

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 24th day of July, 1991, by and between Workingmens Savings and Loan Association (OTS No. 00336), hereinafter referred to as "Workingmens " or "Institution" and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Workingmens. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS, as that term is used in 12 U.S.C. § 1818(b).

WHEREAS, the OTS is of the opinion that Workingmens has not complied with certain of the laws and regulations to which Workingmens is subject and that Workingmens has engaged in unsafe or unsound practices, thereby providing grounds for the initiation of cease and desist proceedings against Workingmens by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against Workingmens for the violations of law and unsafe or unsound practices described in Workingmens' March 18, 1991, Report of Examination (ROE), so long as Workingmens is in compliance with the provisions of the Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Workingmens is willing to enter into the Agreement to avoid the initiation of such cease and desist proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against Workingmens it is agreed between the parties hereto as follows:

1. Workingmens' Board of Directors shall actively fulfill its fiduciary responsibilities to ensure that Workingmens is safely and soundly managed. To this end, the Board shall provide appropriate guidance to management; effectively oversee the institution's affairs; establish adequate policies and procedures upon which management is to operate the institution; and regularly attend board meetings.

Furthermore, the official minutes of all Board and committee meetings shall clearly and accurately reflect the level of supervision exercised over management by the Board, shall attest to the Board's active involvement.

2. Within ninety (90) days of the effective date of this Agreement, Workingmens' Board shall develop, adopt and file with the Regional Deputy Director ("RDD") a plan for strengthening the institution's management ("Management Plan"). The Management Plan shall include, at a minimum, the following:

- (a) an accurate assessment and performance evaluation of management and the directorate of Workingmens by an independent management consultant, approved in advance by the RDD. The management consultant shall be required to reach specific conclusions and make specific recommendations regarding management and the directorate. The

management consultant's review and recommendations shall be detailed in a written report which shall be submitted to the board within sixty (60) days of the employment of the consultant. A copy of this report shall be submitted to the RDD and he shall retain the right to determine the adequacy of the report and its compliance with the terms of this Agreement;

- (b) Implementation strategy to address each recommendation in the management consultant's report, including proposed time frames;
- (c) Written job description for each officer of Workingmens and a conclusion as to the reasonableness of each of the above's compensation in consideration of duties, responsibilities and time devoted to the Institution (for purposes of this Agreement, the officers include the President and Controller);
- (d) Major goals and strategies for strengthening and enhancing management and the directorate, especially in the areas of loan administration/underwriting, interest rate risk management, and earnings improvement;
- (e) Identification of a written plan of management succession which shall address unforeseen situations and long term plans for management succession; and

- (f) Identification of the proposed corrective actions to address the supervisory concerns noted in the March 18, 1991, Report of Examination ("ROE").

It shall remain the responsibility of the Board to fully implement the Management Plan within the specified timeframes. In the event the Management Plan, or any portion thereof, is not implemented, the Board shall immediately advise the RDD, in writing, of specific reasons for deviating from the Management Plan.

3. Within sixty (60) days of the effective date of this Agreement, Workingmens shall submit to the RDD a detailed Operating Plan, setting forth the institution's projected operating strategy inclusive of strategy(s) to reduce the interest rate risk exposure and improve the institution's overall profitability. The Operating Plan shall also include budget assumptions and pro forma financial statements.

On a quarterly basis, coinciding with the institution's own fiscal year and within forty-five (45) days of the close of each quarter, the Board of Directors shall file with the RDD, a written report documenting its review of the institution's operating results for the quarter just ended and year-to-date. Such report shall include a comparison of actual results against the projections in the institution's budget. A written explanation of any deviation in the budget projections will be included in the report along with a specific description of the measures that have been implemented or proposed to correct, abate, or improve any such deviations.

4. Workingmens shall immediately discontinue purchasing commercial lease and commercial real estate loan participations until such time as safe and sound underwriting and administrative policies and procedures for such assets have been developed, adopted, and filed with the RDD, and the management situation referenced in numbered paragraph 2 of this Agreement has been resolved to the satisfaction of the RDD. Said policies and procedures shall include, but not be limited to, establishing corrective action(s) to alleviate the imprudent practice of relying on an outside consulting firm to evaluate and monitor these assets.
5. Workingmens shall within thirty (30) days of the date of this Agreement, develop, adopt, and file with the RDD loan administrative policies and procedures which provide for a prudent and on-going credit administration and evaluation of the Association's commercial real estate loans. Said policies and procedures shall ensure that the Association's records include documentation required by 12 C.F.R. 563.171(c) and shall further contain signed and duly attested current financial statements, current certified rent rolls, and documented analysis of such documents. Additionally, the missing loan documents, as provided in the comprehensive listing referred to in the Report of Examination, shall be obtained. Furthermore, an Association officer or Board committee shall be appointed to review compliance with this policy on a quarterly basis.
6. Workingmens shall immediately establish specific valuation allowances for or charge off the assets classified Loss on page A-12.2 of the ROE in the amount of \$11,453. This amount may be reduced to the actual loss incurred on the disposition of the REO parcels, if disposition occurred prior to the

execution of this Agreement. Further, the Board shall by November 30, 1991, establish additional general valuation allowances ("GVA") on REO and other asset classifications in the amount of \$75,000 as calculated by the examiners on page 7 of the ROE. Confirmation of the aforesaid shall be provided to the RDD within ten (10) days of the effective date of the Agreement.

Additionally, the Board shall review the GVA on a quarterly basis and ensure that it is maintained at an adequate level. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the GVA. Any deficiency in the GVA shall be remedied in the quarter it is discovered, prior to the filing of the Institution's Thrift Financial Report, by additional provision of earnings.

7. The shall immediately correct the interest rate risk regulatory violation cited on page A-26.1 of the ROE by establishing parameters for the acceptance of interest rate risk. Said parameters shall be acceptable to the RDD and submitted within thirty (30) days.

The adequacy of and compliance with the various policies and procedures required to be submitted to the RDD by this Agreement, as well as overall compliance with this Agreement shall be determined by the RDD in conjunction with the next examination as well as future examinations of Workingmens.

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 of 1933 ("HOLA"), and Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Thrift Activities Handbook shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

The terms and provisions of the Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

Upon a written request by Workingmens which demonstrates just cause, the time frames for the submission of policies and procedures and other required documents, as prescribed within this Agreement may be extended by the approval of the RDD or his designee.

Nothing contained herein shall prevent the OTS from taking, or its successors in interest from recommending or taking, such further supervisory action as is deemed appropriate under given circumstances, with regard to the foregoing or otherwise.

This Agreement shall remain in effect until terminated as an Agreement by the OTS acting through its RDD. Additionally, the RDD may, in his discretion, suspend any or all of such provisions of the Agreement during the term of the Agreement.

IN WITNESS WHEREOF, the OTS acting through the RDD for the Pittsburgh Office, and Workingmens by its duly elected directors, have executed this Agreement on the date first above written.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Workingmens Savings and Loan Association.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officer or designated agent.

OFFICE OF THRIFT SUPERVISION

By: 151
Regional Deputy Director

Workingmens SAVINGS AND LOAN ASSOCIATION
Pittsburgh, Pennsylvania
Board of Directors

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CERTIFIED COPY OF RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being duly qualified ^{Chairman}~~Secretary~~ of WORKINGMENS SAVINGS AND LOAN ASSOCIATION (OTS No. 00336) (hereinafter referred to as "Workingmens") hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on July 24, 1991, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

WHEREAS, the directors of Workingmens have read and considered the proposed Supervisory Agreement ("Agreement") attached to the minutes of the meeting of the Board of Directors held on July 24, 1991, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into said proposed Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of Workingmens.

The officers and employees of Workingmens are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Workingmens 24 day of July, 1991.

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Secretary Chairman