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SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 14th day of April, 2000 (the Effective Date), by and between Carnegie Savings Bank (the Bank), a federally-chartered savings association, having its main office located at 17 West Mall Plaza, Carnegie, Pennsylvania and the Office of Thrift Supervision (OTS), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C., acting through its Northeast Regional Director or his/her designee (Regional Director).

WHEREAS, the OTS is the primary federal regulator of the Bank; and

WHEREAS, based on the Report of Examination dated December 29, 1999 (ROE), the OTS is of the opinion that the Bank has engaged in acts and practices that (i) have resulted in violations of certain of the laws or regulations to which the Bank is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Bank; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Bank will comply with all applicable laws and regulations; and

WHEREAS, the Bank, acting through its Board of Directors (Board), and without admitting or denying any violations of laws or regulations, wishes to cooperate with the OTS and to evidence the intent to comply with all applicable laws and regulations.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

I. COMPLIANCE WITH LAWS, REGULATIONS & SAFE AND SOUND PRACTICES

1.1 The Bank shall comply with the following Federal laws and regulations:

A. Part 570 of the regulations of the Office of Thrift Supervision; 12 C.F.R. § 570.1 et seq. (regarding standards for safety and soundness);

B. Section 560.93 of the regulations of the Office of Thrift Supervision, 12 C.F.R. § 560.93 (regarding lending limitations);

C. Section 560.101 of the regulations of the Office of Thrift Supervision, 12 C.F.R.

§ 560.101 (regarding real estate lending standards);

D. Section 560.160 of the regulations of the Office of Thrift Supervision, 12 C.F.R.
§ 560.160 (regarding asset classification);

E. Section 563.161 of the regulations of the Office of Thrift Supervision, 12 C.F.R.
§ 563.161 (regarding management and financial policies);

F. Section 563.170(c) of the regulations of the Office of Thrift Supervision, 12 C.F.R.
§ 563.170(c) (regarding establishment and maintenance of records); and

G.. Section 563.176 of the regulations of the Office of Thrift Supervision, 12 C.F.R.
§ 563.176 and Thrift Bulletin 13a (regarding interest rate risk management);

II. CORRECTIVE PROVISIONS

2.1 Director Responsibility

A. The Board has the ultimate responsibility for overseeing the safe and sound operation of the Bank and for supervising all of the Bank's activities. The Board shall conduct its affairs in accordance with the Directors' Responsibilities Guide and with due regard for the recommendations contained in the Directors' Guide to Management Reports, both issued by the OTS in October 1999. Moreover, the Board shall (i) establish policies, procedures and controls to ensure the safe and sound operation of the Bank, (ii) monitor compliance with such policies and procedures, as well as with the laws and regulations governing the Bank, and (iii) more closely supervise management's performance. All policies of the Board and of the Bank shall be in writing.

B. Detailed minutes of all Board and committee meetings shall be maintained and recorded on a timely basis in a sequentially-numbered minute book. All minutes must be properly signed and (i) document important matters considered; (ii) reflect discussions held and views and opinions proffered by Board member(s); (iii) delineate both policies and procedures approved and exceptions to approved policies and procedures; (iv) recite information reported by management to the Board and describe the Board's review thereof; and (v) record the results of all votes taken and how each member of the Board voted. The agenda shall be attached to the minutes of the meeting.

2.2 Code of Ethics

Within 90 days of the Effective Date, the Board shall adopt a written code of ethics (Code) that complies with the recommendations regarding ethics policy set forth in the Directors' Guide to Management Reports and contains, at a minimum, the following elements:

A. Corporate Creed - The Code shall set forth a broad statement of corporate policy on ethics.

B. Conflicts of Interest - The Code shall:

(1) define what is meant by a conflict of interest, an apparent conflict of interest, and a potential conflict of interest (collectively referred to as Conflicts);

(2) mandate timely, comprehensive, and accurate disclosure to the Audit Committee of the Board of Directors of Conflicts;

(3) prescribe a formal system for the identification, disclosure and resolution of Conflicts and the written documentation thereof; and

(4) address (i) the acceptance of gifts, entertainment, favors and loans, (ii) employment of relatives, (iii) participating in any manner in any transaction or loan in which the individual, his/her spouse, child or any related interest has a financial or other interest, and (iv) providing goods or services to the Bank.

C. Finances - The Code shall:

(1) state that improper handling of personal finances could undermine the credibility of the affiliated person, the employee, or the institution and that a precarious financial position could be thought to influence actions or judgments made for the institution;

(2) set forth specific policies and procedures for reporting loans and other financial transactions of employees and affiliated persons;

(3) mandate the disclosure of outside economic interests of all officers and directors at least annually; and

(4) include a formal expense reimbursement system which precludes the reimbursement to any officer, director, or employee of expenses unless the said officer, director, or employee demonstrates that such expense properly relates to the business of the Bank and complies with the Bank's formal policies and procedures with respect to expenses.

D. Confidentiality - The Code shall:

(1) define confidential information and

(2) show how information must be guarded, and why abuses in this area can be harmful to the institution, the employees, and the customers.

E. Outside Employment/Activities - The Code shall state that each affiliated person and employee must manage his/her outside activities without compromising the individual or the institution and adopt explicit restrictions and guidelines.

F. Protection of Institution Property - The Code shall adopt guidelines for the protection of the institution's property, including information, products and services.

G. Laws and Regulations - The Code shall address applicable criminal statutes and financial institution regulations relating to conflicts of interest.

H. Code Administration - The Code shall provide methods for ensuring compliance, and policies and procedures for enforcing the Code should be clearly described. The Code shall require an annual statement from all officers and directors of the Bank certifying their respective compliance with the Code and containing the disclosures required by the Code. A non-management member of the Board shall be responsible for maintaining all records, including the annual statements, regarding the matters governed by the policy.

I. Reports - The Bank shall submit a report to the Regional Director on a quarterly basis which shall describe all matters arising under the Code during the said quarter and the resolution thereof.

2.3 Lending to Family Members

As of the Effective Date, the Bank shall not make any loan or extension of credit to, or for the benefit of, any person listed on Page 30 of the ROE unless:

A. the loan or extension of credit has been approved in advance by the Board;

B. the Board certifies that the loan or extension of credit complies with the policies of the Bank and all applicable laws, regulations, and, including without limitation, 12 C.F.R. Part 215 and 12 C.F.R. § 560.93;

C. the amount of the loan or extension of credit, by itself or aggregated with all other loans or extensions of credit to all such persons does not exceed 50% of the Bank's Tier 1 capital as computed in accordance with 12 C.F.R. § 567.5(a); and

D. the loan or extension of credit receives the prior written non-objection of the Regional Director.

2.4 Interest Rate Risk Management

A. Within 30 days of the Effective Date, the Board shall adopt a program acceptable to the Regional Director to manage the Bank's interest rate risk exposure that satisfies the requirements of 12 C.F.R. § 563.176, OTS Thrift Bulletin 13a, and Section II.E. of the Part 570 Guidelines. The program, at a minimum, shall:

(1) designate specific personnel responsible for the management of the Bank's interest rate risk;

(2) prescribe interest rate risk limits;

(3) institute systems for identifying, measuring, and monitoring accurately interest rate risk

from the Bank's operations, assets and liabilities;

(4) establish goals, strategies and timetables for reducing the Bank's interest rate risk exposure, including an asset/liability management strategy to achieve an acceptable rate sensitivity balance between investments and funding sources;

(5) provide for the assessment of the impact of varying interest rate scenarios on the market value of portfolio equity and net interest income;

(6) require an interest rate risk analysis of any major transaction to determine (i) its projected impact on the Bank's overall interest rate risk position, and (ii) whether it will cause the Bank's interest rate risk exposure to fall outside Board-prescribed limits; and

(7) facilitate the proper and complete preparation of Schedule CMR of the Thrift Financial Report.

B. The Board, on a quarterly basis, shall review (i) the Bank's actual interest rate risk exposure, (ii) compare the Bank's exposure to the limits approved by the Board, and (iii) monitor the Bank's progress (or lack thereof) toward reducing its exposure to interest rate risk to the level that has been determined to be acceptable. The Board's review, and any actions taken or to be taken, shall be documented in the minutes of the Board meeting.

2.5 Asset Growth Limitations

Pursuant to Regulatory Bulletin 3b, the Bank shall not increase its assets in an amount exceeding net interest credited on deposit liabilities (or earnings credited on share accounts) during any calendar quarter, unless it obtains the prior written approval of the Regional Director.

2.6 Actions to Improve Earnings

Within 60 days of the Effective Date, the Board shall adopt, and obtain the written approval of the Regional Director for, a formal written Strategic Plan for calendar years 2000, 2001 and 2002 which, at a minimum, shall:

A. contain the following:

- (1) a statement of the Board's general business philosophy;
- (2) a description of the Board's business vision, objectives and goals;
- (3) operating assumptions;

(4) consideration of, but not limited to, the following items:

- (i) present and prospective financial condition,
- (ii) credit exposure,
- (iii) regulatory capital position,
- (iv) profit composition,
- (v) market penetration,
- (vi) deposit sources,
- (vii) asset/liability management,
- (viii) sources and uses of funds,
- (ix) sensitivity to interest rate risk, and
- (x) new business initiatives and growth projections (taking into account the limitations on growth set forth in Section 2.5 above).

B. set forth goals and strategies for substantially improving the earnings of the Bank;

C. identify major areas, the actions and means by which, and specific timeframes in which, the Board and management will seek to improve the Bank's performance including, but not be limited to, reducing cost of funds and reducing general and administrative expenses;

D. establish a budget including pro forma financial statements (income statement, balance sheet, and statement of cash flows);

E. require that, on a quarterly basis, the Board review and evaluate (as documented in the minutes of the Board) the Bank's actual performance as compared to the plan. Variances shall be analyzed and explained along with a specific description of the measures that have been implemented or proposed to correct or abate such variances, including when necessary, adjustments to the plan or of its underlying assumptions; and

F. The annual review by the Board of the plan to determine if revisions are required and, if so, the plan shall be revised accordingly. Any actions taken by the Board, including the review, shall be documented in the Board's minutes.

2.7 Loan Documentation and Underwriting Policy

Within 60 days of the Effective Date, the Board shall adopt a formal lending policy acceptable to the Regional Director which sets forth and establishes, at a minimum, the following requirements:

- A. the types of loans, with associated maximum loan amount and term, which are permitted and those which are prohibited;
- B. the lending authority of each loan officer and procedures for the approval of loans in excess of those limits;
- C. the lending authority of a loan or executive committee, if any;
- D. the responsibility of the Board in reviewing, ratifying, and approving loans;
- E. the responsibility of the Board with respect to all extensions, modifications, or restructurings of outstanding loans;
- F. that all loans originated, extended, modified, or restructured shall comply with all applicable laws, regulations and the Board's formal policies;
- G. guidelines setting forth limitations on the maximum volume of loans in relation to total Bank assets,
- H. standards setting forth limitations on concentrations of credit;
- I. a system which shall accurately identify and monitor all loans and extensions of credit to third parties in order to ensure compliance with the lending limitations of 12 C.F.R. §560.93;
- J. financial analysis guidelines including loan-to-value limits, payment-to-income ratio, debt-to-income ratio;
- K. the guidelines for rates of interest and terms of repayment;
- L. with regard to secured loans: (1) limitations on the amount advanced in relation to the value of the collateral and (2) the documentation required by the Bank for each type of secured loan;
- M. minimum debt service coverage requirements;
- N. retention of lien searches and appraisals covering personal property and liens on real estate;
- O. procedures for the review of appraisals;
- P. procedures regarding designation of nonaccrual loans;
- Q. that all loan files, at a minimum, shall contain complete and accurate information on every relevant detail of a borrower's financial condition and ability to repay the loan according to its terms including (i) an application signed by the borrower setting forth the purpose of the loan, (ii) a credit report, (iii) an appropriate repayment plan setting forth the terms and schedule of repayment, (iv) the

determination and documentation of primary and secondary sources of repayment, (vi) the financial records and credit information relied on both in determining the borrower's ability to service the referable debt and in making the decision whether to extend credit to the borrower, (vii) lien searches and appraisals, (viii) the disposition of loan proceeds and the method of their disbursement by the Bank; and (ix) written evidence of approvals, comments, and disclosures by the approving loan officer, committee and Board; and

R. that all necessary collateral documentation, including their execution by all borrowers and interested parties shall be obtained and reviewed before loan proceeds are disbursed. Perfection and recording of all liens and security agreements, shall be effected immediately.

2.8 Internal Loan Review

Within 60 days of the Effective Date, the Bank shall adopt and thereafter implement an internal loan review and classification system to periodically and comprehensively review the Bank's loan portfolio. The system shall be administered by an individual independent of the Bank's lending function. At a minimum, the system shall provide for:

- A. the specification of standards and criteria for assessing the credit quality of the Bank's loans and the overall quality of the loan portfolio;
- B. the application of the loan grading standards and criteria to the Bank's loan portfolio;
- C. the identification of loans that warrant the special attention of the Board and management and for each such loan, a statement of the amount and an indication of the degree of risk that the loan will not be fully repaid according to its terms and the reason(s) why the particular loan merits special attention;
- D. the identification of any loan which presents any unsafe or unsound banking practice or condition or is otherwise in violation of any applicable state or federal law, regulation, or rule;
- E. where appropriate, the classification of any loan identified;
- F. a record of the amount classified as substandard, doubtful or loss;
- G. an identification of each loan not properly approved according to the requirements of the Bank's loan policy or made without complete documentation as required by the Bank's loan policies and the nature of the exception; and
- H. the requirement of a written report to be made to the Board not less than quarterly setting forth the results of the review of the portfolio including those loans identified by the system. The written report shall be presented to and considered by the Board and its consideration of the report and any action taken by the Board on account of its consideration shall be documented in the minutes of the Board.

In connection with the internal loan review and classification system, the manager responsible for the system shall also be responsible for the periodic review of the Bank's loan portfolio for purposes of identifying and categorizing the Bank's loans and other extensions of credit in order to assure the proper and accurate filing by the Bank of Thrift Financial Reports.

2.9 Consumer Credit

Within 60 days of the Effective Date, the Board shall adopt and thereafter assure the implementation of written policies and procedures that comply and implement the Uniform Retail Credit Classification and Account Management Policy issued by the Federal Financial Institutions Examination Council on February 4, 1999.

2.10 Changes in Directors or Executive Officers; Terms of Employment and Golden Parachute Payments

A. As required by Section 32 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831i, and 12 C.F.R. Part 563, Subpart H, no person shall be appointed to the position of, serve as, or be hired as a member of the Board or as an executive officer of the Bank without the Bank first providing at least 30 days prior written notice thereof and receiving the required agency approvals.

B. Pursuant to OTS Regulatory Bulletin 27a, the Bank shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of the Bank or any subsidiary thereof unless it first (i) provides a minimum of 30 days advance notice of the proposed transaction and (ii) receives a written notice of non-objection from the Regional Director.

C. The Bank shall not make any "golden parachute payment", as that term is defined in Section 18(k) of the FDIA, 12 U.S.C. § 1828(k) and in Part 359 of the regulations adopted by the Federal Deposit Insurance Corporation, 12 C.F.R. Part 359.1, except as may be permitted by the said statute and regulations.

III. MISCELLANEOUS

3.1 Compliance with Agreement

The Board and officers of the Bank shall take immediate action to cause the Bank to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Bank to continue to carry out the provisions of this Agreement.

3.2 Definitions

All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), Federal Deposit Insurance Act (FDIA), or OTS Memoranda. Any such technical words or

terms used in this Directive and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

3.3 Successor Statutes, Regulations, Guidance, Amendments

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

3.4 Duration, Termination or Suspension of Agreement

A. This Agreement shall (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

B. The Regional Director, in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

3.5 Time Limits

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

3.6 Effect of Headings

The Section headings herein are for convenience only and shall not affect the construction hereof.

3.7 Separability Clause

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

3.8 No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

Nothing in this Agreement shall be construed as:

A. allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject; or

DIRECTORS OF THE BANK

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