

UNITED STATES OF AMERICA  
Before the  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

IN THE MATTER OF

Herman F. Knell, William M. Lowry  
Victor Crimone, Leonard Skirboll  
and Angelo Cafaro, Former Directors  
of Grandview Savings Association  
Pittsburgh, Pennsylvania

Re: JC-91-30

Dated: December 31, 1991

CONSENT TO ORDER TO CEASE AND DESIST AND TO  
DIRECT RESTITUTION, ORDER OF PROHIBITION,  
AND ASSESSMENT OF CIVIL MONEY PENALTY

Respondents, Herman F. Knell, William Lowry, Victor Crimone,  
Leonard Skirboll and Angelo Cafaro ("RESPONDENTS"), former  
directors of Grandview Savings Association, Pittsburgh,  
Pennsylvania ("Grandview"), hereby submit this Consent to Order to  
Cease and Desist and to Direct Restitution, Order of Prohibition,  
and Assessment of Civil Money Penalty ("Consent") to the Office of  
Thrift Supervision of the United States Department of the Treasury  
("OTS"), pursuant to 12 C.F.R § 509.20 (1991), and hereby Consent  
to the following:

1. The OTS, based upon an investigation into the affairs of  
Grandview, has determined that grounds exist for the issuance of a  
notice of charges for an order of prohibition, order to cease and  
desist and to direct restitution, and for an assessment of a civil  
money penalty against RESPONDENTS pursuant to Sections 8(b) 8(e)

and 8(i) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recover, and Enforcement Act of 1989, P.L. 101-73 (Aug. 9, 1989) ("FIRREA"), 12 U.S.C. §§ 1818(b), (e) and (i) (1988 & Supp. I 1989).

2. RESPONDENTS, without admitting or denying the allegations set forth in the Order to Cease and Desist and to Direct Restitution, Order of Prohibition, and Assessment of Civil Money Penalty ("Order"), except paragraph A, Jurisdiction, which is admitted, hereby, without further notice, consent to the entry of the attached Order, pursuant to Sections 8(b), 8(e) and 8(i) of the FDIA, as amended by FIRREA (12 U.S.C. §§ 1818(b), (e) and (i) (1988 & Supp. I 1989)).

3. Grandview was a Pennsylvania-chartered mutual savings association that maintained its principal place of business in Pittsburgh, Pennsylvania.

4. Grandview merged into Parkvale Savings Association, Monroeville, Pennsylvania ("Parkvale") on September 30, 1991. The separate existence of Grandview terminated on that date, with Parkvale being the resulting institution and the successor to all the rights of Grandview.

5. Grandview was and Parkvale is a "savings association" as defined by Section 2(4) of the Home Owners' Loan Act of 1933 ("HOLA"), as amended by Section 301 of the FIRREA (12 U.S.C. §

1462(4) (1988 & Supp. I 1989)), and Section 3(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by Section 204 of the FIRREA (12 U.S.C. § 1813(b) (1988 & Supp I 1989)) and an "insured depository institution" as defined by Section 3(c)(2) of the FDIA as amended by Section 204 of the FIRREA (12 U.S.C. § 1813(c) (1988 & Supp. I 1989)).

6. RESPONDENT'S, as former directors of Grandview, were "institution-affiliated part[ies]," as that term is defined by FDIA Section 3(u)(3), 12 U.S.C. § 1813(u)(3) (1988 & Supp. I 1989)).

7. Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q)(4), and § 1818(i)(3), the Director of OTS is the "appropriate Federal banking agency" with jurisdiction over Grandview and the RESPONDENTS, as former directors and institution-affiliated parties who participated in the conduct of the affairs of Grandview. The OTS Northeast Regional Director, on behalf of the Director of OTS, has the authority to issue an administrative cease and desist order directing restitution; order prohibition; and order an assessment of a civil money penalty against the RESPONDENTS, pursuant to Section 5(d)(1)(A) of the HOLA, as amended by Section 301 of the FIRREA (12 U.S.C. § 1464(d)(1)(A) (1988 & Supp. I 1989)), Section 8 of the FDIA, as amended by FIRREA (12 U.S.C. § 1818 (1988 & Supp. I 1989)).

8. RESPONDENTS acknowledge and state that they enter into

this Consent willingly and without any coercion or promises of any kind from the OTS or any officer, attorney, agent or employee thereof, except as stated herein or in the Order.

9. RESPONDENTS hereby waive their right to a notice of charges, a hearing, all post-hearing proceedings, and the entry of findings of fact and conclusions of law under the Administrative Procedure Act ("APA"), 5 U.S.C. § 554-557, Sections 8(b), 8(e) and 8(i) of the FDIA, as amended by FIRREA (12 U.S.C. §§ 1818(b), (e) and (i) (1988 & Supp. I 1989)), and the OTS Rules of Practice and Procedure in Adjudicatory Proceedings, 12 C.F.R. §§ 509.1 (1991) et. seq., or any other applicable provision law.

10. RESPONDENTS hereby waive their right to appeal the Order pursuant to Section 8(h) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(h) (1988 & Supp. I 1989) or any other applicable provision of law.

11. RESPONDENTS acknowledge and agree that this proceeding, the assessment or payment of the penalty contemplated as part of the resolution thereof, and RESPONDENTS', consent to the entry of the Order are for the purposes of resolving this OTS enforcement matter only, and do not resolve, affect or preclude any other civil or criminal proceeding which may be or have been brought against RESPONDENTS by the OTS or another governmental entity.

By signing this document RESPONDENTS agree that they will not

assert the assessment or payment of this penalty as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

12. With respect to paragraph 11 above, the phrase "this OTS enforcement matter" refers to OTS actions against RESPONDENTS based on claims arising from the facts alleged and set forth in the Order.

13. This Consent, the Order and the payment by the RESPONDENTS of any monies or providing any other financial relief as contemplated by the Order, does not compromise, settle, dismiss, resolve, or in any way affect any civil actions, charges against, or liability of the RESPONDENTS that arise pursuant to this action or otherwise, and that may be or have been brought by the Resolution Trust Corporation or any other governmental entity other than the OTS.

14. RESPONDENTS agree that the amount of civil money penalty that is voluntarily being paid hereunder is reasonably related to the government expense of investigation and litigation as well as the conduct of RESPONDENTS.

15. RESPONDENTS, by their signatures hereto, without admitting or denying the allegations set forth in the Order, except as to jurisdiction which is admitted, agree to the terms of

this Consent to Order to Cease and Desist and to Direct Restitution, Order of Prohibition and Assessment of Civil Money Penalty ("Consent") and the attached Order, and undertake and agree to ensure that they will comply with this Consent and Order.

16. This Order is entered pursuant to Sections 8(b), 8(e) and 8(i) of the FDIA, 12 U.S.C. § 1818(b),(e) and (i) and upon its issuance by OTS, the Order shall be a final order, effective and fully enforceable by OTS pursuant to Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

17. RESPONDENTS agree that, at the OTS's request, on reasonable notice and without service of a subpoena, they will provide discovery and testify truthfully at any deposition and at any judicial or administrative proceeding related to any Notice of Charges or investigation that may be issued concerning the facts set forth in the Order and any continuing litigation or proceeding brought by the OTS as a result of its investigation relating to Grandview and its institution-affiliated parties, except that RESPONDENTS do not waive their privilege against self-incrimination under the Fifth Amendment of the United States Constitution. If RESPONDENTS invoke their privilege against self-incrimination under the Fifth Amendment of the United States Constitution with respect to any matter about which the OTS may inquire or the production of any document requested by the OTS and RESPONDENTS obtain a grant of immunity pursuant to 18 U.S.C. § 6001 et. seq., RESPONDENTS agree, coextensive with any such grant

of immunity, to provide discovery and testify truthfully at any deposition and at any judicial or administrative proceeding on the matter for which immunity is given.

18. RESPONDENTS by their signatures hereto, acknowledge and agree that if it is found by the OTS, after appropriate notice and hearing as set forth in Sections 8(b), (c), (e) and (i) of the FDIA, 12 U.S.C. §§ 1818(b), (c), (e) and (i), that RESPONDENTS have failed to comply with the terms of this Order, then RESPONDENTS shall be liable for: (a) all administrative remedies under Section 8 of the FDIA, 12 U.S.C. § 1818, including but not limited to cease and desist orders and civil money penalties under Sections 8(b), (c) and (i) of the FDIA, 12 U.S.C. §§ 1818(b), (c) and (i), for violation of the Order; and (b) all administrative remedies under Section 8 of the FDIA, 12 U.S.C. § 1818, as though they were a respondent in a Notice of Charges for their conduct as a director of Grandview as alleged in the Order, and RESPONDENTS further expressly waive any and all defenses they might otherwise claim as to the collateral estoppel or res judicata effect of findings of fact and conclusions of law entered in an administrative proceeding against other respondents initiated by the OTS filing of a Notice of Charges involving the allegations set forth in the Order.

WHEREFORE, intending to be legally bound thereby, the RESPONDENTS execute this Consent.



UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

IN THE MATTER OF

Herman F. Knell, William M. Lowry,  
Victor Crimone, Leonard Skirboll and  
Angelo Cafaro, Former Directors of  
Grandview Savings Association,  
Pittsburgh, Pennsylvania

Re: JC-91-30

Dated: December 31, 1991

ORDER TO CEASE AND DESIST AND TO DIRECT  
RESTITUTION, ORDER OF PROHIBITION  
AND ASSESSMENT OF CIVIL MONEY PENALTY

WHEREAS, the Office of Thrift Supervision ("OTS") has conducted an investigation into the affairs of Grandview Savings Association, Pittsburgh, Pennsylvania ("Grandview" or "Association"), pursuant to Sections 4 and 5 of the Home Owners' Loan Act ("HOLA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), pursuant to Resolution No. PITT 90-6, issued on July 11, 1990; and

WHEREAS, Grandview merged into Parkvale Savings Association, Monroeville, Pennsylvania ("Parkvale"), on September 30, 1991. The separate existence of Grandview terminated on that date, with Parkvale being the resulting institution and the successor to all the rights of Grandview.

WHEREAS, the accounts of Grandview were insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") and, after August 9, 1989, by the Savings Association Insurance Fund (collectively referred to herein as "the Fund"); and

WHEREAS, the OTS believes that the investigation produced substantial evidence upon which to institute a Notice of Charges pursuant to 12 U.S.C. §§ 1818(b),(e) and (i) against Herman F. Knell, William M. Lowry, Victor Crimone, Leonard Skirboll and Angelo Cafaro ("RESPONDENTS" or "RESPONDENT" depending upon the context), including the following:

A. Jurisdiction

1. Grandview was a Pennsylvania-chartered mutual savings association that maintained its principal place of business at 55 Wyoming Street, Pittsburgh, Pennsylvania 15211.

2. Grandview was and Parkvale is a "savings association" as defined by Section 2(4) of the HOLA, as amended by Section 301 of the FIRREA (12 U.S.C. § 1462(4)(1988 & Supp. I 1989)), and Section 3(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by Section 204 of the FIRREA (12 U.S.C. § 1813(b) (1988 & Supp. I 1989)) Grandview was and Parkvale and is an "insured depository institution" as defined by Section 3(c)(2) of the FDIA, as amended by Section 204 of the FIRREA (12 U.S.C. §

1813(c)(2) (1988 & Supp. I 1989)).

(a) Until August 9, 1989, the deposit accounts of Grandview and Parkvale were insured by the FSLIC pursuant to Section 403(b) of the National Housing Act ("NHA"), 12 U.S.C. § 1726(b) (1982). Grandview and Parkvale were, therefore, insured institutions within the meaning of the NHA;

(b) On or after August 9, 1989, pursuant to the provisions of FIRREA, the insurance of the accounts of Grandview and Parkvale were transferred to the Fund;

(c) Until August 9, 1989, the Federal Home Loan Bank Board, as operating head of the FSLIC, was the regulatory agency with jurisdiction over Grandview and Parkvale and their officials and persons participating in its affairs pursuant to Sections 403 and 407 of the NHA, 12 U.S.C. §§ 1726 and 1730;

(d) On or after August 9, 1989, pursuant to Section 3(q)(4) of the FDIA, as amended by Section 204 of FIRREA (12 U.S.C. § 1813(q)(4) (1988 & Supp. I 1989)), the Director of the OTS succeeded to the interests of the Bank Board as operating head of the FSLIC with respect to the supervision and regulation of all savings associations, and thus became the "appropriate Federal banking agency" with jurisdiction over Grandview and Parkvale, their directors, any institution-affiliated party, and persons participating in the conduct of the affairs thereof; and

(e) The Director of the OTS has the authority to issue an administrative cease and desist order directing restitution and other affirmative corrective action; a removal and prohibition order; and an order assessing a civil money penalty against the RESPONDENTS pursuant to Section 5(d)(1)(A) of the HOLA, as amended by Section 301 of the FIRREA (12 U.S.C. § 1464(d)(1)(A) (1988 & Supp. I 1989)), Section 8 of the FDIA, as amended by FIRREA (12 U.S.C. § 1818 (1988 & Supp. I 1989)), and 12 C.F.R. Part 513.4 (1990) and is authorized to and has delegated by Resolution No. 91-643, dated October 23, 1991, said authority to the OTS Northeast Regional Director.

3. Each Respondent was a "director" of Grandview as that term is used in 12 U.S.C. § 1730(1982) and served as a director from at least 1979 until September 30, 1991.

4. Each Respondent was an "institution-affiliated party" of Grandview as that term is defined by Section 3(u) of the FDIA, as amended by Section 204 of the FIRREA (12 U.S.C. § 1813(u) (1988 & Supp. I 1989)).

5. As former directors and as institution-affiliated parties of Grandview, the RESPONDENTS are each subject to the OTS' authority to maintain against them cease and desist and prohibition proceedings, and to assess a civil money penalty, pursuant to 12 U.S.C. § 1818(i)(3).

B. Inappropriate Grandview Disbursements

6. Grandview was a small savings association. During the period 1982 to 1990, Grandview's asset size varied between approximately \$18 million and \$20.5 million. A review of the category of expenditures entitled "director, officer and employee expenses" for savings associations of a similar size ("Peer Group") supervised by the Pittsburgh District Office of OTS (which includes all thrifts in Pennsylvania, West Virginia and Delaware), indicates that Grandview's expenditures have been excessive. In every year from 1983 through 1989, Grandview's annual expenditures have been two to five times that of the average of its Peer Group. Grandview's level of expenditures in this category were equivalent to that of an average OTS Pittsburgh District thrift in the \$100 million to \$250 million asset size Peer Group. Given the asset size of Grandview and the fact that the funds were spent almost entirely on and/or for the benefit of one individual, Ward H. Feitt, the President, Managing Officer and a Director of Grandview ("FEITT"), these amounts were demonstrably excessive. The level of these expenditures constitutes a waste of corporate assets and an unsafe and unsound practice.

7. FEITT directly or indirectly, caused Grandview to disburse approximately \$265,080. These expenditures were for the personal benefit of FEITT; or he directly or indirectly, failed to document: 1) an accurate and complete record of the business

transaction; and/or 2) that the expenditure was for Association business. The \$265,080 includes amounts expended by Grandview, for FEITT's personal benefit, on things such as cigars, personal health care and clothing, and amounts designated "monthly expenses" and "petty cash" for which FEITT failed to produce adequate documentation of the business justification and purpose. These expenditures constituted a waste and/or misappropriation of Grandview's assets by FEITT. Given the number, nature and pervasive pattern of FEITT's undocumented business expenses, most if not all of these expenditures bore no reasonable relationship to the safe, sound and prudent operation of Grandview's business. FEITT abused his position at Grandview so as to cause it to pay a substantial portion of his personal living expenses, which should have been incurred by him personally. A total of \$23,780 of the \$265,080 was disbursed from Grandview after the passage of FIRREA on August 9, 1989.

C. The 1982 Examination of Grandview

8. Because Grandview was a state-chartered thrift, the FSLIC and the Commonwealth of Pennsylvania Department of Banking ("DOB") performed a joint examination at Grandview, as of July 2, 1982.

9. The findings of the July 2, 1982 joint examination of Grandview were recorded in the 1982 report of examination ("1982 Examination Report") that was sent to the Board Of

Directors of Grandview ("Board of Directors") on September 2, 1982. The cover page of the 1982 Examination Report states: "Each director, in keeping with his responsibilities, should review this report thoroughly." The 1982 Examination Report indicated that:

- (a) Grandview had experienced operating deficits for the prior two fiscal years and a deficit was projected by the Association for the current year;
- (b) The directors', officers' and employees' expenses at Grandview were two to three times greater than its Peer Group;
- (c) The bulk of these expenditures were incurred by or for the benefit of FEITT;
- (d) Grandview failed to maintain invoices supporting expenses, which thus were unavailable for review by the examiners; and
- (e) FEITT had agreed that invoices would be retained or made available to the examiners in the future.

10. A supervisory letter dated December 13, 1982, sent to the BOARD OF DIRECTORS by the DOB which included, at the request of the FSLIC, a directive that the BOARD OF DIRECTORS confirm that invoices supporting officers' expenses will be required and retained in the future.

11. The 1982 Examination Report and supervisory letter, as per FSLIC supervisory practice, put the RESPONDENTS on notice of the problem with the amount of undocumented officer expenses at Grandview, so that they could assume their responsibility for the safe and sound management of Grandview and take steps to safeguard

the assets pursuant to 12 C.F.R. § 561.17 (1977), later amended at 12 C.F.R. § 563.161 (1990).

12. Although the RESPONDENTS knew of the existence of the 1982 Examination Report and subsequent reports of examination issued, the only Examination Report they ever read was the 1989 Examination Report. This continuing omission committed by the RESPONDENTS constitutes a breach of fiduciary duty of care, negligence, and an unsafe and unsound practice and procedure as well as a failure "to maintain safe and sound management" that [is] "consistent with economical home financing" and, thus, is a violation of 12 C.F.R. 563.17 (1977).

13. The following factors existed at all relevant periods from January 1, 1982 to December 31, 1989, and were known to or should have been known by RESPONDENTS when they individually participated in the affairs of Grandview:

(a) The officer and director expense accounts had insufficient and often no documentation to substantiate the business purpose of the transactions;

(b) The RESPONDENTS had failed to cause Grandview to "establish and maintain such accounting and other records as [would] provide an accurate and complete record of all business it transacts and [to make all] the documents, files, and other material or property comprising said records ... at all times available for examination and audit wherever any of said records, documents files, material or property may be" in violation of 12 C.F.R. § 563.17-1(c) and as amended by 12 C.F.R. § 563.170(c) (1990).

(c) The association did not have and the RESPONDENTS did not see sufficient documentation to meet the requirements of the Internal Revenue Code to establish the deductibility of the expenses. (26 U.S.C. §§ 162

and 274);

(d) Most of the improperly documented expenses were by or for the benefit of FEITT;

(e) If the Internal Revenue Service ("IRS") disallowed the deductions, Grandview might be subject to additional taxes, interest and penalty;

(f) FEITT, as President and Managing Officer, was the highest ranking officer in the association, the next highest level was the audit committee and the BOARD OF DIRECTORS;

(g) Grandview did not have an internal auditor or anyone who independently fulfilled that responsibility;

(h) Grandview lacked proper internal controls, specifically it did not have adequate separation of control over the approval of disbursements for officer and director expenses;

(i) FEITT approved his own expenses and directed the bookkeeper to disburse the funds without adequate documentation;

(j) Neither the Grandview audit committee nor the RESPONDENTS reviewed FEITT's individual expenditures or their documentation;

(k) FEITT used some of the Association's funds to pay his personal expenses and, thus, misapplied those funds. These actions constituted a defalcation which was required to be referred to the Bank Board and its successor OTS, pursuant to 12 C.F.R. § 563.18(d) and, as amended 12 C.F.R. § 563.180(d) (1990); and

(l) Grandview did not refer the defalcation to the Bank Board or the OTS in a timely manner.

D. 1989 Examination of Grandview

14. The OTS conducted an examination of Grandview as of November 6, 1989. The report of the examination was sent to the RESPONDENTS on March 21, 1990. The OTS 1989 Report of Examination stated, among other things, that there was not proper and complete

documentation available to the examiners to substantiate that certain officer and director expenditures were business related and that the officer and director expenditures were excessive.

E. 1989 Audit of Grandview

15. The certified public accounting firm of Schneider, Downs, and Co., Inc. ("SD & CO.") performed the annual year-end audits for Grandview for the period December 31, 1981 through December 31, 1989. The SD & CO. representatives met with the RESPONDENTS on or about March 23, 1990 and discussed the findings of the December 31, 1989 audit.

16. The April 25, 1990 letter to the BOARD OF DIRECTORS from SD & CO.:

noted certain matters involving the internal control structure and its operation that [SD & CO.] consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants [AICPA]. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect

the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

17. The American Institute of Certified Public Accountants provides auditors with guidance in identifying and communicating conditions that relate to the client's internal control structure observed during an audit. Statement on Auditing Standard No. 60, Communication of Internal Control Structure Related Matters Noted in an Audit, was "effective for audits of financial statements for periods beginning on or after January 1, 1989 and, therefore, would be applicable to the SD & CO. audit of Grandview of December 31, 1989. The SD & CO April 25, 1990 letter to the BOARD OF DIRECTORS identified as one of the reportable conditions the "Officers and Directors Expenses" and stated the following:

During our audit, it was noted that officers and directors expenses for the year ended December 31, 1989 amounted to \$22,463. Of this amount, documentation in the form of receipts or invoices could be found for only \$11,418. It should also be noted that proper documentation must be maintained in order to preserve

the deductibility of these types of expenditures for tax purposes.

We recommend that proper approval for all officer and director expenses be documented in the form of receipts or invoices with the following noted on each:

- . Date and place
- . Persons attending, if applicable
- . Relationship to the Association
- . Business purpose

It is also recommended that the BOARD OF DIRECTORS monitor the nature and amount of expenses incurred with such being documented in the minutes.

F. Board of Directors

18. At a supervisory meeting held on May 11, 1990, with the RESPONDENTS, OTS and DOB representatives pointed out the lack of documentation regarding FEITT's expenses and that this problem had been previously mentioned in the 1982 Examination Report.

19. After several refusals by the RESPONDENTS to

consent to a Supervisory Agreement, a supervisory conference was held on July 19, 1990, attended by the RESPONDENTS and representatives of OTS and the Federal Deposit Insurance Corporation. At the July 19, 1990, meeting the RESPONDENTS were advised that: (a) the Association lacked documentation for officer and director expenses; (b) the same problem of a lack of documentation for FEITT's expenses was reported in the 1982 Examination Report which had been provided to them; (c) the OTS proposed to issue a cease-and-desist order against the Association, pursuant to 12 U.S.C. § 1818(c) (1988 & Supp. I 1989) and seek a consent removal and prohibition order against FEITT, pursuant to 12 U.S.C. § 1818(e) (1988 & Supp. I 1989); and (d) a formal examination of Grandview was authorized by OTS Resolution No. PITT 90-6, dated July 11, 1990 and issued pursuant to 12 U.S.C. § 1818(n) (1988 & Supp. I 1989).

G. Failure of the Board of Directors

20. The RESPONDENTS acted in an unsafe and unsound manner and in breach of their fiduciary duty of care to Grandview by: (a) failing to exercise independent and informed judgment; (b) failing to read and review the reports of examination of the Association; (c) failing to establish and maintain proper internal procedures and practices for documenting and approving officer and director expenses; and (d) failing to review and approve the expenditures in a meaningful way. The loss to the Association

consisted of \$265,080 in Association funds that were improperly disbursed without proper documentation, plus interest thereon of \$218,413, as calculated from the date of disbursement to December 31, 1991. The total loss to the Association on these disbursements, as of December 31, 1991, was \$483,493.

H. Legal Defense Fund

21. On or about July 30, 1990, the RESPONDENTS, directly or indirectly, improperly caused the funding by Grandview of \$40,000 as payment for legal fees for FEITT's personal benefit. The purpose of this funding was to provide for the payment of costs and expenses, including attorney's fees, incurred by FEITT in connection with the investigation by the OTS into his misconduct.

22. On or about July 30, 1990, the RESPONDENTS were on notice from the OTS, SD & CO. and the FDIC of the improper actions by FEITT regarding his failure to provide the documentation required relating to officer and director expenses. Despite this fact, and without taking appropriate steps to gather additional information concerning the facts and circumstances of FEITT's conduct, the RESPONDENTS voted or ratified the vote to disburse the \$40,000 for the benefit of FEITT. This action constitutes an unsafe and unsound act, a waste of corporate assets and a breach of the RESPONDENTS' fiduciary duty of care as directors of Grandview.

23. On November 2, 1990, the RESPONDENTS demanded that FEITT repay to Grandview the \$40,000 paid for his legal fees.

24. FEITT has not repaid the \$40,000 he received for these legal fees and, thus, he has received personal financial gain and other benefit at the expense of Grandview. FEITT has no right to these funds, nor has he ever had any right to these funds, which rightfully belong to Grandview and were disbursed in an unsafe and unsound manner by the RESPONDENTS.

25. By OTS Order No.: AP 91-1, dated January 3, 1991, the Director of OTS issued a Notice of Charges for an Order to Cease and Desist and to Direct Restitution and other Appropriate Relief; Notice of Intention to Remove and Prohibit and Notice of Assessment of Civil Money Penalty, as well as an Order of Suspension and a Temporary Cease and Desist Order against FEITT. FEITT's counsel alleges that FEITT is "presently unemployed and without funds to maintain himself and his family let alone contest the charges." It is unlikely FEITT will be able to repay all of the funds he improperly received from the association plus interest thereon, as well as the \$88,893 civil money penalty that has been assessed pursuant to 12 U.S.C. 1818(i) (1988 & Supp. I 1989).

I. Loss and Damage on Legal Fees

26. The RESPONDENTS have caused Grandview to suffer a loss or other damage in the amount of \$40,000, which they caused to be improperly disbursed by Grandview on or about July 30, 1990, to FEITT's counsel, Dechert Price & Rhoads, plus interest of \$6,670 as calculated from that date to December 31, 1991. The total loss and other damage to Grandview caused by the RESPONDENTS' unsafe and unsound actions with regard to these legal fees amounts to approximately \$46,670.

J. Possible Tax Consequences

27. Grandview has filed income tax returns with the State of Pennsylvania and IRS that improperly deducted undocumented officer and director expenses that either lacked sufficient documentation to establish them as legitimate qualified business expenses or that were actually personal expenses and did not qualify as deductions pursuant to 26 U.S.C. §§ 162 and 274. Parkvale is therefore subject to disallowance of the deductions, additional taxes, interest and penalty. Parkvale is also subject to additional accounting cost to recalculate and file amended returns, as well as defend a possible action brought by the IRS for filing false or improper returns. The RESPONDENTS' improper actions contributed to these contingent costs and therefore potential future loss or damage to Grandview's successor, Parkvale.

WHEREAS, each RESPONDENT has executed a Consent to Order to Cease

and Desist and to Direct Restitution, Order of Prohibition and Assessment of Civil Money Penalty ("Consent"), which is accepted and approved by the OTS acting by and through the Northeast Regional Director and which is attached hereto, made a part hereof and incorporated by reference herein.

NOW, THEREFORE, based upon the facts set forth above, in accordance with Sections 8(b), (e) and (i) of the FDIA, as amended by FIRREA (12 U.S.C. §§ 1818(b), (e) and (i)) (1988 & Supp. I 1989), the OTS finds that proper grounds exist for the imposition of the relief set forth herein, and with the consent of each RESPONDENT also filed herewith, hereby enters the following Order against each RESPONDENT.

NOW THEREFORE, It is ORDERED that:

1. RESPONDENTS are each prohibited from further participation, in any manner, in the conduct of the affairs of Grandview or its successor Parkvale.
2. Without the prior written approval of the District Director for the Pittsburgh District Office and, if appropriate, another Federal financial institutions regulatory agency, RESPONDENTS may not hold any office in, or participate in any manner in the conduct of the affairs of any institution(s) or other entity as set forth in Section 8(e)(7)(A) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(e)(7)(A)) (1988 & Supp. I

1989)). Pursuant to Section 8(e)(6) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(e)(6) (1988 & Supp. I 1989)), conduct prohibited by this Order includes, inter alia, the solicitation, transfer or exercise of any voting rights with respect to any securities issued by any insured depository institution.

3. As affirmative action to correct conditions resulting from violations and practices with respect to which the Order is issued, pursuant to 12 U.S.C. § 1818(b)(6)(A) (1988 & Supp. I 1989), RESPONDENTS shall collectively pay, within thirty (30) days of the entry of this Order, restitution in the amount of \$90,000 to Parkvale, as the successor through merger to Grandview. RESPONDENTS' remittance of this restitution shall be made payable to Parkvale Savings Association, and shall be delivered to:

Parkvale Savings Association  
c/o Robert J. McCarthy, President  
4220 William Penn Highway  
Monroeville, Pennsylvania 15146

4. RESPONDENTS shall each collectively pay, within thirty (30) days of the entry of this Order, a Civil Money Penalty in the amount of \$10,000, pursuant to Section 8(i)(2) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(i)(2) (1988 & Supp. I 1988)). RESPONDENTS' remittance of this penalty shall be made payable to the Treasurer of the United States and delivered to:

