consent of Securityholders.

The Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto, without the consent of the Securityholders, for one or more of the following purposes:

- (a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company, pursuant to Article XI hereof;
- (b) to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the holders of Debt Securities as the Board of Directors shall consider to be for the protection of the holders of such Debt Securities, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;
- (c) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other

provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture; provided, that any such action shall not adversely affect the interests of the holders of the Debt Securities;

(d) to add to, delete from, or revise the terms of Debt Securities, including, without limitation, any terms relating to the issuance, exchange, registration or transfer of Debt Securities, including to provide for transfer procedures and restrictions substantially similar to those applicable to the Capital Securities, as required by Section 2.05 (for purposes of assuring that no registration of Debt Securities is required under the Securities Act of 1933, as amended); provided, that any such action shall not adversely affect the interests of the holders of the Debt Securities then outstanding (it being understood, for purposes of this proviso, that transfer restrictions on Debt Securities substantially similar to those applicable to Capital Securities shall not be deemed to adversely affect the holders of the Debt Securities);

(e) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Debt Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.10;

(f) to make any change (other than as elsewhere provided in this paragraph) that does not adversely affect the rights of any Securityholder in any material respect; or

(g) to provide for the issuance of and establish the form and terms and conditions of the Debt Securities, to establish the form of any certifications required to be furnished pursuant to the terms of this Indenture or the Debt Securities, or to add to the rights of the holders of Debt Securities.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Debt Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

Section 9.02. Supplemental Indentures with Consent of Securityholders.

With the consent (evidenced as provided in Section 7.01) of the holders of not less than a majority in aggregate principal amount of the Debt Securities at the time outstanding affected by such supplemental indenture (voting as a class), the Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act, then in effect, applicable to indentures qualified thereunder) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the

Debt Securities; provided, however, that no such supplemental indenture shall without such consent of the holders of each Debt Security then outstanding and affected thereby (i) extend the fixed maturity of any Debt Security, or reduce the principal amount thereof or any premium thereon, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof or make the principal thereof or any interest or premium thereon payable in any coin or currency other than that provided in the Debt Securities, or impair or affect the right of any Securityholder to institute suit for payment thereof or impair the right of repayment, if any, at the option of the holder, or (ii) reduce the aforesaid percentage of Debt Securities the holders of which are required to consent to any such supplemental indenture; and provided, further, that if the Debt Securities are held by the Trust or a trustee of such trust, such supplemental indenture shall not be effective until the holders of a majority in liquidation preference of the Trust Securities shall have consented to such supplemental indenture; provided, further, that if the consent of the Securityholder of each outstanding Debt Security is required, such supplemental indenture shall not be effective until each holder of the Trust Securities shall have consented to such supplemental indenture.

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall transmit by mail, first class postage prepaid, a notice, prepared by the Company, setting forth in general terms the substance of such supplemental indenture, to the Securityholders as their names and addresses appear upon the Debt Security Register. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 9.03. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Debt Securities shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.04. Notation on Debt Securities.

Debt Securities authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Debt Securities so modified as to conform, in the opinion of the Board of Directors of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee or the Authenticating Agent and delivered in exchange for the Debt Securities then outstanding.

Section 9.05. Evidence of Compliance of Supplemental Indenture to be Furnished to Trustee.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, shall, in addition to the documents required by Section 14.06, receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article IX. The Trustee shall receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article IX is authorized or permitted by, and conforms to, the terms of this Article IX and that it is proper for the Trustee under the provisions of this Article IX to join in the execution thereof.

ARTICLE X

REDEMPTION OF SECURITIES

Section 10.01. Optional Redemption.

At any time the Company shall have the right, subject to the receipt by the Company of prior approval from the Federal Reserve, if then required under applicable capital guidelines or policies of the Federal Reserve, to redeem the Debt Securities, in whole or in part, on any January 23, April 23, July 23 and October 23 on or after April 23, 2009 (the "Redemption Date"), at the Redemption Price.

Section 10.02. Special Event Redemption.

If a Special Event shall occur and be continuing, the Company shall have the right, subject to the receipt by the Company of prior approval from the Federal Reserve if then required under applicable capital guidelines or policies of the Federal Reserve, to redeem the Debt Securities, in whole but not in part, at any time within 90 days following the occurrence of such Special Event (the "Special Redemption Date"), at the Special Redemption Price.

Section 10.03. Notice of Redemption; Selection of Debt Securities.

In case the Company shall desire to exercise the right to redeem all, or, as the case may be, any part of the Debt Securities, it shall fix a date for redemption and shall mail a notice of such redemption at least 30 and not more than 60 days prior to the date fixed for redemption to the holders of Debt Securities so to be redeemed as a whole or in part at their last addresses as

the same appear on the Debt Security Register. Such mailing shall be by first class mail. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Debt Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Debt Security.

Each such notice of redemption shall specify the CUSIP number, if any, of the Debt Securities to be redeemed, the date fixed for redemption, the redemption price at which Debt Securities are to be redeemed, the place or places of payment, that payment will be made upon presentation and surrender of such Debt Securities, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. If less than all the Debt Securities are to be redeemed the notice of redemption shall specify the numbers of the Debt Securities to be redeemed. In case the Debt Securities are to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Debt Security, a new Debt Security or Debt Securities in principal amount equal to the unredeemed portion thereof will be issued.

Prior to 10:00 a.m. New York City time on the Redemption Date or the Special Redemption Date specified in the notice of redemption given as provided in this Section, the Company will deposit with the Trustee or with one or more paying agents an amount of money sufficient to redeem on the redemption date all the Debt Securities so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption.

The Company will give the Trustee notice not less than 45 nor more than 60 days prior to the redemption date as to the redemption price at which the Debt Securities are to be redeemed and the aggregate principal amount of Debt Securities to be redeemed and the Trustee shall select, in such manner as in its sole discretion it shall deem appropriate and fair, the Debt Securities or portions thereof (in integral multiples of \$1,000) to be redeemed.

Section 10.04. Payment of Debt Securities Called for Redemption.

If notice of redemption has been given as provided in Section 10.03, the Debt Securities or portions of Debt Securities with respect to which such notice has been given shall become due and payable on the Redemption Date or the Special Redemption Date (as the case may be) and at the place or places stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said Redemption Date or the Special Redemption Date (unless the Company shall default in the payment of such Debt Securities at the redemption price, together with interest accrued to said date) interest on the Debt Securities or portions of Debt Securities so called for redemption shall cease to accrue. On presentation and surrender of such Debt Securities at a place of payment specified in said notice, such Debt Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to the Redemption Date or the Special Redemption Date (as the case may be).

Upon presentation of any Debt Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to the holder thereof, at the expense of the Company, a new Debt Security or Debt Securities of authorized denominations in principal amount equal to the unredeemed portion of the Debt Security so presented.

ARTICLE XI

CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01. Company May Consolidate, etc., on Certain Terms.

Nothing contained in this Indenture or in the Debt Securities shall prevent any consolidation or merger of the Company with or into any other corporation or corporations (whether or not affiliated with the Company) or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or other disposition of the property or capital stock of the Company or its successor or successors as an entirety, or substantially as an entirety, to any other corporation (whether or not affiliated with the Company, or its successor or successors) authorized to acquire and operate the same; provided, however, that the Company hereby covenants and agrees that, upon any such consolidation, merger (where the Company is not the surviving corporation), sale, conveyance, transfer or other disposition, the due and punctual payment of all payments due on all of the Debt Securities in accordance with their terms, according to their tenor, and the due and punctual performance and observance of all the covenants and conditions of this Indenture to be kept or performed by the Company, shall be expressly assumed by supplemental indenture reasonably satisfactory in form to the Trustee executed and delivered to the Trustee by the entity formed by such consolidation, or into which the Company shall have been merged, or by the entity which shall have acquired such property or capital stock.

Section 11.02. Successor Entity to be Substituted.

In case of any such consolidation, merger, sale, conveyance, transfer or other disposition and upon the assumption by the successor entity, by supplemental indenture, executed and delivered to the Trustee and reasonably satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium, if any, and interest on all of the Debt Securities and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Company, such successor entity shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the Company, and thereupon the predecessor entity shall be relieved of any further liability or obligation hereunder or upon the Debt Securities. Such successor entity thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Debt Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee or the Authenticating Agent; and, upon the order of such successor entity instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee or the Authenticating Agent shall authenticate and deliver any Debt Securities which previously shall have been signed and delivered by the officers of the Company, to the Trustee or the Authenticating Agent for

authentication, and any Debt Securities which such successor entity thereafter shall cause to be signed and delivered to the Trustee or the Authenticating Agent for that purpose. All the Debt Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debt Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debt Securities had been issued at the date of the execution hereof.

Section 11.03. Opinion of Counsel to be Given to Trustee.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, shall receive, in addition to the Opinion of Counsel required by Section 9.05, an Opinion of Counsel as conclusive evidence that any consolidation, merger, sale, conveyance, transfer or other disposition, and any assumption; permitted or required by the terms of this Article XI complies with the provisions of this Article XI.

ARTICLE XII

SATISFACTION AND DISCHARGE OF INDENTURE

Section 12.01. Discharge of Indenture.

When (a) the Company shall deliver to the Trustee for cancellation all Debt Securities theretofore authenticated (other than any Debt Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06) and not theretofore canceled, or (b) all the Debt Securities not theretofore canceled or delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit with the Trustee, in trust, funds, which shall be immediately due and payable, sufficient to pay at maturity or upon redemption all of the Debt Securities (other than any Debt Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06) not theretofore canceled or delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due to such date of maturity or redemption date, as the case may be, but excluding, however, the amount of any moneys for the payment of principal of, and premium, if any, or interest on the Debt Securities (1) theretofore repaid to the Company in accordance with the provisions of Section 12.04, or (2) paid to any state or to the District of Columbia pursuant to its unclaimed property or similar laws, and if in the case of either clause (a) or clause (b) the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect except for the provisions of Sections 2.05, 2.06, 3.01, 3.02, 3.04, 6.06, 6.09 and 12.04 hereof, which shall survive until such Debt Securities shall mature or are redeemed, as the case may be, and are paid. Thereafter, Sections 6.06, 6.09 and 12.04 shall survive, and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with, and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture, the Company, however, hereby agreeing to reimburse the Trustee for

any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Debt Securities.

Section 12.02. Deposited Moneys to be Held in Trust by Trustee.

Subject to the provisions of Section 12.04, all moneys deposited with the Trustee pursuant to Section 12.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the holders of the particular Debt Securities for the payment of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal, and premium, if any, and interest.

Section 12.03. Paying Agent to Repay Moneys Held.

Upon the satisfaction and discharge of this Indenture, all moneys then held by any paying agent of the Debt Securities (other than the Trustee) shall, upon demand of the Company, be repaid to the Company or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such moneys.

Section 12.04. Return of Unclaimed Moneys.

Any moneys deposited with or paid to the Trustee or any paying agent for payment of the principal of, and premium, if any, or interest on Debt Securities and not applied but remaining unclaimed by the holders of Debt Securities for two years after the date upon which the principal of, and premium, if any, or interest on such Debt Securities, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on written demand; and the holder of any of the Debt Securities shall thereafter look only to the Company for any payment which such holder may be entitled to collect and all liability of the Trustee or such paying agent with respect to such moneys shall thereupon cease.

ARTICLE XIII

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 13.01. Indenture and Debt Securities Solely Corporate Obligations.

No recourse for the payment of the principal of or premium, if any, or interest on any Debt Security, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture, or in any such Debt Security, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or agent, as such, past, present or future, of the Company or of any predecessor or successor corporation of the Company, either directly or through the Company or any successor corporation of the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Debt Securities.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

Section 14.01. Successors.

All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 14.02. Official Acts by Successor Entity.

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee, officer or other authorized Person of any entity that shall at the time be the lawful successor of the Company.

Section 14.03. Surrender of Company Powers.

The Company by instrument in writing executed by authority of 2/3 (two-thirds) of its Board of Directors and delivered to the Trustee may surrender any of the powers reserved to the Company and thereupon such power so surrendered shall terminate both as to the Company and as to any permitted successor.

Section 14.04. Addresses for Notices, etc.

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Securityholders on the Company may be given or served in writing by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee for such purpose) to the Company at:

1311 East Main Street
Ravenna, Ohio 44266
Attention: Richard J. Coe

Any notice, direction, request or demand by any Securityholder or the Company to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the office of Wilmington Trust Company at:

Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

Section 14.05. Governing Law.

This Indenture and each Debt Security shall be deemed to be a contract made under the law of the State of New York, and for all purposes shall be governed by and construed in accordance with the law of said State, without regard to conflict of laws principles thereof.

Section 14.06. Evidence of Compliance with Conditions Precedent.

Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that in the opinion of the signers all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with (except that no such Opinion of Counsel is required to be furnished to the Trustee in connection with the authentication and issuance of Debt Securities issued on the date of this Indenture).

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture (except certificates delivered pursuant to Section 3.05) shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 14.07. Non-Business Days.

Notwithstanding anything to the contrary contained herein, if any Interest Payment Date, other than the Maturity Date, any Redemption Date or the Special Redemption Date, falls on a day that is not a Business Day, then any interest payable will be paid on, and such Interest Payment Date will be moved to, the next succeeding Business Day, and additional interest will accrue for each day that such payment is delayed as a result thereof. If the Maturity Date, any Redemption Date or the Special Redemption Date falls on a day that is not a Business Day, then the principal, premium, if any, and/or interest payable on such date will be paid on the next succeeding Business Day, and no additional interest will accrue in respect of such payment made on such next succeeding Business Day.

Section 14.08. Table of Contents, Headings, etc.

The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 14.09. Execution in Counterparts.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 14.10. Separability.

In case any one or more of the provisions contained in this Indenture or in the Debt Securities shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture or of such Debt Securities, but this Indenture and such Debt Securities shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

Section 14.11. Assignment.

Subject to Article XI, the Company will have the right at all times to assign any of its rights or obligations under this Indenture to a direct or indirect wholly owned Subsidiary of the Company, provided, that, in the event of any such assignment, the Company will remain liable for all such obligations. Subject to the foregoing, this Indenture is binding upon and inures to the benefit of the parties hereto and their respective successors and assigns. This Indenture may not otherwise be assigned by the parties thereto.

Section 14.12. Acknowledgment of Rights.

The Company acknowledges that, with respect to any Debt Securities held by the Trust or the Institutional Trustee of the Trust, if the Institutional Trustee of the Trust fails to enforce its rights under this Indenture as the holder of Debt Securities held as the assets of the Trust after the holders of a majority in Liquidation Amount of the Capital Securities of the Trust have so directed in writing such Institutional Trustee, a holder of record of such Capital Securities may to the fullest extent permitted by law institute legal proceedings directly against the Company to enforce such Institutional Trustee's rights under this Indenture without first instituting any legal proceedings against such Institutional Trustee or any other Person. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest (or premium, if any) or principal on the Debt Securities on the date such interest (or premium, if any) or principal is otherwise due and payable (or in the case of redemption, on the redemption date), the Company acknowledges that a holder of record of Capital Securities of the Trust may directly institute a proceeding against the Company for enforcement of payment to such holder directly of the principal of (or premium, if any) or interest on the Debt Securities having an aggregate principal amount equal to the aggregate Liquidation Amount of the Capital Securities of such holder on or after the respective due date specified in the Debt Securities.

ARTICLE XV

SUBORDINATION OF DEBT SECURITIES

Section 15.01. Agreement to Subordinate.

The Company covenants and agrees, and each holder of Debt Securities issued hereunder and under any supplemental indenture (the "Additional Provisions") by such Securityholder's acceptance thereof likewise covenants and agrees, that all Debt Securities shall be issued subject to the provisions of this Article XV; and each holder of a Debt Security, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions.

The payment by the Company of the payments due on all Debt Securities issued hereunder and under any Additional Provisions shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to the prior payment in full of all Senior Indebtedness of the Company, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article XV shall prevent the occurrence of any default or Event of Default hereunder.

Section 15.02. Default on Senior Indebtedness.

In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Senior Indebtedness of the Company following any applicable grace period, or in the event that the maturity of any Senior Indebtedness of the Company has been accelerated because of a default, and such acceleration has not been rescinded or canceled and such Senior Indebtedness has not been paid in full then, in either case, no payment shall be made by the Company with respect to the payments due on the Debt Securities.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding paragraph of this Section 15.02, such payment shall, subject to Section 15.06, be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Indebtedness (or their representative or representatives or a trustee) notify the Trustee in writing within 90 days of such payment of the amounts then due and owing on the Senior Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Senior Indebtedness.

Section 15.03. Liquidation; Dissolution; Bankruptcy.

Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness of the Company shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made by the Company on the Debt Securities; and upon any such dissolution or winding-up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character,

whether in cash, property or securities, to which the Securityholders or the Trustee would be entitled to receive from the Company, except for the provisions of this Article XV, shall be paid by the Company, or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Securityholders or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness of the Company (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Securityholders.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee before all Senior Indebtedness of the Company is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness of the Company remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness.

For purposes of this Article XV, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article XV with respect to the Debt Securities to the payment of all Senior Indebtedness of the Company, that may at the time be outstanding, provided, that (a) such Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (b) the rights of the holders of such Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article XI of this Indenture shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 15.03 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article XI of this Indenture. Nothing in Section 15.02 or in this Section 15.03 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.06 of this Indenture.

Section 15.04. Subrogation.

Subject to the payment in full of all Senior Indebtedness of the Company, the Securityholders shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to such Senior Indebtedness until all payments due on the Debt Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Indebtedness of any cash, property or securities to which the Securityholders or the Trustee would be entitled except for the provisions of this Article XV, and no payment over pursuant to the provisions of this Article XV to or for the benefit of the holders of such Senior Indebtedness by Securityholders or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness of the Company, and the holders of the Debt Securities be deemed to be a payment or distribution by the Company to or on account of such Senior Indebtedness. It is understood that the provisions of this Article XV are and are intended solely for the purposes of defining the relative rights of the holders of the Debt Securities, on the one hand, and the holders of such Senior Indebtedness, on the other hand.

Nothing contained in this Article XV or elsewhere in this Indenture, any Additional Provisions or in the Debt Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness of the Company, and the holders of the Debt Securities, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Debt Securities all payments on the Debt Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Debt Securities and creditors of the Company, other than the holders of Senior Indebtedness of the Company, nor shall anything herein or therein prevent the Trustee or the holder of any Debt Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XV of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article XV, the Trustee, subject to the provisions of Article VI of this Indenture, and the Securityholders shall be entitled to conclusively rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Securityholders, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XV.

Section 15.05. Trustee to Effectuate Subordination.

Each Securityholder by such Securityholder's acceptance thereof authorizes and directs the Trustee on such Securityholder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article XV and appoints the Trustee such Securityholder's attorney-in-fact for any and all such purposes.

Section 15.06. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of the Trustee at the Principal Office of the Trustee of any fact known to the Company that would prohibit the making of any payment of moneys to or by the Trustee in respect of the Debt Securities pursuant to the provisions of this Article XV. Notwithstanding the provisions of this Article XV or any other provision of this Indenture or any Additional Provisions, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of moneys to or by the Trustee in respect of the Debt Securities pursuant to the provisions of this Article XV, unless and until a Responsible Officer of the Trustee at the Principal Office of the Trustee shall have received written notice thereof from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Article VI of this Indenture, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 15.06 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Debt Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Article VI of this Indenture, shall be entitled to conclusively rely on the delivery to it of a written notice by a Person representing himself or herself to be a holder of Senior Indebtedness of the Company (or a trustee or representative on behalf of such holder) to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee or representative on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of such Senior Indebtedness to participate in any payment or distribution pursuant to this Article XV, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article XV, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 15.07. Rights of the Trustee; Holders of Senior Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article XV in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture or any Additional Provisions shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article XV, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture or any Additional Provisions against the Trustee. The Trustee shall not owe or be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Article VI of this Indenture, the

Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Securityholders, the Company or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article XV or otherwise.

Nothing in this Article XV shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.06.

Section 15.08. Subordination May Not Be Impaired.

No right of any present or future holder of any Senior Indebtedness of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company, or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company, with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the Securityholders, without incurring responsibility to the Securityholders and without impairing or releasing the subordination provided in this Article XV or the obligations hereunder of the holders of the Debt Securities to the holders of such Senior Indebtedness, do any one or more of the following: (a) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (b) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (c) release any Person liable in any manner for the collection of such Senior Indebtedness; and (d) exercise or refrain from exercising any rights against the Company, and any other Person.

Wilmington Trust Company, in its capacity as Trustee, hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions herein above set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

PORTAGE BANCSHARES, INC.

By William E. Hale
Name: William E. Hale
Title: President

WILMINGTON TRUST COMPANY, as
Trustee

By _____
Name:
Title:

000266

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

PORTAGE BANCSHARES, INC.

By _____
Name: William E. Hale
Title: President

WILMINGTON TRUST COMPANY, as
Trustee

By _____
Name: Denise M. Geran
Title: Vice President

000267

FORM OF FLOATING RATE JUNIOR SUBORDINATED DEBT SECURITY DUE 2034

[FORM OF FACE OF SECURITY]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE COMPANY, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT IN ACCORDANCE WITH THE INDENTURE, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF

ERISA, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS MAY BE REQUIRED BY THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A PRINCIPAL AMOUNT OF NOT LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A PRINCIPAL AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES, INCLUDING THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"). THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND THE CLAIMS OF GENERAL AND SECURED CREDITORS OF THE COMPANY, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE COMPANY OR ANY OF ITS SUBSIDIARIES AND IS NOT SECURED.

Floating Rate Junior Subordinated Debt Security due 2034

of

PORTAGE BANCSHARES, INC.

Portage Bancshares, Inc., a bank holding company incorporated in Ohio (the "Company"), for value received promises to pay to Wilmington Trust Company, not in its individual capacity but solely as Institutional Trustee for Portage Bancshares Capital Trust I, a Delaware statutory trust (the "Holder"), or registered assigns, the principal sum of _____ Dollars (\$ _____) on April 23, 2034 and to pay interest on said principal sum from March 25, 2004, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on January 23, April 23, July 23 and October 23 of each year commencing July 23, 2004, at a variable per annum rate equal to LIBOR (as defined in the Indenture) plus 2.85% (the "Interest Rate") until the principal hereof shall have become due and payable, and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at an annual rate equal to the Interest Rate in effect for each such Extension Period compounded quarterly. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant interest period. Notwithstanding anything to the contrary contained herein, if any Interest Payment Date, other than the Maturity Date, any Redemption Date or the Special Redemption Date, falls on a day that is not a Business Day, then any interest payable will be paid on, and such Interest Payment Date will be moved to, the next succeeding Business Day, and additional interest will accrue for each day that such payment is delayed as a result thereof. If the Maturity Date, any Redemption Date or the Special Redemption Date falls on a day that is not a Business Day, then the principal, premium, if any, and/or interest payable on such date will be paid on the next succeeding Business Day, and no additional interest will accrue in respect of such payment made on such next succeeding Business Day. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Debt Security (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, except that interest and any Deferred Interest payable on the Maturity Date shall be paid to the Person to whom principal is paid. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date and may be paid to the Person in whose name this Debt Security (or one or more Predecessor Debt Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of the Debt Securities not less than 10 days prior to such special record date, all as more fully provided in the Indenture. The principal of and interest on this Debt Security shall be payable at the office or agency of the Trustee (or other paying agent appointed by the Company) maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debt Security Register or by wire transfer to an account appropriately designated by the holder hereof. Notwithstanding the

foregoing, so long as the holder of this Debt Security is the Institutional Trustee, the payment of the principal of and interest on this Debt Security will be made in immediately available funds at such place and to such account as may be designated by the Trustee.

So long as no Event of Default has occurred and is continuing, the Company shall have the right, from time to time and without causing an Event of Default, to defer payments of interest on the Debt Securities by extending the interest payment period on the Debt Securities at any time and from time to time during the term of the Debt Securities, for up to 20 consecutive quarterly periods (each such extended interest payment period, an "Extension Period"), during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). During any Extension Period, interest will continue to accrue on the Debt Securities, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue, at the Interest Rate, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, both to the extent permitted by law. No Extension Period may end on a date other than an Interest Payment Date. At the end of any such Extension Period the Company shall pay all Deferred Interest then accrued and unpaid on the Debt Securities; provided, however, that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date and provided, further, however, during any such Extension Period, the Company may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment on or repay, repurchase or redeem any debt securities of the Company that rank *pari passu* in all respects with or junior in interest to the Debt Securities (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company (A) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, (B) in connection with a dividend reinvestment or stockholder stock purchase plan or (C) in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of any exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock). Prior to the termination of any Extension Period, the Company may further extend such period, provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed 20 consecutive quarterly periods, or extend beyond the Maturity Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Company may commence a new Extension Period, subject to the foregoing requirements. No interest or Deferred Interest shall be due and payable during an Extension

Period, except at the end thereof, but interest shall accrue upon each installment of interest that would otherwise have been due and payable during such Extension Period until such installment is paid. The Company must give the Trustee notice of its election to begin such Extension Period at least one Business Day prior to the earlier of (i) the next succeeding date on which interest on the Debt Securities would have been payable except for the election to begin such Extension Period or (ii) the date such interest is payable, but in any event not later than the related regular record date.

The indebtedness evidenced by this Debt Security is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness, and this Debt Security is issued subject to the provisions of the Indenture with respect thereto. Each holder of this Debt Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on such holder's behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee such holder's attorney-in-fact for any and all such purposes. Each holder hereof, by such holder's acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

The Company waives demand, presentment for payment, notice of nonpayment, notice of protest, and all other notices.

This Debt Security shall not be entitled to any benefit under the Indenture hereinafter referred to and shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Debt Security are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has duly executed this certificate.

PORTAGE BANCSHARES, INC.

By: _____
Name: William E. Hale
Title: President

Dated: _____, 2004

CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY, not in its
individual capacity but solely as the Trustee

By: _____
Authorized Officer

Dated: _____, 2004

[FORM OF REVERSE OF SECURITY]

This Debt Security is one of a duly authorized series of Debt Securities of the Company, all issued or to be issued pursuant to an Indenture (the "Indenture"), dated as of March 25, 2004, duly executed and delivered between the Company and Wilmington Trust Company, as Trustee (the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debt Securities (referred to herein as the "Debt Securities") of which this Debt Security is a part. The summary of the terms of this Debt Security contained herein does not purport to be complete and is qualified by reference to the Indenture.

Upon the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, this Debt Security may become due and payable, in whole but not in part, at any time, within 90 days following the occurrence of such Tax Event, Investment Company Event or Capital Treatment Event (the "Special Redemption Date"), as the case may be, at the Special Redemption Price. The Company shall also have the right to redeem this Debt Security at the option of the Company, in whole or in part, on any January 23, April 23, July 23 and October 23 on or after April 23, 2009 (a "Redemption Date"), at the Redemption Price.

Any redemption pursuant to the preceding paragraph will be made, subject to the receipt by the Company of prior approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve") if then required under applicable capital guidelines or policies of the Federal Reserve, upon not less than 30 days' nor more than 60 days' notice. If the Debt Securities are only partially redeemed by the Company, the Debt Securities will be redeemed pro rata or by lot or by any other method utilized by the Trustee.

"Redemption Price" means 100% of the principal amount of the Debt Securities being redeemed plus accrued and unpaid interest on such Debt Securities to the Redemption Date or, in the case of a redemption due to the occurrence of a Special Event, to the Special Redemption Date if such Special Redemption Date is on or after April 23, 2009.

"Special Redemption Price" means, with respect to the redemption of any Debt Security following a Special Event, an amount in cash equal to the percentage for the principal amount of the Debt Securities that is specified below for the Special Redemption Date plus unpaid interest accrued thereon to the Special Redemption Date:

<u>Special Event Redemption During Quarter Beginning On</u>	<u>Percentage of Principal Amount</u>
April 23, 2004	104.40
July 23, 2004	104.18
October 23, 2004	103.96
January 23, 2005	103.74
April 23, 2005	103.52
July 23, 2005	103.30

October 23, 2005	103.08
January 23, 2006	102.86
April 23, 2006	102.64
July 23, 2006	102.42
October 23, 2006	102.20
January 23, 2007	101.98
April 23, 2007	101.76
July 23, 2007	101.54
October 23, 2007	101.32
January 23, 2008	101.10
April 23, 2008	100.88
July 23, 2008	100.66
October 23, 2008	100.44
January 23, 2009	100.22
April 23, 2009 and thereafter	100.00

In the event of redemption of this Debt Security in part only, a new Debt Security or Debt Securities for the unredeemed portion hereof will be issued in the name of the holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Debt Securities may be declared due and payable, and upon such declaration of acceleration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Debt Securities at the time outstanding affected thereby, as specified in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debt Securities; provided, however, that no such supplemental indenture shall, among other things, without the consent of the holders of each Debt Security then outstanding and affected thereby (i) extend the fixed maturity of the Debt Securities, or reduce the principal amount thereof or any redemption premium thereon, or reduce the rate or extend the time of payment of interest thereon, or make payments due on the Debt Securities payable in any coin or currency other than that provided in the Debt Securities, or impair or affect the right of any holder of Debt Securities to institute suit for the payment thereof, or (ii) reduce the aforesaid percentage of Debt Securities, the holders of which are required to consent to any such supplemental indenture. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding, on behalf of all of the holders of the Debt Securities, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture, and its consequences, except a default in payments due on any of the Debt Securities. Any such consent or waiver by the registered holder of this Debt Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debt Security and of any Debt Security issued in exchange

hereof or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debt Security.

No reference herein to the Indenture and no provision of this Debt Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay all payments due on this Debt Security at the time and place and at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations herein and therein set forth, this Debt Security is transferable by the registered holder hereof on the Debt Security Register of the Company, upon surrender of this Debt Security for registration of transfer at the office or agency of the Trustee in Wilmington, Delaware accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered holder hereof or such holder's attorney duly authorized in writing, and thereupon one or more new Debt Securities of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be made for any such registration of transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debt Security, the Company, the Trustee, any Authenticating Agent, any paying agent, any transfer agent and the Debt Security registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Debt Security shall be overdue and notwithstanding any notice of ownership or writing hereon) for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any Authenticating Agent nor any paying agent nor any transfer agent nor any Debt Security registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debt Security, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Debt Securities are issuable only in registered certificated form without coupons. As provided in the Indenture and subject to certain limitations herein and therein set forth, Debt Securities are exchangeable for a like aggregate principal amount of Debt Securities of a different authorized denomination, as requested by the holder surrendering the same.

All terms used in this Debt Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE
INDENTURE AND THE DEBT SECURITIES, WITHOUT REGARD TO CONFLICT OF
LAWS PRINCIPLES THEREOF.

DEBENTURE SUBSCRIPTION AGREEMENT

DEBENTURE SUBSCRIPTION AGREEMENT, dated as of March 25, 2004 (this "Agreement"), between Portage Bancshares, Inc., an Ohio corporation (the "Company"), and Portage Bancshares Capital Trust I, a statutory trust created under the laws of the State of Delaware (the "Trust"), relating to the Floating Rate Junior Subordinated Debt Securities due 2034, (the "Junior Subordinated Debentures"), issuable pursuant to an Indenture, dated as of March 25, 2004 (the "Indenture"), between the Company and Wilmington Trust Company, as Trustee. Capitalized terms used herein and not otherwise defined herein have the respective meanings ascribed thereto in the Purchase Agreement (as defined below).

WHEREAS, the Company, the Trust and NBC Capital Markets Group, Inc. have entered into a Purchase Agreement, dated March 25, 2004 (the "Purchase Agreement"), in connection with the issuance and sale of Floating Rate Capital Securities (liquidation amount of \$1,000 per security) (the "Capital Securities") by the Trust; and

WHEREAS, the Company and the Trust have entered into a Common Securities Subscription Agreement, dated March 25, 2004 (the "Common Securities Subscription Agreement"), in connection with the issuance and sale of Common Securities (liquidation amount of \$1,000 per security) (the "Common Securities") by the Trust; and

WHEREAS, in connection with the Purchase Agreement and the Common Securities Subscription Agreement and the issuance and sale of the Capital Securities and Common Securities pursuant thereto, the Trust desires to purchase from the Company, and the Company desires to sell to the Trust, all of the Junior Subordinated Debentures.

NOW, THEREFORE, in consideration of the foregoing premises and the conditions and agreements hereinafter set forth, the parties hereto agree as follows:

1. The Trust hereby subscribes for and offers to purchase from the Company, and the Company hereby accepts such offer and agrees to issue and sell to the Trust, contemporaneous with the Closing Date, Two Million Five Hundred Seventy Eight Thousand Dollars (\$2,578,000) aggregate principal amount of Junior Subordinated Debentures, in consideration of the payment on or before the date hereof of Two Million Five Hundred Seventy Eight Thousand Dollars (\$2,578,000) in immediately available funds.

2. The Company represents and warrants that the Junior Subordinated Debentures have been duly authorized and executed by the Company, and, when duly authenticated and delivered to the Trust in accordance with the terms hereof and the Indenture, will constitute the valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

3. This Agreement shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflict of law principles.

4. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Debenture Subscription Agreement to be duly executed as of the date first written above.

PORTAGE BANCSHARES, INC.

By: William E. Hale

Name: William E. Hale

Title: President

PORTAGE BANCSHARES CAPITAL TRUST I

By: Richard J. Coe

Name: Richard J. Coe

Title: Administrator

By: John S. Forberg

Name: John S. Forberg

Title: Administrator

FLOATING RATE JUNIOR SUBORDINATED DEBT SECURITY DUE 2034

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ~~ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED~~ OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE COMPANY, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT IN ACCORDANCE WITH THE INDENTURE, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST

000281

IN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS MAY BE REQUIRED BY THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

SPECIMEN

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A PRINCIPAL AMOUNT OF NOT LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A PRINCIPAL AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES, INCLUDING THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"). THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND THE CLAIMS OF GENERAL AND SECURED CREDITORS OF THE COMPANY, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE COMPANY OR ANY OF ITS SUBSIDIARIES AND IS NOT SECURED.

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Floating Rate Junior Subordinated Debt Security due 2034

of

PORTAGE BANCSHARES, INC.

Portage Bancshares, Inc., a bank holding company incorporated in Ohio (the "Company"), for value received promises to pay to Wilmington Trust Company, not in its individual capacity but solely as Institutional Trustee for Portage Bancshares Capital Trust I, a Delaware statutory trust (the "Holder"), or registered assigns, the principal sum of Two Million Five Hundred Seventy Eight Thousand Dollars (\$2,578,000) on April 23, 2034 and to pay interest on said principal sum from March 25, 2004, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on January 23, April 23, July 23 and October 23 of each year commencing July 23, 2004, at a variable per annum rate equal to LIBOR (as defined in the Indenture) plus 2.85% (the "Interest Rate") until the principal hereof shall have become due and payable, and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at an annual rate equal to the Interest Rate in effect for each such Extension Period compounded quarterly. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant interest period. Notwithstanding anything to the contrary contained herein, if any Interest Payment Date, other than the Maturity Date, any Redemption Date or the Special Redemption Date, falls on a day that is not a Business Day, then any interest payable will be paid on, and such Interest Payment Date shall be moved to the next succeeding Business Day, and additional interest will accrue for each day that such payment is delayed as a result thereof. If the Maturity Date, any Redemption Date or the Special Redemption Date falls on a day that is not a Business Day, then the principal, premium, if any, and/or interest payable on such date will be paid on the next succeeding Business Day, and no additional interest will accrue in respect of such payment made on such next succeeding Business Day. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Debt Security (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, except that interest and any Deferred Interest payable on the Maturity Date shall be paid to the Person to whom principal is paid. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date and may be paid to the Person in whose name this Debt Security (or one or more Predecessor Debt Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of the Debt Securities not less than 10 days prior to such special record date, all as more fully provided in the Indenture. The principal of and interest on this Debt Security shall be payable at the office or agency of the Trustee (or other paying agent appointed by the Company) maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debt Security Register or by wire transfer to an account appropriately designated by the

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holder hereof. Notwithstanding the foregoing, so long as the holder of this Debt Security is the Institutional Trustee, the payment of the principal of and interest on this Debt Security will be made in immediately available funds at such place and to such account as may be designated by the Trustee.

So long as no Event of Default has occurred and is continuing, the Company shall have the right, from time to time and without causing an Event of Default, to defer payments of interest on the Debt Securities by extending the interest payment period on the Debt Securities at any time and from time to time during the term of the Debt Securities, for up to 20 consecutive quarterly periods (each such extended interest payment period, an "Extension Period"), during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). During any Extension Period, interest will continue to accrue on the Debt Securities, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue, at the Interest Rate, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, both to the extent permitted by law. No Extension Period may end on a date other than an Interest Payment Date. At the end of any such Extension Period the Company shall pay all Deferred Interest then accrued and unpaid on the Debt Securities; provided, however, that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date and provided, further, however, during any such Extension Period, the Company may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment on or repay, repurchase or redeem any debt securities of the Company that rank *pari passu* in all respects with or junior in interest to the Debt Securities (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company (A) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, (B) in connection with a dividend reinvestment or stockholder stock purchase plan or (C) in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of any exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock). Prior to the termination of any Extension Period, the Company may further extend such period, provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed 20 consecutive quarterly periods, or extend beyond the Maturity Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Company may commence a new Extension Period, subject to the foregoing

requirements. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof, but interest shall accrue upon each installment of interest that would otherwise have been due and payable during such Extension Period until such installment is paid. The Company must give the Trustee notice of its election to begin such Extension Period at least one Business Day prior to the earlier of (i) the next succeeding date on which interest on the Debt Securities would have been payable except for the election to begin such Extension Period or (ii) the date such interest is payable, but in any event not later than the related regular record date.

The indebtedness evidenced by this Debt Security is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness, and this Debt Security is issued subject to the provisions of the Indenture with respect thereto. Each holder of this Debt Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on such holder's behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee such holder's attorney-in-fact for any and all such purposes. Each holder hereof, by such holder's acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

The Company waives demand, presentment for payment, notice of nonpayment, notice of protest, and all other notices.

This Debt Security shall not be entitled to any benefit under the Indenture hereinafter referred to and shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee.

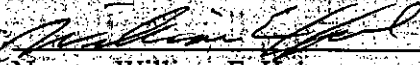
The provisions of this Debt Security are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

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IN WITNESS WHEREOF, the Company has duly executed this certificate.

PORTAGE HOLDINGS, INC.

By



Name: William E. Hale

Title: President

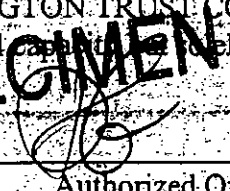
Dated: March 25, 2004

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CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY, not in its
individual capacity but solely as the Trustee

By: 

Authorized Officer

Dated: March 25, 2004

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[REVERSE OF SECURITY]

This Debt Security is one of a duly authorized series of Debt Securities of the Company, all issued or to be issued pursuant to an Indenture (the "Indenture"), dated as of March 25, 2004, duly executed and delivered between the Company and Wilmington Trust Company, as Trustee (the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debt Securities (referred to herein as the "Debt Securities") of which this Debt Security is a part. The summary of the terms of this Debt Security contained herein does not purport to be complete and is qualified by reference to the Indenture.

Upon the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, this Debt Security may become due and payable, in whole but not in part, at any time, within 90 days following the occurrence of such Tax Event, Investment Company Event or Capital Treatment Event (the "Special Redemption Date"), as the case may be, at the Special Redemption Price. The Company shall also have the right to redeem this Debt Security at the option of the Company, in whole or in part, on any January 23, April 23, July 23 or October 23 on or after April 23, 2009 (a "Redemption Date"), at the Redemption Price.

Any redemption pursuant to the preceding paragraph will be made, subject to the receipt by the Company of prior approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve") if then required under applicable capital guidelines or policies of the Federal Reserve, upon not less than 30 days' nor more than 60 days' notice. If the Debt Securities are only partially redeemed by the Company, the Debt Securities will be redeemed pro rata or by lot or by any other method utilized by the Trustee.

"Redemption Price" means 100% of the principal amount of the Debt Securities being redeemed plus accrued and unpaid interest on such Debt Securities to the Redemption Date or, in the case of a redemption due to the occurrence of a Special Event, to the Special Redemption Date if such Special Redemption Date is on or after April 23, 2009.

"Special Redemption Price" means, with respect to the redemption of any Debt Security following a Special Event, an amount in cash equal to the percentage for the principal amount of the Debt Securities that is specified below for the Special Redemption Date plus unpaid interest accrued thereon to the Special Redemption Date:

<u>Special Event Redemption During</u> <u>Quarter Beginning On</u>	<u>Percentage of Principal Amount</u>
April 23, 2004	104.40
July 23, 2004	104.18
October 23, 2004	103.96

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January 23, 2005	103.74
April 23, 2005	103.52
July 23, 2005	103.30
October 23, 2005	103.08
January 23, 2006	102.86
April 23, 2006	102.64
July 23, 2006	102.42
October 23, 2006	102.20
January 23, 2007	101.98
April 23, 2007	101.76
July 23, 2007	101.54
October 23, 2007	101.32
January 23, 2008	101.10
April 23, 2008	100.88
July 23, 2008	100.66
October 23, 2008	100.44
January 23, 2009	100.22
April 23, 2009 and thereafter	100.00

In the event of redemption of this Debt Security in part only, a new Debt Security or Debt Securities for the unredeemed portion hereof will be issued in the name of the holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Debt Securities may be declared due and payable, and upon such declaration of acceleration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

SPECIMEN

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Debt Securities at the time outstanding affected thereby, as specified in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debt Securities; provided, however, that no such supplemental indenture shall, among other things, without the consent of the holders of each Debt Security then outstanding and affected thereby (i) extend the fixed maturity of the Debt Securities, or reduce the principal amount thereof or any redemption premium thereon, or reduce the rate or extend the time of payment of interest thereon, or make payments due on the Debt Securities payable in any coin or currency other than that provided in the Debt Securities, or impair or affect the right of any holder of Debt Securities to institute suit for the payment thereof, or (ii) reduce the aforesaid percentage of Debt Securities, the holders of ~~which are required to consent to any such supplemental indenture~~. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding, on behalf of all of the holders of the Debt

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Securities, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture, and its consequences, except a default in payments due on any of the Debt Securities. Any such consent or waiver by the registered holder of this Debt Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debt Security and of any Debt Security issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debt Security.

No reference herein to the Indenture and no provision of this Debt Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay all payments due on this Debt Security at the time and place and at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations herein and therein set forth, this Debt Security is transferable by the registered holder hereof on the Debt Security Register of the Company, upon surrender of this Debt Security for registration of transfer at the office of a duly authorized agent of the Company in Wilmington, Delaware accompanied by a written instrument of transfer in form satisfactory to the Company or the Trustee duly executed by the registered holder hereof or such holder's attorney duly authorized in writing, and thereupon one or more new Debt Securities of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be made for any such registration of transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debt Security, the Company, the Trustee, any Authenticating Agent, any paying agent, any transfer agent and the Debt Security registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Debt Security shall be overdue and notwithstanding any notice of ownership or writing hereon) for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any Authenticating Agent nor any paying agent nor any transfer agent nor any Debt Security registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debt Security, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Debt Securities are issuable only in registered certificated form without coupons. As provided in the Indenture and subject to certain limitations herein

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herein set forth, Debt Securities are exchangeable for a like aggregate principal amount of Debt Securities of a different authorized denomination, as requested by the holder surrendering the same.

All terms used in this Debt Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE INDENTURE AND THE DEBT SECURITIES, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

SPECIMEN

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PORTAGE BANCSHARES CAPITAL TRUST I

\$2,500,000
Floating Rate Capital Securities

Fully and Unconditionally Guaranteed as to Distributions
and Other Payments by
Portage Bancshares, Inc.

PURCHASE AGREEMENT

New York, New York
March 25, 2004

NBC Capital Markets Group, Inc.
850 Ridge Lake Blvd.
Suite 400
Memphis, TN 38120

Ladies and Gentlemen:

Portage Bancshares, Inc., a bank holding company incorporated in Ohio (the "Company") and Portage Bancshares Capital Trust I, a Delaware statutory trust (the "Trust"), propose, subject to the terms and conditions stated herein, to issue and sell to NBC Capital Markets Group, Inc., a broker-dealer member of The National Association of Securities Dealers, Inc. ("NASD") and a corporation organized and existing under the laws of the State of Tennessee ("NBCCMG"), 2,500 of Floating Rate Capital Securities of the Trust (the "Capital Securities"), having a stated liquidation amount of \$1,000 per capital security and bearing a variable distribution rate per annum, reset quarterly, equal to LIBOR (as defined in the Indenture (as defined below)) plus 2.85% (the "Floating Rate").

The Capital Securities will be fully and unconditionally guaranteed on a subordinated basis by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment (the "Guarantee") pursuant to the Guarantee Agreement (the "Guarantee Agreement"), to be dated as of the Closing Date specified in Section 3 hereof, and executed and delivered by the Company and Wilmington Trust Company, as trustee (the "Guarantee Trustee"), for the benefit of the holders from time to time of the Capital Securities. The entire proceeds from the sale of the Capital Securities will be combined with the entire proceeds from the sale by the Trust to the Company of its common securities (the "Common Securities"), and will be used by the Trust to purchase \$2,578,000 in principal amount of the Floating Rate Junior Subordinated Debt Securities due 2034 of the Company (the "Subordinated Debt Securities"). The Capital Securities and the Common Securities of the Trust will be issued pursuant to the Amended and Restated Declaration of Trust (the "Declaration"), to be dated as of

the Closing Date among the Company, as sponsor, the Administrator(s) named therein (the "Administrators"), Wilmington Trust Company, as Delaware trustee (the "Delaware Trustee"), Wilmington Trust Company, as institutional trustee (the "Institutional Trustee"), and the holders from time to time of undivided beneficial interests in the assets of the Trust. The Subordinated Debt Securities will be issued pursuant to an Indenture, to be dated as of the Closing Date (the "Indenture"), between the Company and Wilmington Trust Company, as indenture trustee (the "Indenture Trustee").

The Capital Securities, the Common Securities and the Subordinated Debt Securities are collectively referred to herein as the "Securities." This Agreement, the Indenture, the Declaration, the Guarantee Agreement, the Common Securities Subscription Agreement and the Securities are referred to collectively as the "Operative Documents." Capitalized terms used herein without definition have the respective meanings specified in the Declaration.

The Securities have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act").

1. Representations and Warranties. The Company and the Trust jointly and severally represent and warrant to, and agree with you as set forth below in this Section 1 (provided, that, none of the following representations or warranties apply or relate to any acts or omissions by you).

(a) Neither the Company nor the Trust, nor any of their Affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act ("Regulation D")), nor any person acting on its or their behalf has, directly or indirectly, made offers or sales of any security, or solicited offers to buy any security, under circumstances that would require the registration of any of the Securities under the Securities Act.

(b) Neither the Company nor the Trust, nor any of their Affiliates, nor any person acting on its or their behalf has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of any of the Securities.

(c) The Securities satisfy the eligibility requirements of Rule 144A(d)(3) under the Securities Act.

(d) Neither the Company nor the Trust, nor any of their Affiliates, nor any person acting on its or their behalf, has engaged or will engage in any directed selling efforts with respect to the Securities within the meaning of Regulation S.

(e) Neither the Company nor the Trust is, nor after giving effect to the offering and sale of the Securities will be, an "investment company" or an entity "controlled" by an "investment company," required to be registered under the Investment Company Act of 1940, as amended (the "Investment Company Act").

(f) Neither the Company nor the Trust has paid or agreed to pay to any person any compensation for soliciting another to purchase any of the Securities.

(g) The Trust has been duly created and is validly existing in good standing as a statutory trust under the Delaware Statutory Trust Act, 12 Del. C. 3801, et seq. (the "Statutory Trust Act") with the power and authority to own property and to conduct the business it transacts and proposes to transact and to enter into and perform its obligations under the Operative Documents. The Trust is duly qualified to transact business as a foreign entity and is in good standing in each jurisdiction in which such qualification is necessary, except where the failure to so qualify or be in good standing would not have a material adverse effect on such Trust. The Trust is not a party to or otherwise bound by any agreement other than the Operative Documents. The Trust is and will, under current law, be classified for federal income tax purposes as a grantor trust and not as an association taxable as a corporation.

(h) The Declaration has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company and the Administrators of the Trust, and, assuming due authorization, execution and delivery by the Delaware Trustee and the Institutional Trustee, be a valid and binding obligation of the Company and such Administrators, enforceable against them in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity ("Bankruptcy and Equity"). Each of the Administrators of the Trust is an employee or a director of the Company and has been duly authorized by the Company to execute and deliver the Declaration.

(i) Each of the Guarantee Agreement and the Indenture has been duly authorized by the Company and, on the Closing Date will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery by the Guarantee Trustee, in the case of the Guarantee, and by the Indenture Trustee, in the case of the Indenture, be a valid and binding obligation of the Company enforceable against it in accordance with its terms, subject to Bankruptcy and Equity.

(j) The Capital Securities and the Common Securities have been duly authorized by the Declaration and, when issued and delivered against payment therefor on the Closing Date to you, in the case of the Capital Securities, and to the Company, in the case of the Common Securities, each in accordance with this Agreement, the Declaration and the Common Securities Subscription Agreement, respectively, will be validly issued and represent undivided beneficial interests in the assets of the Trust. The issuance of the Capital Securities or the Common Securities is not subject to any preemptive or other similar rights. On the Closing Date, all of the issued and outstanding Common Securities will be directly owned by the Company free and clear of any pledge, security interest, claim, lien or other encumbrance.

(k) The Subordinated Debt Securities have been duly authorized by the Company and, at the Closing Date, will have been duly executed and delivered to the Indenture Trustee for authentication in accordance with the Indenture and the debenture subscription agreement, and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor by the Trust, will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture enforceable against the Company in accordance with their terms, subject to Bankruptcy and Equity.

(l) This Agreement has been duly authorized, executed and delivered by the Company and the Trust.

(m) The Trust is not in violation of any provision of the Statutory Trust Act and when the Declaration is executed and delivered will not be in violation of the Declaration. The execution, delivery and performance of the Operative Documents to which it is a party by the Company or the Trust, and the consummation of the transactions contemplated herein or therein, will not conflict with or constitute a breach of, or a default under, or result in the creation or imposition of any lien, charge or other encumbrance upon any property or assets of the Trust, the Company or any of the Company's subsidiaries pursuant to any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Trust, the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of any of them is subject, except for a conflict, breach, default, lien, charge or encumbrance which could not reasonably be expected to have an adverse effect on the consummation of the transactions contemplated herein or therein, nor will such action result in any violation of the Declaration or the Statutory Trust Act or require the consent, approval, authorization or order of any court or governmental agency or body.

(n) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Ohio, with all requisite corporate power and authority to own its properties and conduct the business it transacts and proposes to transact, and is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the nature of its activities requires such qualification except where the failure of the Company to be so qualified would not, singly or in the aggregate, have a materially adverse effect on the condition (financial or otherwise), earnings or business of the Company and its subsidiaries taken as a whole, whether or not occurring in the ordinary course of business (a "Material Adverse Effect").

(o) Each of the Company's significant subsidiaries listed in Schedule 1 (the "Subsidiaries") has been duly incorporated and is validly existing as an entity in good standing under the laws of the jurisdiction in which it is chartered or organized, with all requisite corporate power and authority to own its properties and conduct the business it transacts and proposes to transact, and is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the nature of its activities requires such qualification except where the failure of such Subsidiary to be so qualified would not, singly or in the aggregate, have a Material Adverse Effect.

(p) The Company and each of its Subsidiaries have all requisite power and authority, and all necessary authorizations, approvals, orders, licenses, certificates and permits of and from regulatory or governmental officials, bodies and tribunals, to own or lease their respective properties and to conduct their respective businesses as now being conducted, and neither the Company nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such authorizations, approvals, orders, licenses, certificates or permits which, singly or in the aggregate, if the failure to be so licensed or approved or if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect; and the Company and its Subsidiaries are in compliance with all applicable laws,

rules, regulations and orders and consents, the violation of which would have a Material Adverse Effect.

(q) The audited consolidated financial statements (including the notes thereto) and schedules of the Company and its consolidated subsidiaries for the year ended December 31, 2002 (the "Financial Statements") and the interim unaudited consolidated financial statements of the Company and its consolidated subsidiaries for the three months ended December 31, 2003 (the "Interim Financial Statements") provided to you are the most recent available audited and unaudited consolidated financial statements of the Company and its consolidated subsidiaries, respectively, and fairly present in all material respects, in accordance with generally accepted accounting principles, the financial position of the Company and its consolidated subsidiaries, and the results of operations and changes in financial condition as of the dates and for the periods therein specified, subject, in the case of Interim Financial Statements, to year-end adjustments. Such consolidated financial statements and schedules have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved (except as otherwise noted therein).

(r) The Company's report on FR Y-6 dated December 31, 2003 provided to you is the most recent available such report and the information therein fairly presents in all material respects the financial position of the Company and its subsidiaries.

(s) Since the respective dates of the Financial Statements, the Interim Financial Statements and the FR Y-6, there has been no material adverse change or development with respect to the financial condition or earnings of the Company and its subsidiaries, taken as a whole.

(t) Neither the Company nor any of the Subsidiaries is in violation of its respective charter or by-laws or similar organizational documents or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any of the Subsidiaries is subject, the effect of which violation or default in performance or observance would have a Material Adverse Effect.

(u) The Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"), and the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and the deposit accounts of the Company's subsidiary banks are insured by the Federal Deposit Insurance Corporation ("FDIC") to the fullest extent permitted by law and the rules and regulations of the FDIC, and no proceeding for the termination of such insurance is pending or to the best of our knowledge threatened.

(v) No action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries or its or their property is pending or, to the best knowledge of the Company, threatened that (i) could reasonably be expected to have a material adverse effect on the performance of this

Agreement, the Indenture, the Declaration and the Guarantee, or the consummation of any of the transactions contemplated hereby or thereby; or (ii) could reasonably be expected to have a Material Adverse Effect.

(w) Neither the Company nor any of its Subsidiaries is party to or otherwise the subject of any consent decree, memorandum of understanding, written commitment or other written supervisory agreement or enforcement action with the FDIC or any other Federal or state authority or agency charged with the supervision or insurance of the Company and its subsidiaries.

(x) Each of the Company and its Subsidiaries owns or leases all such properties as are necessary to the conduct of its operations as presently conducted.

2. Sale of the Capital Securities. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties herein set forth, the Company and the Trust agree to sell to you as purchaser (the "Purchaser"), and the Purchaser agrees to purchase from the Company and the Trust, the Capital Securities with an aggregate stated liquidation amount of \$2,500,000 at a purchase price equal to 100% of the stated liquidation amount thereof.

If the sale and delivery of the Capital Securities as provided herein is consummated, the Company will pay to the Purchaser on the Closing Date an underwriting fee per Capital Security equal to 2.0% of the stated liquidation amount thereof. Any payment pursuant to this Section 2 shall be made by wire transfer in immediately available funds to the U.S. account designated in writing by the party entitled to receive such payment.

The distribution rate of the Capital Securities, as of the date hereof, is the Floating Rate. Under certain circumstances, the distribution rate of the Capital Securities may be reduced pursuant to a written agreement among you and the Company made prior to the Closing Date.

3. Delivery and Payment. Delivery of and payment for the Capital Securities shall be made at 10:00 a.m. New York City time, on March 25, 2004, or such later date as you shall designate in writing, which date and time may be postponed by agreement between you, on the one hand, and the Company and the Trust, on the other hand (such date and time of delivery and payment for the Capital Securities being herein called the "Closing Date"); provided, that the Closing Date may be no later than 60 days from the date hereof.

Delivery of the Capital Securities shall be made at such location, and in such names and denominations, as you shall designate at least one business day in advance of the Closing Date. The Company and the Trust agree to have the Capital Securities available for inspection and checking by you in New York, New York, not later than 1:00 p.m. on the business day prior to the Closing Date. The closing for the purchase and sale of the Capital Securities shall occur at the offices of Orrick, Herrington & Sutcliffe LLP, 3050 K Street, N.W., Washington, D.C. 20007, or such other place as the parties hereto shall agree.

4. Representations. The Purchaser represents to the Company and the Trust that:

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(a) It is aware that the Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to U.S. persons except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act. It will not offer, sell or arrange for the offer or sale of any Securities to purchasers except in privately negotiated transactions that will not require registration of the Securities under the Securities Act. Terms used in the first sentence of this Section 4 have the meanings given to them by Regulation S under the Securities Act.

(b) Neither it, nor any of its Affiliates, nor any person acting on its or their behalf has engaged, or will engage, in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Securities.

(c) Neither it, nor any of its Affiliates, nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts within the meaning of Regulation S under the Securities Act with respect to the Securities.

5. Agreements. The Company and the Trust agree with the Purchaser that:

(a) Neither the Company nor the Trust will, nor will either of them permit any of its Affiliates to, resell any Capital Securities that have been acquired by any of them.

(b) Neither the Company nor the Trust will, nor will either of them permit any of its Affiliates, nor any person acting on its or their behalf, to, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of any of the Securities under the Securities Act, provided, however, this obligation does not apply to acts or omissions of the Purchaser.

(c) Neither the Company nor the Trust will, nor will either of them permit any of its Affiliates, nor any person acting on its or their behalf, to, engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of any of the Securities, provided, however, this obligation does not apply to acts or omissions of the Purchaser.

(d) Neither the Company nor the Trust will, nor will either of them permit any of its Affiliates, nor any person acting on its or their behalf, to, engage in any directed selling efforts within the meaning of Regulation S under the Securities Act with respect to the Securities, provided, however, this obligation does not apply to acts or omissions of the Purchaser.

(e) So long as any of the Securities are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each of the Company and the Trust will, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act, provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule

144A(c)(4) under the Securities Act. This covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by such holders, from time to time of such restricted securities. The information provided by the Company and the Trust pursuant to this Section 5(e) will not, at the date thereof, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Neither the Company nor the Trust will, until 180 days following the Closing Date, without your prior written consent, offer, sell, contract to sell, grant any option to purchase or otherwise dispose of, directly or indirectly, (i) any Capital Securities or other securities of the Trust other than as contemplated by this Agreement, (ii) any securities that are substantially similar to the Securities or (iii) any other securities convertible into, or exercisable or exchangeable for, any of (i) or (ii), or enter into an agreement, or announce an intention, to do any of the foregoing.

(g) The Company agrees to pay (i) the costs incident to the authorization, issuance, sale and delivery of the Capital Securities and any taxes payable in that connection and (ii) the fees and expenses of the Institutional Trustee, the Guarantee Trustee and the Indenture Trustee.

6. Conditions to the Obligations of the Purchaser. The Purchaser's obligations on the Closing Date shall be subject to the accuracy of the representations and warranties on the part of the Company and the Trust contained herein as of the date and time that this Agreement is executed (the "Execution Time") and the Closing Date, to the accuracy of the statements of the Company and the Trust made in any certificates pursuant to the provisions hereof, to the performance by the Company and the Trust of their obligations hereunder and to the following additional conditions:

(a) The Company shall have furnished to you the opinion of Vorys, Sater, Seymour and Pease, special counsel for the Company, dated the Closing Date, addressed to you, in substantially the form set out in Annex A hereto.

(b) The Company shall have furnished to you the opinion of Gerrish & McCreary, P.C., special tax counsel for the Company, dated the Closing Date, containing such assumptions, qualifications and limitations as shall be reasonably acceptable to you and your counsel to the effect that for U.S. federal income tax purposes, the Subordinated Debt Securities will constitute indebtedness of the Company, in substantially the form set out in Annex B hereto.

(c) You shall have received the opinion of Morris, James, Hitchens & Williams LLP, special Delaware counsel for the Company and the Trust, dated the Closing Date, addressed to you, in substantially the form set out in Annex C hereto.

(d) You shall have received the opinion of Morris, James, Hitchens & Williams LLP, counsel for the Guarantee Trustee, the Institutional Trustee, the Delaware Trustee and the Indenture Trustee, dated the Closing Date addressed to you, in substantially the form set out in Annex D hereto.

(e) The Company shall have furnished to you a certificate of the Company, signed by the President, a Vice President and by a Treasurer or Chief Financial Officer of the Company, dated the Closing Date, to the effect that:

(i) the representations and warranties of the Company and the Trust in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, and the Company and the Trust have complied with all the agreements and satisfied all the conditions on either of their part to be performed or satisfied at or prior to the Closing Date; and

(ii) since the date of the most recent financial statements provided to the Purchaser, there has been no material adverse change in the condition (financial or other), earnings, business or properties of the Company and its subsidiaries, whether or not arising from transactions in the ordinary course of business.

(f) Subsequent to the Execution Time there shall not have been any change, or any development involving a prospective change, in or affecting the business or properties of the Company and its subsidiaries the effect of which, is, in your judgment, so material and adverse as to make it impractical or inadvisable to proceed with the offering or delivery of the Capital Securities.

(g) Prior to the Closing Date, the Company and the Trust shall have furnished to you such further information, certificates and documents as you may reasonably request.

(h) At the Closing Date, each of the Operative Documents shall have been duly authorized, executed and delivered by each party thereto, and copies thereof shall have been delivered to you.

If any of the conditions specified in this Section 6 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions, certificates and documents mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to you, this Agreement and all the Purchaser's obligations hereunder may be canceled at, or at any time prior to, the Closing Date by you. Notice of such cancellation shall be given to the Company and the Trust in writing or by telephone or telegraph confirmed in writing.

7. Reimbursement of Expenses of the Purchaser. If the sale of the Capital Securities provided for herein is not consummated because any condition set forth in Section 6 hereof is not satisfied, because of any termination pursuant to Section 9 hereof or because of any refusal, inability or failure on the part of the Company or the Trust to perform any agreement herein or comply with any provision hereof, the Company will reimburse the Purchaser upon demand for all documented out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by the Purchaser in connection with the proposed offering and sale of the Capital Securities.

8. Indemnification and Contribution. (a) The Company and the Trust agree jointly and severally to indemnify and hold harmless the Purchaser and its directors, officers, employees and agents and each person who controls the Purchaser within the meaning of either

the Securities Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any information (whether oral or written) or documents furnished or made available to the Purchaser by the Company or the Trust, or its representatives in connection with the transactions contemplated herein, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which the Company or the Trust may otherwise have.

(b) The Company agrees to indemnify the Trust against all loss, liability, claim, damage and expense whatsoever, as due from the Trust under Section 8(a) hereunder.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve the indemnifying party from liability under paragraph (a) above, unless and to the extent that the indemnifying party did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the

indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding. An indemnified party will not, without the prior written consent of the indemnifying parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action).

(d) In the event that the indemnity provided in paragraph (a), (b) or (c) of this Section 8 is unavailable or insufficient to hold harmless an indemnified party for any reason, the Company, the Trust and you agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the Company, the Trust and you may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company and the Trust on the one hand and by you on the other from the offering of the Securities; provided, however, that in no case shall you be responsible for any amount in excess of the purchase discount or commission applicable to the Securities purchased hereunder. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Company, the Trust and you shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Trust on the one hand and of you on the other in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. Benefits received by the Company and the Trust shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by it, and benefits received by you shall be deemed to be equal to the total purchase discounts or commissions applicable to the Securities purchased hereunder. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Company and the Trust on the one hand or you on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company, the Trust and you agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls the Purchaser within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and agent of the Purchaser shall have the same rights to contribution as you, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act, each officer and director of the Company and each Administrator of the Trust shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

9. Termination. This Agreement shall be subject to termination in the absolute discretion of you, by notice given to the Company and the Trust prior to delivery of and payment for the Capital Securities, if prior to such time (i) there has occurred any Material Adverse Effect, (ii) trading in any of the Company's securities shall have been suspended by the

Commission or the exchange upon which the Company's securities are traded, if any, or trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange, (iii) a banking moratorium shall have been declared either by Federal or Ohio authorities, or (iv) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in your judgment, impracticable or inadvisable to proceed with the offering or delivery of the Capital Securities.

10. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company and the Trust or their respective officers or trustees and of the Purchaser set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Purchaser, the Company or the Trust or any of the officers, directors or trustees, administrators, controlling persons, and will survive delivery of and payment for the Capital Securities. The provisions of Sections 7 and 8 hereof shall survive the termination or cancellation of this Agreement.

11. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Purchaser, will be mailed, delivered or telecopied and confirmed to at 850 Ridge Lake Boulevard, Suite 400, Memphis, Tennessee 38120, Attention: Robert McPherson; if sent to the Company or the Trust, will be mailed, delivered or telecopied and confirmed to it at 1311 East Main Street, Ravenna, Ohio 44266.

12. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons, and, except as set forth below, no other person will have any right or obligation hereunder.

The parties hereto agree that each transferee of the Capital Securities is an express and intended third-party beneficiary of this Agreement and shall be entitled to the benefit of, and to rely on, the provisions of this Agreement to the extent such provisions address or relate to the Capital Securities.

13. Applicable Law. THIS AGREEMENT WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

14. Counterparts. This Agreement may contain more than one counterpart of the signature page and this Agreement may be executed by the affixing of the signature of each of the Company, the Trust and you to any of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a signature page.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Trust and you.

Very truly yours,

PORTAGE BANCSHARES, INC.

By: William E. Hale
Name: William E. Hale
Title: President

PORTAGE BANCSHARES CAPITAL TRUST I

By: Richard J. Coe
Name: Richard J. Coe
Title: Administrator

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

NBC CAPITAL MARKETS GROUP, INC.

By: _____
Name: Robert Wayne McPherson
Title: Senior Vice President

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If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Trust and you.

Very truly yours,

PORTAGE BANCSHARES, INC.

By: _____

Name: William E. Hale

Title: President

PORTAGE BANCSHARES CAPITAL TRUST I

By: _____

Name: Richard J. Coe

Title: Administrator

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

NBC CAPITAL MARKETS GROUP, INC.

By:  _____

Name: Robert Wayne McPherson

Title: Senior Vice President

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SCHEDULE 1

List of Significant Subsidiaries

Portage Community Bank

Pursuant to Section 6(a) of the Purchase Agreement, special counsel for the Company shall deliver an opinion in substantially the following form:

(i) each of the Company and the Subsidiaries (A) has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized, with full corporate power and authority to own its properties and conduct the business it transacts and proposes to transact, (B) is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases properties or conducts business, except where the failure to be so qualified would not, singularly or in the aggregate, have a Material Adverse Effect, and (C) holds all approvals, authorizations, orders, licenses, certificates and permits from governmental authorities necessary for the conduct of its business, except where the failure to hold such approvals, authorizations, orders, licenses, certificates and/or permits would not, singularly or in the aggregate, have a Material Adverse Effect;

(ii) no consent, approval, authorization or order of any court or governmental agency or body is required for the consummation of the transactions contemplated herein or in the Operative Documents, in connection with the solicitation of the purchase and sale of the Capital Securities by you or the purchase of the Subordinated Debt Securities by the Trust except such approvals (specified in such opinion) as have been obtained;

(iii) neither the issue and sale of the Capital Securities or the Subordinated Debt Securities, the execution and delivery of the Operative Documents by the Company or the Trust and the consummation of any other of the transactions therein contemplated in any Operative Document nor the fulfillment of the terms thereof will conflict with, result in a breach or violation of, or constitute a default under any law or the charter or by-laws of the Company or any of its Subsidiaries, the terms of any indenture or other agreement or instrument known to such counsel after due inquiry and to which the Company or any of its Subsidiaries is a party or bound or any judgment, order, decree, of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the Company or any of its Subsidiaries, or any provision of applicable law, known to such counsel after due inquiry to be applicable to the Company or any of its Subsidiaries, except for such conflicts, breaches, violations or defaults which are not, in the aggregate, material to the Company and its subsidiaries taken as a whole and which do not adversely affect the consummation of the transactions contemplated in this Agreement and the Operative Documents;

(iv) the Company is duly registered as a bank holding company under the Bank Holding Company Act and the regulations thereunder of the Federal Reserve, and the deposit accounts of the Company's banking subsidiaries are insured by the FDIC to the fullest extent permitted by law and the rules and regulations of the FDIC, and, to

the best of our knowledge no proceeding for the termination of such insurance is pending or threatened;

(v) each of the Indenture and the Guarantee Agreement has been duly authorized, executed and delivered by the Company, and (in the case of the Indenture and the Guarantee, respectively, assuming it is duly authorized, executed and delivered by the Indenture Trustee and the Guarantee Trustee, respectively) constitutes a legal, valid and binding instrument of the Company enforceable against the Company in accordance with its terms, subject to Bankruptcy and Equity; the Subordinated Debt Securities have been duly and validly authorized and delivered to the Indenture Trustee for authentication in accordance with the Indenture, and when authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Trust, will constitute legal, valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with its terms, subject to Bankruptcy and Equity;

(vi) the Purchase Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding instrument of the Company, enforceable against the Company in accordance with its terms;

(vii) the Declaration has been duly authorized, executed and delivered by the Company and the Administrators;

(viii) the Purchase Agreement has been duly executed and delivered by the Trust and constitutes a valid and binding instrument of the Trust, enforceable against the Trust in accordance with its terms;

(ix) neither the Company nor the Trust is, and, following the issuance of the Capital Securities and the consummation of the transactions contemplated by the Operative Documents and the application of the proceeds therefrom, neither the Company nor the Trust will be an "investment company" or an entity "controlled" by an "investment company," required to be registered under the Investment Company Act; and

(x) assuming the accuracy of the representations and warranties and compliance with the agreements contained herein, no registration of any of the Securities under the Securities Act is required for the offer, and sale and delivery by the Trust to the Purchaser of the Capital Securities in the manner contemplated by this Agreement, and the Indenture, the Declaration and the Guarantee are not required to be qualified under the Trust Indenture Act of 1939.

In rendering such opinions, such counsel may (A) state that its opinion is limited to the laws of New York, the corporate laws of the State of Delaware and the Federal laws of the United States and (B) rely as to matters involving the application of laws of any jurisdiction other than New York and Delaware or the United States, to the extent deemed proper and specified in such opinion, upon the opinion of other counsel of good standing believed to be reliable and who are satisfactory to you and as to matters of fact, and to the extent deemed proper, upon certificates of responsible officers of the Company and public officials.

ANNEX B

Pursuant to Section 6(b) of the Purchase Agreement, special tax counsel for the Company shall deliver an opinion in substantially the following form:

We have acted as special tax counsel to Portage Bancshares, Inc., an Ohio corporation (the "Company"), in connection with the offering by Portage Bancshares Capital Trust I (the "Trust") of 2,500 Floating Rate Capital Securities (liquidation amount \$1,000 per capital security) (the "Capital Securities"). The Capital Securities represent undivided beneficial ownership interests in \$2,578,000 in aggregate principal amount of Floating Rate Junior Subordinated Debt Securities due 2034 of the Company (the "Subordinated Debt Securities"). This opinion letter is furnished pursuant to Section 6(b) of the Purchase Agreement dated March 25, 2004, between the Company, the Trust and you.

In arriving at the opinions expressed below we have examined executed copies of (i) the Amended and Restated Declaration of Trust of the Trust dated the date hereof (the "Declaration"), and (ii) the Indenture relating to the issuance of the Subordinated Debt Securities dated the date hereof (the "Indenture") (together, the "Operative Documents"). In addition, we have made such investigations of law and fact as we have deemed appropriate as a basis for the opinion expressed below.

It is our opinion that, under current law and assuming the performance of the Operative Documents in accordance with the terms described therein, the Subordinated Debt Securities will be treated for United States federal income tax purposes as indebtedness of the Company.

Our opinion is based on the U.S. Internal Revenue Code of 1986, as amended, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis. In rendering this opinion, we are expressing our views only as to the federal income tax laws of the United States of America.

Pursuant to Section 6(c) of the Purchase Agreement, special Delaware counsel for the Company and the Trust shall deliver an opinion in substantially the following form:

1. The Trust has been duly formed and is validly existing in good standing as a statutory trust under the Act.
2. The Declaration constitutes a valid and binding obligation of the Sponsor and Trustees party thereto, enforceable against such Sponsor and Trustees in accordance with its terms.
3. Under the Act and the Declaration, the Trust has the requisite trust power and authority (i) to own its properties and conduct its business, all as described in the Declaration, (ii) to execute and deliver, and perform its obligations under, the Trust Documents, (iii) to authorize, issue, sell and perform its obligations under its Trust Securities, and (iv) to purchase and hold the Debentures.
4. The Capital Securities of the Trust have been duly authorized for issuance by the Trust and, when issued, executed and authenticated in accordance with the Declaration and delivered against payment therefor in accordance with the Declaration and the Purchase Agreement, will be validly issued and, subject to the qualifications set forth in paragraph 5 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust and the Capital Security Holders will be entitled to the benefits provided by the Declaration.
5. Each Capital Security Holder, in such capacity, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note, however, that the Capital Security Holders may be required to make payment or provide indemnity or security as set forth in the Declaration.
6. Under the Declaration and the Act, the issuance of the Trust Securities of the Trust is not subject to preemptive rights.
7. The Common Securities of the Trust have been duly authorized for issuance by the Trust and, when issued and executed in accordance with the Declaration and delivered against payment therefor in accordance with the Declaration and the Common Securities Subscription Agreement, will be validly issued undivided beneficial interests in the assets of the Trust and the Common Security Holders will be entitled to the benefits provided by the Declaration.
8. Under the Declaration and the Act, the execution and delivery by the Trust of the Trust Documents, and the performance by the Trust of its obligations thereunder, have been duly authorized by the requisite trust action on the part of such Trust.
9. The issuance and sale by the Trust of its Trust Securities, the execution, delivery and performance by the Trust of the Trust Documents, the consummation by the Trust

of the transactions contemplated by the Trust Documents, and the compliance by the Trust with its obligations thereunder are not prohibited by (i) the Declaration or the Certificate, or (ii) any law or administrative regulation of the State of Delaware applicable to such Trust.

10. No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or Delaware agency is required to be obtained by the Trust solely in connection with the issuance and sale by the Trust of its Trust Securities, the due authorization, execution and delivery by the Trust of the Trust Documents or the performance by the Trust of its obligations under the Trust Documents.

11. The Capital Security Holders (other than those Capital Security Holders who reside or are domiciled in the State of Delaware) will have no liability for income taxes imposed by the State of Delaware solely as a result of their participation in the Trust, and the Trust will not be liable for any income tax imposed by the State of Delaware.

ANNEX D

Pursuant to Section 6(d) of the Purchase Agreement, counsel for the Guarantee Trustee, the Institutional Trustee, the Delaware Trustee and the Indenture Trustee shall deliver an opinion in substantially the following form:

1. Wilmington Trust Company ("WTC") is a Delaware banking corporation with trust powers, duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with requisite corporate power and authority to execute and deliver, and to perform its obligations under, the Transaction Documents.
2. The execution, delivery, and performance by WTC of the Transaction Documents have been duly authorized by all necessary corporate action on the part of WTC, and the Transaction Documents have been duly executed and delivered by WTC.
3. The execution, delivery and performance of the Transaction Documents by WTC and the consummation of any of the transactions by WTC contemplated thereby are not prohibited by (i) the Charter or Bylaws of WTC, (ii) any law or administrative regulation of the State of Delaware or the United States of America governing the banking and trust powers of WTC, or (iii) to our knowledge (based and relying solely on the Officer Certificates), any agreements or instruments to which WTC is a party or by which WTC is bound or any judgments or order applicable to WTC.
4. The Debentures delivered on the date hereof have been authenticated by due execution thereof and delivered by WTC, as Debenture Trustee, in accordance with the Corporation Order. The Capital Securities delivered on the date hereof have been authenticated by due execution thereof and delivered by WTC, as Institutional Trustee, in accordance with the related Trust Order.
5. None of the execution, delivery and performance by WTC of the Transaction Documents and the consummation of any of the transactions by WTC contemplated thereby requires the consent, authorization, order or approval of, the withholding of objection on the part of, the giving of notice to, the registration with or the taking of any other action in respect of, any governmental authority or agency, under any law or administrative regulation of the State of Delaware or the United States of America governing the banking and trust powers of WTC, except for the filing of the Certificate for the Trust with the Office of the Secretary of State of the State of Delaware pursuant to the Delaware Statutory Trust Act 12 Del.C. §3801, et seq. (which filing has been duly made).

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CAPITAL SECURITY CERTIFICATE

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE DEBENTURE ISSUER OR THE TRUST, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE DEBENTURE ISSUER'S AND THE TRUST'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM IN ACCORDANCE WITH THE AMENDED AND RESTATED DECLARATION OF TRUST, A COPY OF WHICH MAY BE OBTAINED FROM THE DEBENTURE ISSUER OR THE TRUST. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY

PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION MAY BE REQUIRED BY THE AMENDED AND RESTATED DECLARATION OF TRUST TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A LIQUIDATION AMOUNT OF NOT LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A LIQUIDATION AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

Certificate Number P-1

Number of Capital Securities 2,500

Certificate Evidencing Capital Securities

of

PORTAGE BANCSHARES CAPITAL TRUST I

Floating Rate Capital Securities

(liquidation amount \$1,000 per Capital Security)

Portage Bancshares Capital Trust I, a statutory trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that SIGLER & CO. (the "Holder") is the registered owner of 2,500 capital securities of the Trust representing undivided beneficial interests in the assets of the Trust, designated the Floating Rate Capital Securities (liquidation amount \$1,000 per Capital Security) (the "Capital Securities"). Subject to the Declaration (as defined below), the Capital Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this Certificate duly endorsed and in proper form for transfer. The Capital Securities represented hereby are issued pursuant to, and the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Capital Securities shall in all respects be subject to, the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of March 25, 2004, among Richard J. Coe and John S. Forberg, as Administrators, Wilmington Trust Company, as Delaware Trustee, Wilmington Trust Company, as Institutional Trustee, Portage Bancshares, Inc., as Sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Trust, including the designation of the terms of the Capital Securities as set forth in Annex I to the Declaration, as the same may be amended from time to time (the "Declaration"). Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Guarantee, and the Indenture to the Holder without charge upon written request to the Sponsor at its principal place of business.

Upon receipt of this Security, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance of this Security, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Capital Securities as evidence of beneficial ownership in the Debentures.

This Capital Security is governed by, and shall be construed in accordance with, the laws of the State of Delaware, without regard to principles of conflict of laws.

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IN WITNESS WHEREOF, the Trust has duly executed this certificate.

PORTAGE BANCSHARES CAPITAL TRUST I

SPECIMEN

Name: Richard J. Coe

Title: Administrator

Dated: March 25, 2004

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CERTIFICATE OF AUTHENTICATION

This is one of the Capital Securities referred to in the within-mentioned
Declaration.

WILMINGTON TRUST COMPANY,
not in its individual capacity but solely as the
Institutional Trustee

SPECIMEN

By: 
Authorized Officer

Dated: March 25, 2004

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[REVERSE OF SECURITY]

Distributions payable on each Capital Security will be payable at a variable per annum rate of interest, reset quarterly, equal to LIBOR (as defined in the Declaration) plus 2.85% (the "Coupon Rate") of the stated liquidation amount of \$1,000 per Capital Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Except as set forth below in respect of an Extension Period, Distributions in arrears for more than one quarterly period will bear interest thereon compounded quarterly at the applicable Coupon Rate for each such quarterly period (to the extent permitted by applicable law). The term "Distributions" as used herein includes cash distributions, any such compounded distributions and any Additional Interest payable on the Debentures unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds legally available in the Property Account therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year and the actual number of days elapsed in the relevant Distribution period.

Except as otherwise described below, Distributions on the Capital Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears on January 23, April 23, July 23 and October 23 of each year, commencing on July 23, 2004 (each, a "Distribution Payment Date"). The Debenture Issuer has the right under the Indenture to defer payments of interest on the Debentures by extending the interest payment period for up to 20 consecutive quarterly periods (each, an "Extension Period") at any time and from time to time on the Debentures, subject to the conditions described below, during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). During any Extension Period, interest will continue to accrue on the Debentures, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue at an annual rate equal to the Coupon Rate in effect for each such Extension Period, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, to the extent permitted by law. No Extension Period may end on a date other than a Distribution Payment Date. At the end of any such Extension Period, the Debenture Issuer shall pay all Deferred Interest then accrued and unpaid on the Debentures; provided, however, that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date. Prior to the termination of any Extension Period, the Debenture Issuer may further extend such period; provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed 20 consecutive quarterly periods, or extend beyond the Maturity Date, Redemption Date or Special Redemption Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Debenture Issuer may commence a new Extension Period, subject to the foregoing requirements. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof, but interest shall accrue upon each installment of interest that would otherwise have been due and payable during such Extension Period until such installment is paid. If Distributions are deferred, the Distributions due shall be paid on the date that the related Extension Period terminates to Holders of the Securities as they appear on the books and records of the Trust on the record date immediately preceding such date. ~~Distributions on the Securities must be paid on the dates payable (after giving effect to any Extension Period)~~ to the extent that the Trust has funds legally available for the payment of such distributions in the Property Account of the Trust. The Trust's funds available for Distribution to the Holders of the Securities will be limited to payments received from the Debenture Issuer.

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The payment of Distributions out of moneys held by the Trust is guaranteed by the Guarantor
to the Guarantee.

The Capital Securities shall be redeemable as provided in the Declaration.

SPECIMEN

000319

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this
Capital Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee),

and irrevocably appoints _____
as agent to transfer this Capital Security Certificate on the books of the Trust. The agent
may substitute another to act for it, him or her.

Date: _____

Signature: _____

(Sign exactly as your name appears on the other side of this Capital
Security Certificate)

Signature Guarantee: _____

¹ Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Security registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

000320

GUARANTEE AGREEMENT

PORTAGE BANCSHARES, INC.

Dated as of March 25, 2004

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GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (the "Guarantee"), dated as of March 25, 2004, is executed and delivered by Portage Bancshares, Inc., a bank holding company incorporated in Ohio (the "Guarantor"), and Wilmington Trust Company, a Delaware banking corporation, as trustee (the "Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Capital Securities (as defined herein) of Portage Bancshares Capital Trust I, a Delaware statutory trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of March 25, 2004, among the trustees named therein of the Issuer, Portage Bancshares, Inc., as sponsor, and the Holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof securities, having an aggregate liquidation amount of up to \$2,500,000, designated the Capital Securities (the "Capital Securities"); and

WHEREAS, as incentive for the Holders to purchase the Capital Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Guarantee, to pay to the Holders of Capital Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase by each Holder of the Capital Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee for the benefit of the Holders.

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions and Interpretation.

In this Guarantee, unless the context otherwise requires:

- (a) capitalized terms used in this Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;
- (b) a term defined anywhere in this Guarantee has the same meaning throughout;
- (c) all references to "the Guarantee" or "this Guarantee" are to this Guarantee as modified, supplemented or amended from time to time;
- (d) all references in this Guarantee to Articles and Sections are to Articles and Sections of this Guarantee, unless otherwise specified;
- (e) terms defined in the Declaration as of the date of execution of this Guarantee have the same meanings when used in this Guarantee, unless otherwise defined in this Guarantee or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Beneficiaries" means any Person to whom the Issuer is or hereafter becomes indebted or liable.

"Corporate Trust Office" means the office of the Guarantee Trustee at which the corporate trust business of the Guarantee Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Guarantee is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001.

"Covered Person" means any Holder of Capital Securities.

"Debentures" means the junior subordinated debentures of Portage Bancshares, Inc., designated the Floating Rate Junior Subordinated Debt Securities due 2034, held by the Institutional Trustee (as defined in the Declaration) of the Issuer.

"Event of Default" has the meaning set forth in Section 2.4.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Capital Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions (as defined in the Declaration) which are required to be paid on such Capital Securities to the extent the Issuer has funds available in the Property Account (as defined in the Declaration) therefor at such time, (ii) the Redemption Price (as defined in the Indenture) to the extent the Issuer has funds available in the Property Account therefor at such time, with respect to the Capital Securities at maturity or any Capital Securities called for redemption by the Issuer, (iii) the Special Redemption Price (as defined in the Indenture) to the extent the Issuer has funds available in the Property Account therefor at such time, with respect to Capital Securities called for redemption upon the occurrence of a Special Event (as defined in the Indenture), and (iv) upon a voluntary or involuntary liquidation, dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to the Holders of the Capital Securities in exchange therefor as provided in the Declaration), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Capital Securities to the date of payment, to the extent the Issuer has funds available in the Property Account therefor at such time, and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer after satisfaction of liabilities to creditors of the Issuer as required by applicable law (in either case, the "Liquidation Distribution").

"Guarantee Trustee" means Wilmington Trust Company, until a Successor Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee and thereafter means each such Successor Guarantee Trustee.

"Holder" means any holder, as registered on the books and records of the Issuer, of any Capital Securities; provided, however, that, in determining whether the holders of the requisite percentage of Capital Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Guarantee Trustee (including in its individual capacity), any Affiliate of the Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Guarantee Trustee.

"Indenture" means the Indenture, dated as of March 25, 2004, between the Guarantor and Wilmington Trust Company, not in its individual capacity but solely as trustee, and any indenture supplemental thereto pursuant to which the Debentures are to be issued to the Institutional Trustee of the Issuer.

"Liquidation Distribution" has the meaning set forth in the definition of "Guarantee Payments" herein.

"Majority in liquidation amount of the Capital Securities" means Holder(s) of outstanding Capital Securities, voting together as a class, but separately from the holders of Common Securities, of more than 50% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to, but excluding, the date upon which the voting percentages are determined) of all Capital Securities then outstanding.

"Obligations" means any costs, expenses or liabilities (but not including liabilities related to taxes) of the Issuer, other than obligations of the Issuer to pay to holders of any Trust Securities the amounts due such holders pursuant to the terms of the Trust Securities.

"Officer's Certificate" means, with respect to any Person, a certificate signed by one Authorized Officer of such Person. Any Officer's Certificate delivered with respect to compliance with a condition or covenant provided for in this Guarantee shall include:

- (a) a statement that each officer signing the Officer's Certificate has read the covenant or condition and the definitions relating thereto;
- (b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officer's Certificate;
- (c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Responsible Officer" means, with respect to the Guarantee Trustee, any officer within the Corporate Trust Office of the Guarantee Trustee with direct responsibility for the

administration of any matters relating to this Guarantee, including any vice president, any assistant vice president, any secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or other officer of the Corporate Trust Office of the Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Guarantee Trustee" means a successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 3.1.

"Trust Securities" means the Common Securities and the Capital Securities.

ARTICLE II

POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE

Section 2.1. Powers and Duties of the Guarantee Trustee.

(a) This Guarantee shall be held by the Guarantee Trustee for the benefit of the Holders of the Capital Securities, and the Guarantee Trustee shall not transfer this Guarantee to any Person except a Holder of Capital Securities exercising his or her rights pursuant to Section 4.4(b) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee. The right, title and interest of the Guarantee Trustee shall automatically vest in any Successor Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Guarantee Trustee has occurred and is continuing, the Guarantee Trustee shall enforce this Guarantee for the benefit of the Holders of the Capital Securities.

(c) The Guarantee Trustee, before the occurrence of any Event of Default and after the curing or waiving of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Guarantee, and no implied covenants shall be read into this Guarantee against the Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.4(b)) and is actually known to a Responsible Officer of the Guarantee Trustee, the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Guarantee shall be construed to relieve the Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all Events of Default that may have occurred:

(A) the duties and obligations of the Guarantee Trustee shall be determined solely by the express provisions of this Guarantee, and the Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee, and no implied covenants or obligations shall be read into this Guarantee against the Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Guarantee Trustee, the Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Guarantee Trustee and conforming to the requirements of this Guarantee; but in the case of any such certificates or opinions furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not on their face they conform to the requirements of this Guarantee;

(ii) the Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Guarantee Trustee, unless it shall be proved that such Responsible Officer of the Guarantee Trustee or the Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Holders of not less than a Majority in liquidation amount of the Capital Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee; and

(iv) no provision of this Guarantee shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds is not reasonably assured to it under the terms of this Guarantee, or security and indemnity, reasonably satisfactory to the Guarantee Trustee, against such risk or liability is not reasonably assured to it.

Section 2.2. Certain Rights of the Guarantee Trustee.

(a) Subject to the provisions of Section 2.1:

(i) The Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document

believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Guarantee shall be sufficiently evidenced by an Officer's Certificate.

(iii) Whenever, in the administration of this Guarantee, the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officer's Certificate of the Guarantor which, upon receipt of such request, shall be promptly delivered by the Guarantor.

(iv) The Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument or other writing (or any rerecording, refiling or reregistration thereof).

(v) The Guarantee Trustee may consult with counsel of its selection, and the advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees. The Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee from any court of competent jurisdiction.

(vi) The Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Guarantee Trustee such security and indemnity, reasonably satisfactory to the Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Guarantee Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Guarantee Trustee; provided, however, that nothing contained in this Section 2.2(a)(vi) shall be taken to relieve the Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Guarantee.

(vii) The Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(viii) The Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys, and the Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(ix) Any action taken by the Guarantee Trustee or its agents hereunder shall bind the Holders of the Capital Securities, and the signature of the Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Guarantee, both of which shall be conclusively evidenced by the Guarantee Trustee's or its agent's taking such action.

(x) Whenever in the administration of this Guarantee the Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Guarantee Trustee (A) may request instructions from the Holders of a Majority in liquidation amount of the Capital Securities, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received and (C) shall be protected in conclusively relying on or acting in accordance with such instructions.

(xi) The Guarantee Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Guarantee.

(b) No provision of this Guarantee shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Guarantee Trustee shall be construed to be a duty.

Section 2.3. Not Responsible for Recitals or Issuance of Guarantee.

The recitals contained in this Guarantee shall be taken as the statements of the Guarantor, and the Guarantee Trustee does not assume any responsibility for their correctness. The Guarantee Trustee makes no representation as to the validity or sufficiency of this Guarantee.

Section 2.4. Events of Default; Waiver.

(a) An Event of Default under this Guarantee will occur upon the failure of the Guarantor to perform any of its payment or other obligations hereunder.

(b) The Holders of a Majority in liquidation amount of the Capital Securities may, voting or consenting as a class, on behalf of the Holders of all of the Capital Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and shall be deemed to have been cured, for every purpose of this Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 2.5. Events of Default; Notice.

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Capital Securities, notices of all Events of Default actually known to a Responsible Officer of the Guarantee Trustee; unless such defaults have been cured before the giving of such notice, provided, however, that the Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Capital Securities.

(b) The Guarantee Trustee shall not be charged with knowledge of any Event of Default unless the Guarantee Trustee shall have received written notice thereof from the Guarantor or a Holder of the Capital Securities, or a Responsible Officer of the Guarantee Trustee charged with the administration of this Guarantee shall have actual knowledge thereof.

ARTICLE III

THE GUARANTEE TRUSTEE

Section 3.1. The Guarantee Trustee; Eligibility.

(a) There shall at all times be a Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation or national association organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or Person authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation or national association publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 3.1(a)(ii), the combined capital and surplus of such corporation or national association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 3.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set forth in Section 3.2(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee shall either eliminate such interest or resign to the extent and in the manner provided by, and subject to, this Guarantee.

Section 3.2. Appointment, Removal and Resignation of the Guarantee Trustee.

(a) Subject to Section 3.2(b), the Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor except during an Event of Default.

(b) The Guarantee Trustee shall not be removed in accordance with Section 3.2(a) until a Successor Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor.

(c) The Guarantee Trustee appointed to office shall hold office until a Successor Guarantee Trustee shall have been appointed or until its removal or resignation. The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Guarantee Trustee has been appointed and has accepted such appointment by an instrument in writing executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(d) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 3.2 within 60 days after delivery of an instrument of removal or resignation, the Guarantee Trustee resigning or being removed may petition any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Guarantee Trustee.

(e) No Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Guarantee Trustee.

(f) Upon termination of this Guarantee or removal or resignation of the Guarantee Trustee pursuant to this Section 3.2, the Guarantor shall pay to the Guarantee Trustee all amounts owing to the Guarantee Trustee under Sections 7.2 and 7.3 accrued to the date of such termination, removal or resignation.

ARTICLE IV

GUARANTEE

Section 4.1. Guarantee.

(a) The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense (except as defense of payment by the Issuer), right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

(b) The Guarantor hereby also agrees to assume any and all Obligations of the Issuer and in the event any such Obligation is not so assumed, subject to the terms and conditions hereof, the Guarantor hereby irrevocably and unconditionally guarantees to each Beneficiary the full payment, when and as due, of any and all Obligations to such Beneficiaries. This Guarantee is intended to be for the Beneficiaries who have received notice hereof.

Section 4.2. Waiver of Notice and Demand.

The Guarantor hereby waives notice of acceptance of this Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 4.3. Obligations Not Affected.

The obligations, covenants, agreements and duties of the Guarantor under this Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Capital Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Special Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Capital Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Capital Securities (other than an extension of time for the payment of the Distributions, Redemption Price, Special Redemption Price, Liquidation Distribution or other sums payable that results from the extension of any interest payment period on the Debentures or any extension of the maturity date of the Debentures permitted by the Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Capital Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Capital Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 4.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

Section 4.4. Rights of Holders.

(a) The Holders of a Majority in liquidation amount of the Capital Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of this Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under this Guarantee; provided, however, that (subject to Sections 2.1 and 2.2) the Guarantee Trustee shall have the right to decline to follow any such direction if the Guarantee Trustee shall determine that the actions so directed would be unjustly prejudicial to the Holders not taking part in such direction or if the Guarantee Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if the Guarantee Trustee in good faith by its board of directors or trustees, executive committee or a trust committee of directors or trustees and/or Responsible Officers shall determine that the action or proceeding so directed would involve the Guarantee Trustee in personal liability.

(b) Any Holder of Capital Securities may institute a legal proceeding directly against the Guarantor to enforce the Guarantee Trustee's rights under this Guarantee, without first instituting a legal proceeding against the Issuer, the Guarantee Trustee or any other Person. The Guarantor waives any right or remedy to require that any such action be brought first against the Issuer, the Guarantee Trustee or any other Person before so proceeding directly against the Guarantor.

Section 4.5. Guarantee of Payment.

This Guarantee creates a guarantee of payment and not of collection.

Section 4.6. Subrogation.

The Guarantor shall be subrogated to all (if any) rights of the Holders of Capital Securities against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Guarantee; provided, however, that the Guarantor shall not (except to the extent required by applicable provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee, if, after giving effect to any such payment, any amounts are due and unpaid under this Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

Section 4.7. Independent Obligations.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Capital Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 4.3 hereof.

Section 4.8. Enforcement.

A Beneficiary may enforce the Obligations of the Guarantor contained in Section 4.1(b) directly against the Guarantor, and the Guarantor waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Guarantor.

The Guarantor shall be subrogated to all rights (if any) of any Beneficiary against the Issuer in respect of any amounts paid to the Beneficiaries by the Guarantor under this Guarantee; provided, however, that the Guarantor shall not (except to the extent required by applicable provisions of law) be entitled to enforce or exercise any rights that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee, if, after giving effect to such payment, any amounts are due and unpaid under this Guarantee.

ARTICLE V

LIMITATION OF TRANSACTIONS; SUBORDINATION

Section 5.1. Limitation of Transactions.

So long as any Capital Securities remain outstanding, if (a) there shall have occurred and be continuing an Event of Default or (b) the Guarantor shall have selected an Extension Period as provided in the Declaration and such period, or any extension thereof, shall have commenced and be continuing, then the Guarantor may not (x) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with

respect to, any of the Guarantor's capital stock or (y) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Guarantor that rank *pari passu* in all respects with or junior in interest to the Debentures (other than (i) payments under this Guarantee, (ii) repurchases, redemptions or other acquisitions of shares of capital stock of the Guarantor (A) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors, or consultants, (B) in connection with a dividend reinvestment or stockholder stock purchase plan or (C) in connection with the issuance of capital stock of the Guarantor (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the occurrence of the Event of Default or the applicable Extension Period, (iii) as a result of any exchange or conversion of any class or series of the Guarantor's capital stock (or any capital stock of a subsidiary of the Guarantor) for any class or series of the Guarantor's capital stock or of any class or series of the Guarantor's indebtedness for any class or series of the Guarantor's capital stock, (iv) the purchase of fractional interests in shares of the Guarantor's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (v) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (vi) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks pari passu with or junior to such stock).

Section 5.2. Ranking.

This Guarantee will constitute an unsecured obligation of the Guarantor and will rank subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined in the Indenture) of the Guarantor. By their acceptance thereof, each Holder of Capital Securities agrees to the foregoing provisions of this Guarantee and the other terms set forth herein.

The right of the Guarantor to participate in any distribution of assets of any of its subsidiaries upon any such subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent the Guarantor may itself be recognized as a creditor of that subsidiary. Accordingly, the Guarantor's obligations under this Guarantee will be effectively subordinated to all existing and future liabilities of the Guarantor's subsidiaries, and claimants should look only to the assets of the Guarantor for payments thereunder. This Guarantee does not limit the incurrence or issuance of other secured or unsecured debt of the Guarantor, including Senior Indebtedness of the Guarantor, under any indenture or agreement that the Guarantor may enter into in the future or otherwise.

ARTICLE VI

TERMINATION

Section 6.1. Termination.

This Guarantee shall terminate as to the Capital Securities (i) upon full payment of the Redemption Price or the Special Redemption Price, as the case may be, of all Capital Securities then outstanding, (ii) upon the distribution of all of the Debentures to the Holders of all of the Capital Securities or (iii) upon full payment of the amounts payable in accordance with the Declaration upon dissolution of the Issuer. This Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Capital Securities must restore payment of any sums paid under the Capital Securities or under this Guarantee.

ARTICLE VII

INDEMNIFICATION

Section 7.1. Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission of such Indemnified Person in good faith in accordance with this Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Issuer or the Guarantor and upon such information, opinions, reports or statements presented to the Issuer or the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who, if selected by such Indemnified Person, has been selected with reasonable care by such Indemnified Person, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Capital Securities might properly be paid.

Section 7.2. Indemnification.

(a) The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence or willful misconduct on the part of the Indemnified Person, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including but not limited to the costs and expenses (including reasonable legal fees and expenses) of the Indemnified Person defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any

of the Indemnified Person's powers or duties hereunder. The obligation to indemnify as set forth in this Section 7.2 shall survive the resignation or removal of the Guarantee Trustee and the termination of this Guarantee.

(b) Promptly after receipt by an Indemnified Person under this Section 7.2 of notice of the commencement of any action, such Indemnified Person will, if a claim in respect thereof is to be made against the Guarantor under this Section 7.2, notify the Guarantor in writing of the commencement thereof; but the failure so to notify the Guarantor (i) will not relieve the Guarantor from liability under paragraph (a) above unless and to the extent that the Guarantor did not otherwise learn of such action and such failure results in the forfeiture by the Guarantor of substantial rights and defenses and (ii) will not, in any event, relieve the Guarantor from any obligations to any Indemnified Person other than the indemnification obligation provided in paragraph (a) above. The Guarantor shall be entitled to appoint counsel of the Guarantor's choice at the Guarantor's expense to represent the Indemnified Person in any action for which indemnification is sought (in which case the Guarantor shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person or Persons except as set forth below); provided, however, that such counsel shall be satisfactory to the Indemnified Person. Notwithstanding the Guarantor's election to appoint counsel to represent the Indemnified Person in any action, the Indemnified Person shall have the right to employ separate counsel (including local counsel), and the Guarantor shall bear the reasonable fees, costs and expenses of such separate counsel, if (i) the use of counsel chosen by the Guarantor to represent the Indemnified Person would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Person and the Guarantor and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it and/or other Indemnified Persons which are different from or additional to those available to the Guarantor, (iii) the Guarantor shall not have employed counsel satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action or (iv) the Guarantor shall authorize the Indemnified Person to employ separate counsel at the expense of the Guarantor. The Guarantor will not, without the prior written consent of the Indemnified Persons, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the Indemnified Persons are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Indemnified Person from all liability arising out of such claim, action, suit or proceeding.

Section 7.3. Compensation; Reimbursement of Expenses.

The Guarantor agrees:

(a) to pay to the Guarantee Trustee from time to time such compensation for all services rendered by it hereunder as the parties shall agree to from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

(b) except as otherwise expressly provided herein, to reimburse the Guarantee Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by it in accordance with any provision of this Guarantee (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct.

The provisions of this Section 7.3 shall survive the resignation or removal of the Guarantee Trustee and the termination of this Guarantee.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Successors and Assigns.

All guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Capital Securities then outstanding. Except in connection with any merger or consolidation of the Guarantor with or into another entity or any sale, transfer or lease of the Guarantor's assets to another entity, in each case to the extent permitted under the Indenture, the Guarantor may not assign its rights or delegate its obligations under this Guarantee without the prior approval of the Holders of not less than a Majority in liquidation amount of the Capital Securities.

Section 8.2. Amendments.

Except with respect to any changes that do not adversely affect the rights of Holders of the Capital Securities in any material respect (in which case no consent of Holders will be required), this Guarantee may be amended only with the prior approval of the Holders of not less than a Majority in liquidation amount of the Capital Securities. The provisions of the Declaration with respect to amendments thereof shall apply equally with respect to amendments of the Guarantee.

Section 8.3. Notices.

All notices provided for in this Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) If given to the Guarantee Trustee, at the Guarantee Trustee's mailing address set forth below (or such other address as the Guarantee Trustee may give notice of to the Holders of the Capital Securities):

Wilmington Trust Company
Rodney Square North
1100 North Market Street

Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration
Telecopy: 302-651-8882
Telephone: 302-651-1000

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Capital Securities and to the Guarantee Trustee):

Portage Bancshares, Inc.
1311 East Main Street
Ravenna, Ohio 44266
Attention: Richard J. Coe
Telecopy: (330) 296-6082
Telephone: (330) 296-8090

(c) If given to any Holder of the Capital Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 8.4. Benefit.

This Guarantee is solely for the benefit of the Holders of the Capital Securities and, subject to Section 2.1(a), is not separately transferable from the Capital Securities.

Section 8.5. Governing Law.

THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

Section 8.6. Counterparts.

This Guarantee may contain more than one counterpart of the signature page and this Guarantee may be executed by the affixing of the signature of the Guarantor and the Guarantee Trustee to any of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

THIS GUARANTEE is executed as of the day and year first above written.

PORTAGE BANCSHARES, INC.,
as Guarantor

By: William E. Hale
Name: William E. Hale
Title: President

WILMINGTON TRUST COMPANY, as
Guarantee Trustee

By: _____
Name:
Title:

000341

THIS GUARANTEE is executed as of the day and year first above written.

PORTAGE BANCSHARES, INC.,
as Guarantor

By: _____
Name: William E. Hale
Title: President

WILMINGTON TRUST COMPANY, as
Guarantee Trustee

By: _____
Name: _____
Title: Denise M. Geran
Vice President

000342

EXHIBIT NO. 4

000343

PORTAGE BANCSHARES, INC.
1311 East Main Street
Ravenna, Ohio 44266

SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT (the "Agreement") with the undersigned Purchaser for _____ common shares of Portage Bancshares, Inc., without par value, at a purchase price of \$50.00 per share (aggregate purchase price: \$ _____).

Made as of the _____ day of _____, 200_ by and between Portage Bancshares, Inc., an Ohio corporation (the "Company"), and the Purchaser whose signature appears below on the signature line of this Agreement (the "Purchaser").

W I T N E S S E T H :

WHEREAS, the Company is offering for sale up to 100,000 shares of its common stock (the "Shares") (such offering being referred to as the "Offering").

NOW, THEREFORE, the Company and the Purchaser, in consideration of the mutual covenants contained herein and intending to be legally bound, do hereby agree as follows:

1. **Purchase and Sale.** Subject to the terms and conditions hereof, the Company shall sell, and the Purchaser shall purchase, the number of Shares indicated above at the price so indicated.

2. **Method of Subscription.** The Purchaser is requested to complete, execute and deliver two copies of this Agreement to the Company, at 1311 East Main Street, Ravenna, Ohio 44266, Attention: Portage Bancshares, Inc., payable by check to the order of Morgan Bank, N.A. in the amount of the aggregate purchase price of the Shares subscribed (the "Funds"). Once accepted by the Company, this Subscription Agreement will be irrevocable. The Company reserves the right, in its sole discretion, to accept or reject, in whole or in part, any and all subscriptions for Shares.

3. **Escrow Account.** The Funds will be held in an escrow account with Morgan Bank, N.A. until the Company has received and accepted subscriptions for at least 50,000 Shares as set forth in the Offering Statement of the Company, filed with the Securities and Exchange Commission on August 2, 2006, as may be amended or supplemented (the "Offering Statement"). In the event the Offering is terminated for any reason without the sale of the minimum Shares, all monies received will be promptly returned to the Purchaser in full as soon as practicable, with interest thereon, together with the executed Subscription Agreement, and the Purchaser will have no further obligation thereunder.

4. **Closing(s).**

(a) The Offering will terminate on December 31, 2006 unless extended by the Company for an additional period or periods ending on or before March 31, 2007.

(b) The initial closing of the purchase and sale of the Shares (the "Initial Closing") will take place as soon as practicable after the Company shall have accepted subscriptions for at least 50,000 Shares (the "Initial Closing Date"). On the Initial Closing Date, the Company will deliver or mail to each Purchaser purchasing Shares at the Initial Closing (i) a fully executed counterpart of this Agreement, (ii) a certificate or certificates for the Shares being purchased thereby, registered in the name of the Purchaser, and (iii) if the subscription has been accepted only in part, a refund of the Funds submitted for Shares not purchased. On the Initial Closing Date, the Funds deposited in payment for the Shares purchased will be released to the Company, together with any interest accrued thereon.

(c) Any subscription for Shares received prior to the Initial Closing and not accepted by the Company at the Initial Closing will be deemed to have been rejected. Funds submitted with any such subscription will be promptly returned (and in any event no later than 30 days after the Initial Closing Date), with interest, to the subscriber.

(d) Any subscription for Shares received after the Initial Closing will be accepted or rejected by the Company within 30 days of receipt thereof or the termination date of this Offering, if earlier. If any such subscription is accepted, in whole or in part, the Company will promptly deliver or mail to the Purchaser (i) a fully executed counterpart of this Agreement, (ii) a certificate or certificates for the Shares being purchased, registered in the name of the Purchaser, and (iii) if the subscription has been accepted only in part, a refund of the Funds submitted for Shares not purchased. Simultaneously with the delivery or mailing of the foregoing, the Funds deposited in payment for the Shares purchased will be released to the Company, together with any interest accrued thereon. If any such subscription is rejected by the Company, the Company will promptly return, with interest, the Funds submitted with such subscription to the subscriber.

5. **Representations, Warranties and Covenants of the Purchaser.** The Purchaser represents, warrants and agrees as follows:

(a) Prior to making the decision to enter into this Agreement and invest in the Shares subscribed, the Purchaser has received and read the Offering Statement. The Purchaser has been provided the opportunity to ask questions of, and receive answers from, directors and officers of the Company concerning the terms and conditions of the Offering and to obtain any additional information which the Company possesses or can acquire without unreasonable effort or expense necessary to verify the accuracy of the information contained in the Offering Statement. The Purchaser acknowledges that the Purchaser has not been given any information or representations concerning the Company or the Offering, other

than as set forth in the Offering Statement, and if given or made, such information or representations have not been relied upon by the Purchaser in deciding to invest in the Shares subscribed.

(b) The Shares subscribed are being acquired for the Purchaser's own account and for the purpose of investment and not with a view to, or for sale in connection with, the distribution thereof, nor with any present intention of distributing or selling any of such Shares.

(c) The Purchaser understands and agrees that in reliance upon the Purchaser's representations, the Shares have not been registered under the Securities Act of 1933 (the "Act").

(d) The Purchaser's overall commitment to investments which are not readily marketable is not disproportionate to his/her net worth, and his/her investment in the Shares subscribed will not cause such overall commitment to become excessive.

(e) The Purchaser has adequate means of providing for his/her current needs and personal contingencies, and has no need for current income or liquidity in his/her investment in the Shares subscribed.

(f) With respect to the tax aspects of the investment, the Purchaser has relied solely upon the advice of the Purchaser's own tax advisors.

(g) The Purchaser understands that no market is likely to exist for the Shares and the Purchaser does not anticipate the need to sell the Shares subscribed in the foreseeable future.

(h) The Purchaser can withstand the loss of the Purchaser's entire investment without suffering serious financial difficulties.

(i) The Purchaser is aware that it is possible that his/her entire investment will be lost.

(j) The Purchaser is a resident of the State set forth below the signature of the Purchaser on the last page of this Agreement.

6. Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be delivered, or mailed first class, postage prepaid, registered or certified mail, return receipt requested:

(a) If to any holder of any of the Shares, addressed to such holder at the holder's last address appearing on the books of the Company, or

(b) If to the Company, addressed to President, Portage Bancshares, Inc., 1311 East Main Street, Ravenna, Ohio 44266, or to such other address as the Company may specify by written notice to the Purchasers, and such notices or other communications shall for all purposes of this Agreement be treated as being effective on delivery, if delivered personally, or, if sent by mail, on the earlier of actual receipt or the third postal business day after the same has been deposited in a regularly maintained receptacle for the deposit of United States' mail, addressed and postage prepaid as aforesaid.

7. **Severability.** Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable, all other provisions of this Agreement shall be given effect separately from the provision or provisions determined to be illegal or unenforceable and shall not be affected thereby.

8. **Parties in Interest.** This Agreement shall be binding upon and inure to the benefit of and be enforceable against the parties hereto and their respective successors or assigns, provided, however, that the Purchaser may not assign this Agreement or any right or benefit hereunder.

9. **Choice of Law.** This Agreement is made under the laws of the State of Ohio, and for all purposes shall be governed by and construed in accordance with the laws of that state, including, without limitation, the validity of this Agreement, the construction of its terms, and the interpretation of the rights and obligations of the parties hereto.

10. **Headings.** Section and paragraph headings used in this Agreement have been inserted for convenience of reference only, do not constitute a part of this Agreement and shall not affect the construction of this Agreement.

11. **Execution in Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument.

12. **Survival of Representations and Warranties.** The representations and warranties of the Purchaser in and with respect to this Agreement shall survive the execution and delivery of this Agreement, any investigation at any time made by or on behalf of any Purchaser, and the sale and purchase of the Shares and payment therefor.

13. **Restrictions on Sale or Transfer.** The Purchaser realizes that the Shares are offered hereby pursuant to exemptions from registration provided by Section 3(b) of the Securities Act of 1933, as amended (the "Act"), and Regulation A of the Securities and Exchange Commission, and applicable state securities laws. The Shares are being offered to residents of the State of Ohio pursuant to Section 1707.091 of the Ohio Revised Code. The Purchaser hereby consents to the placing of a restrictive legend upon his/her Share certificate(s), stating that the securities represented

by the certificate(s) have not been registered under the Act or any state securities laws, that the securities have been sold in reliance upon exemption from registration provided by Section 3(b) of the Act and Regulation A of the Securities and Exchange Commission. The Code of Regulations of the Company contains a provision that a shareholder may not sell all or any part of his or her Shares before first offering to sell such Shares to the Company at the same price and on the same terms offered to such shareholder pursuant to the bona fide written offer received by such shareholder. A restrictive legend will be placed on the certificates representing the Shares referencing this restriction as well.

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Initial

THESE SECURITIES ARE NOT DEPOSITS. THESE SECURITIES ARE NOT INSURED BY THE FDIC OR ANY OTHER AGENCY, AND ARE SUBJECT TO INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

Initial

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION NOR HAS THE FEDERAL DEPOSIT INSURANCE CORPORATION PASSED ON THE ADEQUACY OR ACCURACY OF THE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IN WITNESSES WHEREOF, the parties hereto have executed this Subscription Agreement as of the day and year first above written.

PORTAGE BANCSHARES, INC.

By: _____

Title: _____

Signature of Purchaser

Print Name of Purchaser

Address: _____

Purchaser's State of Residence: _____

Social Security or Tax ID No. _____ - _____

Telephone Number (____) _____ - _____

EXHIBIT NO. 6(b)

000350

LEASE

THIS AGREEMENT, entered into at Garrettsville, Portage County, Ohio, entered into June 1, 1997, by and between Portage Land Company, having its principal business office at 8138 Main Street, Garrettsville, Ohio 44231, (hereinafter "LESSOR"), and Portage Community Bank an Ohio corporation, having its principal business office at 1311 E. Main Street, Ravenna, Ohio 44266 (hereinafter "LESSEE"),

WITNESSETH THAT

In consideration of the mutual covenants hereinafter set forth, LESSOR does hereby let and lease unto LESSEE the Premises for the term and at the rental rate set forth upon the following provisions, each of which shall be both covenants and conditions, and LESSOR and LESSEE covenant and agree to abide by and perform each and every provision hereof.

1. **Premises.** 10,000 square feet, on 3 stories, plus 1800 sq. feet in the basement of the premises known as 1311 E. Main Street, Ravenna, Ohio 44266, hereinafter referred to as "PREMISES."

2. **Term/Option to Renew.** TO HAVE AND TO HOLD unto LESSEE for a term of 10 years, commencing January 1st, 1998, and ending December 31, 2007. The rental amount for the initial term shall be as follows:

1998	\$ 8,166.67
1999	\$ 8,411.67
2000	\$ 8,664.02
2001	\$ 8,923.94
2002	\$ 9,191.66
2003	\$ 9,467.41
2004	\$ 9,751.43
2005	\$10,043.97
2006	\$10,345.29
2007	\$10,655.65

000351

LESSEE shall have the option to renew this Lease on the same terms and conditions save as to the rental amount, provided LESSEE shall give LESSOR written notice of LESSEE's election so to renew no later than 90 days prior to the expiration of any then existing Lease term.

The rental amount for the renewal term in the event of option is exercised shall be as follows.

2008	\$10,975.32
2009	\$11,304.58
2010	\$11,643.72
2011	\$11,993.03
2012	\$12,352.82
2013	\$12,723.40
2014	\$13,105.10
2015	\$13,498.26
2016	\$13,903.20
2017	\$14,320.30

3. Rent and Utilities. LESSEE agrees to pay as rent to LESSOR at 8138 Main Street, Garrettsville, Ohio 44231, for the above set forth first term the amounts as set forth above on the first day of each successive month beginning January 1, 1998 and continuing monthly until the end of the Lease term.

LESSEE shall be responsible for the payment of all utilities, including phone, electric, gas, water and sewer; as well as taxes and assessments.

4. Option to Purchase. Lessor agrees that as of January 1, 2003 and continuing thereafter throughout the term of the lease (or any renewal thereof), Lessee shall have the option to purchase Premises at Fair Market Value which shall be determined by an appraisal rendered by an appraiser agreed upon by both LESSOR and LESSEE, which LESSOR shall cause to be undertaken upon receipt of notice from LESSEE of its election to exercise its option. The cost of such appraisal shall be borne equally by LESSEE and LESSOR.

5. Maintenance and Repair of PREMISES. LESSEE, at its expense, shall maintain all portions of the PREMISES, electrical, plumbing, doors, door hardware, offices, windows, heating and air conditioning units and ducts, and deliver same to LESSOR at the termination of the Lease in good condition, ordinary wear and tear excepted. LESSOR, at its expense, shall be

responsible for the following: maintenance of all structural portions of the Premises, including foundation, roof, exterior walls; and the replacement, but not maintenance, of the heating and air conditioning units and ducts.

6. Alterations, Additions, and Improvements. Except as specifically permitted in writing in advance, which permission shall not unreasonably be withheld, LESSEE shall not construct improvements upon the Premises, demolish improvements upon the Premises, or make additions to, or structural changes or alterations upon any or all of such improvements set or other improvements upon the Premises. Such work as may be permitted shall be performed in a good and workmanlike manner at the sole expense of LESSEE. LESSEE shall not permit, create, incur or impose or cause or suffer others to permit, create, incur or impose any lien or other obligation against the Premises or LESSOR by reason of any work upon the Premises, and LESSEE agrees to hold LESSOR harmless from any and all claims or demands of any contractor, subcontractor, materialman, laborer or any third person against the Premises or LESSOR relating to any work thereon. Any improvements or additions upon the Premises shall at the expiration of this Lease be deemed a part of the Premises, and shall be surrendered to the LESSOR in good condition and repair, reasonable wear and tear and damage by fire or other casualty not occurring through the neglect or fault of LESSEE excepted. The provisions of this paragraph shall not apply to such items as are ordinarily designated as equipment, furnishings, furniture, trade fixtures, temporary partitions or similar installations which may from time to time be installed upon the Premises. Any temporary partitions or similar installations shall be of comparable quality and finish as exists at time of taking of possession of the Premises.

7. Trade Fixtures. During the term of this Lease, LESSEE may install such fixtures, equipment and appliances as may be reasonably necessary for the conduct of its business upon the Premises. LESSEE agrees that it will not create, incur or impose any lien or obligation against the Premises of LESSOR by reason of the installation herein authorized. LESSEE agrees to hold LESSOR harmless from any and all claims and demands of third persons in any manner

relating to such installation. LESSEE shall be permitted signs on the Premises, which sign shall conform to all applicable laws, ordinances and regulations. LESSEE shall be responsible for the proper maintenance and repair of said sign.

8. **Indemnification of Lessor.** LESSEE agrees to protect and save LESSOR harmless from any penalty, damage or charge imposed for any violation of any laws or ordinances by LESSEE. LESSEE further agrees to protect and save LESSOR harmless from and against any and all claims, and against any and all loss, damage, expense, liabilities, demands and causes of action, and any reasonable expenses (including attorney fees) incidental to the defense thereof by LESSOR, arising out of any failure of LESSEE in any respect to comply with and perform all of the requirements and provisions of this Lease, and against any and all loss, damage, expense, liabilities, demands and causes of action, and any reasonable expenses (including attorney fees incidental to the defense thereof by LESSOR) resulting from injury or death of persons or damage to property of LESSEE, its agents, employees and invitees, occurring on the Premises or on the adjoining sidewalks, streets, alleys or ways, or in any manner directly or indirectly relating to the use and occupancy, including permitted repairs and alteration, or disuse of the Premises, or any part thereof, or any improvements now or hereafter located thereon by LESSEE or any person holding under LESSEE, or any easements appurtenant thereto or to which such Premises may be subject.

LESSOR agrees to protect and save LESSEE harmless from any penalty, damage or charge imposed for any violation of any laws or ordinances by LESSOR. LESSOR further agrees to protect and save harmless LESSEE from and against any and all claims, and against any and all loss, damage, expense, liabilities, demands and causes of action, and any reasonable expenses (including attorney fees) incidental to the defense thereof by LESSEE arising out of any failure of LESSOR in any respect to comply with and perform all of its requirements and provisions of this Lease.

9. **Insurance.** LESSEE shall keep in effect, at its sole expense, a comprehensive general liability policy or policies covering the Premises and providing coverage with limits and in

manner satisfactory to LESSOR. LESSOR shall be an additional insured on such policy, such policy shall be in form satisfactory to LESSOR, and a copy of such policy, or a certificate thereof, shall be deposited with LESSOR at all times during the pendency of this Lease or any renewals or extensions hereof.

10. **Fire Insurance.** The LESSOR agrees to keep the Premises and all buildings and improvements thereon insured with fire and extended coverage insurance at LESSOR'S expense.

11. **Mutual Waiver of Subrogation.** LESSOR and LESSEE hereby waive all rights of recovery and causes of action which either has or may have or which may arise hereafter against the other, whether caused by negligence, intentional misconduct or otherwise, for any damage of premises, property or business caused by any of the perils covered by fire and extended coverage, building and contents and business interruption insurance, or for which either party may be reimbursed as a result of insurance coverage affecting any loss suffered by it; provided, however, that the foregoing waivers shall apply only to the extent of any recovery made by the parties hereto under any policy of insurance now or hereafter issued, it being stipulated by the parties hereto that the waivers shall not apply in any case in which the application thereof would result in the invalidation of any policy of insurance.

12. **Damage or Destruction of Premises.** If the Premises shall be so damaged or injured by the elements or any other casualty at any time during the term of this Lease so as to render all or any part of the Premises untenable, LESSOR shall promptly undertake to restore the premises to its former condition, using insurance proceeds to complete such restoration as expeditiously as possible. If restoration is not or cannot be completed within 90 days, LESSOR shall notify LESSEE within 15 days of the date of the occurrence of the casualty, the LESSEE shall be entitled to terminate this Lease as of the date of said damage or injury by notice in writing to such effect to the LESSEE. In case LESSEE does not so elect to terminate this Lease as of the date of such damage or injury, Lessee agrees so to notify Lessor in writing to such effect. In the event of termination, the rental hereunder shall be prorated, and paid or refunded, as the case may be, as of the date of said damage or injury. If, during the period

between the happening of such damage or injury and the completion of such repair or restoration, LESSEE is deprived of the occupancy of all or part of the Premises, then to the extent that LESSEE may be unable reasonably to conduct its regular business therein, LESSEE shall receive a proportionate reduction from its rental obligation hereunder corresponding to the time during which and the portion of said Premises from which LESSEE shall have been so deprived. In no case shall LESSOR be liable to LESSEE for lost business.

13. **Eminent Domain.** If all or any part of the Premises are taken by the exercise of the power of eminent domain, or sold under the threat of eminent domain, this Lease shall automatically terminate as of the date possession is taken by the condemnor with no liability on the part of LESSOR. The entire compensation award shall belong to LESSOR and LESSEE shall have no interest herein. Notwithstanding the foregoing, LESSEE shall have the right to pursue a separate claim against the condemnor for relocation and moving expenses as well as other costs resulting from the taking of Premises.

14. **Condition of Premises.** LESSOR agrees to deliver the Premises to LESSEE in clean condition and with all heating, plumbing and electrical systems in working order. LESSEE will have examined the condition of the Premises and upon possession LESSEE acknowledges same to be acceptable and further acknowledges that no representations other than those contained herein have been made by LESSOR or LESSOR'S agents.

15. **Use In Compliance with Law and Rules.** LESSEE shall use and occupy the Premises and appurtenances thereof in a careful, safe and lawful manner without disturbing others and will comply with the directions of all public officers and governmental bodies having jurisdiction thereof respecting the use of said premises and respecting the condition of said premises.

LESSEE shall keep, observe and conform with such reasonable rules and regulations as LESSOR may from time to time reasonably adopt regarding the care, appearance and cleanliness of the Premises, the preservation or order therein and the safety of the occupants thereof.

LESSOR shall keep the exterior of the building in good appearance and shall comply with the reasonable directions and requirements of all public officers and governmental bodies having jurisdiction respecting the condition of the exterior of Premises.

16. Debris, Outside Storage And Snow Removal. All rubbish and debris shall be stored in suitable containers. There shall be no refuse, debris, material, equipment, inventory, supplies of any kind or nature whatsoever stored outside the Premises. LESSEE shall provide all snow removal service as necessary.

17. Entry For Inspection. LESSOR, its representatives, its mortgagees and their representatives, shall have the right, during business hours, upon reasonable notice, to enter upon the Premises for the purpose of examining and inspecting the same and of showing the said Premises to prospective tenants or purchasers, said inspection shall in no event unreasonably interfere with the business of LESSEE. LESSEE shall permit "For Rent" signs to be placed upon the Premises during the final three months of this Lease Agreement.

18. Notices. Any notice required or permitted under this Lease may be personally served or given and shall be deemed sufficiently given or served if sent by certified mail or personally delivered to the respective addresses set forth above; provided, however, that with respect to LESSEE a copy of any such notice shall be sent to LESSEE's Director of Corporate Real Estate. Either party may by like notice at any time, and from time to time, designate a different address to which notices shall be sent. Any payment required under this Lease shall be deemed made on the date mailed if sent by ordinary mail to the address of the recipient set forth above; provided, however, if payment is by check it shall be deemed made on the date delivered or mailed, only if such check is paid by the bank upon which it is drawn upon presentation for payment.

19. Warranty of Quiet Possession. LESSOR hereby warrants and covenants that it has full authority to execute this Lease, and further agrees that LESSEE, upon paying rent and by performing in full the covenants and conditions of this Lease by it to be kept and performed, may have and shall quietly have, hold and enjoy the Premises during the time hereof.

20. **Assignment and Subletting.** LESSEE shall not assign this Lease nor sublet the premises without the prior written consent of LESSOR, which consent shall not unreasonably be withheld or delayed. Notwithstanding any such assignment, LESSEE shall remain primarily liable for all obligations of the LESSEE hereunder for the balance of the term or any extensions thereof.

21. **Remedies.** (a) LESSOR may terminate this Lease on ten (10) days written notice to LESSEE upon the happening of any one or more of the following events: (i) lateness of more than 10 days on any rental payment; (ii) the making by LESSEE of any assignment for the benefit of its creditors; (iii) the operation or supervision of the business conducted in the Premises by a creditor's committee or by any party other than the LESSEE; (iv) the levying of a writ of execution or attachment on or against the property of LESSEE; (v) the taking of any action for the voluntary dissolution of LESSEE or any act which creates a valid mechanic's lien or claim therefor against the land or building of which the Premises are a part; (vi) the failure of LESSEE to pay an installment of rent when due within five days written notice thereof; (vii) if proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of LESSEE, or its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of LESSEE, and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein discharged within one hundred twenty (120) days after the institution of said proceedings; (viii) the failure of LESSEE to perform any other of its covenants under this Lease for five days after written notice thereof.

(b) Upon the termination of this Lease, by reason of the foregoing, LESSOR may re-enter the Premises with or without process of law, using such force as may be necessary, and remove all persons and chattels therefrom and LESSOR shall not be liable for damages or otherwise by reason of re-entry or termination of the term of this Lease.

(c) In the event of any breach by LESSEE of any of the provisions of this Lease, LESSOR may immediately or at any time thereafter, without notice, cure such breach for the account and at the expense of LESSEE. If LESSOR at any time, by reason of such breach, is compelled to

pay, or elects to pay, any sum of money or do any act which will require the payment of any sum of money, or incurs any expense, including reasonable attorney's fees, in instituting or prosecuting any action or proceedings to enforce LESSOR'S rights hereunder, the cost thereof shall be paid by LESSEE to LESSOR upon demand.

(d) LESSEE will, at the expiration or termination of this Lease, yield up possession to LESSOR, and failing so to do, at LESSOR's option, will pay for each day possession is withheld, an amount equal to 125% of the amount of the daily minimum rent, computed on a thirty-day month basis; provided, however, that LESSOR's right to recover such liquidated damages shall not preclude LESSOR from recovering any greater amount of damages sustained by it or as otherwise allowed by law.

(e) Upon expulsion of LESSEE from the Premises by the LESSOR for default by LESSEE in the performance of any covenant, condition or provision hereof, the LESSOR may, at its option, lease the Premises and apply the money derived therefrom to the rent due or to become due hereunder. The LESSEE shall remain liable for and agrees to pay any deficiency. LESSOR shall be entitled to have and recover from LESSEE the monthly rent if the Premises are not let to another or any deficiency resulting from any Lease to another provided LESSOR shall have exerted good faith efforts to relet Premises on equivalent rental terms.

(f) All rights and remedies of LESSOR herein enumerated shall be cumulative and none shall exclude any other right or remedy allowed by law or equity, and such rights and remedies may be exercised and enforced concurrently and whenever and as often as the occasion therefor arises. The failure or forbearance on the part of LESSOR to enforce any of its right or remedies in connection with any default shall not be deemed a waiver of such default, nor a consent to any subsequent date. Any action taken by LESSOR under the provisions of this Lease, or to enforce the provisions of this Lease, or to declare a termination of LESSEE'S interest under this Lease, or to repossess itself of the Premises (whether through the medium of legal proceedings instituted for that purpose or otherwise), shall not, in any event, release or relieve

LESSEE from its continuing obligations hereunder, including, without limitation, its continuing obligation to make all payments herein provided.

(g) In the event LESSEE shall properly incur any expenses as a result of LESSOR's default in the performance of any of its obligations pursuant to this agreement, LESSEE is authorized to cure said default and to bill LESSOR for said expenses. In the event LESSOR shall fail to remit LESSEE's billing, within 30 days of said billing, LESSEE is hereby authorized to deduct said amounts from its rental payments.

(h) Notwithstanding any other provisions contained in this Lease, in the event (a) Lessee or its successors or assignees shall become insolvent or bankrupt, or it or their interests under this Lease shall be levied upon or sold under execution or other legal process, or (b) the depository institution then operating on the Premises is closed, or is taken over by any depository institution supervisory authority ("Authority"), Lessor may, in either such event, terminate this Lease only with the concurrence of any Receiver or Liquidator appointed by such Authority; provided, that in the event this Lease is terminated by the Receiver or Liquidator, the maximum claim of Lessor for rent, damages or indemnity for injury resulting from the termination, rejection, or abandonment of the unexpired Lease shall by law in no event be in an amount equal to all accrued and unpaid rent to the date of termination.

22. Holding Over By Lessee. If LESSEE holds over or remains in possession or occupancy of the Premises after the expiration of this Lease, such holding over or continued possession or occupancy, if rent is paid by LESSEE and accepted by LESSOR for or during any period of time LESSEE so holds over or remains in possession or occupancy, shall create only a tenancy from month to month at the last monthly rental and upon the same terms and conditions herein contained (other than the length of term), which may at any time be terminated by either LESSOR or LESSEE giving to the other, thirty (30) days written notice.

23. Surrender At Termination. At the termination of this Lease for any reason other than by or upon acquisition of the Premises by LESSEE, LESSEE shall quietly and peaceably surrender possession of the Premises (and any improvements located thereon) to LESSOR,

maintained as herein provided and free of any and all claims thereto by LESSEE or any party holding under or by reason of LESSEE or LESSEE's actions or omissions to act.

24. **Enforcement Costs.** LESSEE shall pay all reasonable costs, attorney's fees and expenses that may be incurred by LESSOR in enforcing any of the provisions of this Lease.

25. **Payments To Be Additional Rental.** All payments to be made by LESSEE hereunder, whether or not designated as rental, shall be deemed rental, so that in default of payment when due, the LESSOR shall be entitled to all of the remedies available at law or equity, or under this Lease, for the non-payment of rent.

26. **Interest.** All rent and other payments to be made hereunder by LESSEE or LESSOR shall bear interest to be paid by LESSEE from and after the due date thereof to the date of payment at the rate of one and one-half percent (1-1/2%) per month.

27. **Subordination.** (a) At LESSOR'S option, this Lease shall be and is subordinated to any existing mortgages covering said Premises, or any extension or renewal thereof, and LESSOR'S right to sell said Premises (subject to the terms of this Lease) and to any new mortgages which may be placed thereon from time to time; provided, however, that anything to the contrary contained herein notwithstanding, every such mortgagee and assignee thereof shall recognize the validity of this Lease in the event of a foreclosure of LESSOR's interest so long as LESSEE shall execute whatever instruments may be required to effect such subordination. Said agreement to subordinate is, however, subject to the non-disturbance by any existing or new mortgagees or lenders of LESSEE's right to quiet enjoyment.

(b) In the event any mortgagee shall elect to have this Lease have priority to the lien of its mortgage then, upon notice to LESSEE thereof, this Lease shall thereupon be deemed prior to the lien of any such mortgage. The provision of this paragraph shall include Deeds of Trust and similar security instruments.

28. **Conformance With Law.** The invalidity or unenforceability of any provision hereof shall not affect or impair any other provision. The laws of Ohio shall govern the validity, performance and enforcement of this Lease.

29. **No Waiver.** No waiver of any default by either party shall be implied from any omission by the other to take any action on account of such default if such default persists or is repeated and no express waiver shall effect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers of any breach of and covenant, term or condition of this Lease by either party shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition. The consent or approval by either party to or for any act of the other shall not be deemed to waive or render unnecessary consent or approval to or of any subsequent similar act.

30. **Entire Agreement.** This is the entire agreement between the parties and supersedes and cancels all previously written or oral communications between the parties referring to the subject matter of this Lease.

31. **Short Form Lease.** This Lease shall not be recorded. The parties, at the request of either of them, agree to execute a memorandum of Lease for recording containing such information as may be appropriate to set forth the estate granted hereunder.

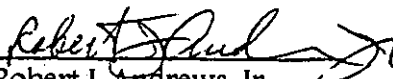
32. **Successors And Assigns.** Except as otherwise herein provided, this Lease shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, executors, administrators, successors and assigns.

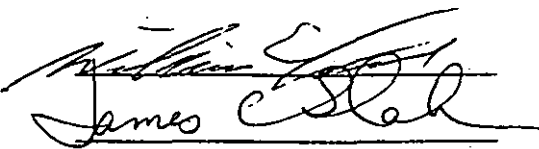
IN WITNESS WHEREOF, the undersigned have executed this Lease as of the day and year first above written.

ATTEST:

LESSOR:

PORTAGE LAND COMPANY

by 
Robert J. Andrews, Jr.
its President


James C. Stohr

Sworn to before and subscribed in my presence this 24th day of February, 1998

Jim M. Conard
NOTARY PUBLIC

My Commission Expires Oct. 17, 1998

ATTEST:

LESSEE:

Portage Community Bank

by: Margaret Mascio
Margaret Mascio
its Treasurer

Richard J. Coe

Sworn to before and subscribed in my presence this 24th day of February, 1998.

Jim M. Conard
NOTARY PUBLIC

JIM M. CONARD
Notary Public for State of Ohio
My Commission Expires Oct. 17, 1998

EXHIBIT NO. 9

000364

FIRST AMENDMENT TO ESCROW AGREEMENT

FIRST AMENDMENT TO ESCROW AGREEMENT (the "Amendment"), dated as of September ~~27~~, 2006, by and between Portage Bancshares, Inc., an Ohio corporation (the "Company"), and Morgan Bank, N.A., a national banking association (the "Escrow Agent").

W I T N E S S E T H:

WHEREAS, the Company and the Escrow Agent have entered into a certain Escrow Agreement, dated June 23, 2006 (the "Escrow Agreement"); and

WHEREAS, the parties desire to amend certain provisions of the Escrow Agreement as set forth below;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter set forth, the parties hereby agree as follows:

1. Section 5 of the Escrow Agreement, entitled "Disbursements from the Escrow Account", is deleted in its entirety and the following is inserted in lieu thereof:

"5. Disbursements from the Escrow Account. In the event the Escrow Agent does not receive the Minimum prior to termination of the Escrow Period, the Escrow Agent shall promptly refund to each purchaser the amount received from the purchaser, together with interest as contemplated by Section 2 above, without deduction, penalty or expense to the purchaser, and the Escrow Agent shall notify the Company of its distribution of the Escrow Funds.

In the event the Escrow Agent received the Minimum prior to termination of the Escrow Period, in no event shall the Escrow Funds be released until such money is received by the Escrow Agent in collected funds. For purposes of this Agreement, the term "collected funds" shall be all funds received by the Escrow Agent which have cleared normal banking channels and are in the form of immediately available funds.

Upon receipt by the Escrow Agent of the Minimum in collected funds prior to termination of the Escrow Period, the Escrow Agent shall disburse directly to the Company one hundred percent (100%) of such Escrow Funds."

2. Except as modified by this Amendment, the Escrow Agreement shall remain in full force and effect.

3. Terms used herein and not defined herein shall have their meanings set forth in the Escrow Agreement.

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4. This Amendment may be executed in any number of counterparts and a signature transmitted by facsimile shall be treated as an original.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

PORTAGE BANCSHARES, INC.

By: Richard J. Coe
Richard J. Coe, Director

MORGAN BANK, N.A.

By: [Signature]
Title: President & CEO

EXHIBIT NO. 10(a)

000367

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement of Portage Bancshares, Inc. on Form 1-A of our report dated March 8, 2006 on the December 31, 2005 and 2004 consolidated financial statements of Portage Bancshares, Inc.

Crowe Chizek and Company LLC
Crowe Chizek and Company LLC

Cleveland, Ohio
October 31, 2006

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EXHIBIT NO. 11

000369

[To be retyped on P&B letterhead]

_____, 2006

Portage Bancshares, Inc.
1311 East Main Street
Ravenna, Ohio 44266

Dear Ladies and Gentlemen:

We have acted as special counsel for Portage Bancshares, Inc., an Ohio corporation (the "Company"), in connection with the offering and sale by the Company of a minimum of 50,000 and a maximum of 100,000 common shares, without par value, pursuant to that certain Offering Statement of the Company, dated _____, 2006 (the "Offering Statement").

We have examined such documents, records and matters of law as we have deemed necessary for purposes of this opinion.

Based upon the foregoing, we are of the opinion that the shares of the Company contemplated by the Offering Statement will, upon payment for and delivery thereof, be non-assessable, duly authorized and validly issued.

We are licensed to practice law in the State of Ohio and do not purport to be experts in the laws of any other jurisdiction. Accordingly, the opinions herein are expressed and limited to the laws of the State of Ohio in effect on the date hereof, including Ohio statutory provisions, applicable provisions of the Ohio Constitution and all reported judicial decisions interpreting those laws. No opinion is expressed herein with respect to any federal or state securities or Blue Sky laws. This opinion may not be assigned, quoted or otherwise used, except as provided herein, without our specific prior written consent. Notwithstanding the foregoing, we consent to the filing of the opinion by the Company with the Securities and Exchange Commission in connection with the Offering Statement.

PLANK & BRAHM
A Legal Professional Association

By: _____
Mark A. Peterson, Vice President

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