UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	
	)	Re: Order No. NE-05-10
PROGRESSIVE-HOME FEDERAL	)	and
SAVINGS & LOAN ASSOCIATION,	)	Order No. NE-05-11
Pittsburgh, Pennsylvania (OTS No. 00495)	)	
	)	Dated: June 30, 2005

STIPULATION AND CONSENT TO ISSUANCE OF AN ORDER TO CEASE AND DESIST AND TO AN ORDER OF ASSESSMENT OF CIVIL MONEY PENALTIES

This Stipulation and Consent to Issuance of an Order to Cease and Desist and to an Order of Assessment of Civil Money Penalties ("Stipulation") is submitted by PROGRESSIVE-HOME FEDERAL SAVINGS & LOAN ASSOCIATION, Pittsburgh, Pennsylvania (the "Savings Association" or "Progressive-Home", OTS No. 00495), to the Office of Thrift Supervision ("OTS"), which is acting through its Northeast Regional Director ("Regional Director"). This Stipulation concerns the accompanying two administrative orders: (1) Order to Cease and Desist (the "C&D Order") and (2) Order of Assessment of Civil Money Penalties (the "CMP Order" and collectively with the C&D Order, the "Orders").

WHEREAS, the OTS, based upon information derived from the exercise of its regulatory responsibilities, has informed Progressive-Home that the OTS is of the opinion that grounds exist to initiate administrative cease-and-desist proceedings and civil-money-penalty assessment proceedings against Progressive-Home pursuant to 12 U.S.C. §§ 1818(b) and 1818(i)(2),[1] and

WHEREAS, Progressive-Home desires to cooperate with the OTS and to avoid the time and expense of such administrative proceedings; and

WHEREAS, Progressive-Home, while admitting that the OTS has jurisdiction with respect to this matter (as addressed in Paragraph 1 below), neither admits nor denies (i) that the above-mentioned grounds exist, or (ii) the OTS Findings of Fact (in Paragraph 2 below), and, is of the understanding that this settlement is subject to Rule 408 of the Federal Rules of Evidence.

NOW, THEREFORE, Progressive-Home hereby stipulates and agrees to the following terms:

[1] All references in this Stipulation and in the Order are to the United States Code as amended.

1. Jurisdiction.

(a) Progressive-Home Federal Savings & Loan Association is a "savings association" within the meaning of 12 U.S.C. § 1813(b), and 12 U.S.C. § 1462(4). Accordingly, Progressive-Home is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

(b) Pursuant to 12 U.S.C. § 1813(q), the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain administrative enforcement proceedings against savings associations. Therefore, Progressive-Home is subject to the authority of the OTS to initiate and maintain administrative cease-and-desist and civil-money-penalty-assessment proceedings against it pursuant to 12 U.S.C. §§ 1818(b) and 1818(i)(2).

2. OTS Findings of Fact.

The OTS finds that, during 2004, the Savings Association violated the following Federal law and regulations to which it is subject: 12 U.S.C. § 1817(a) (concerning reports of condition, *i.e.*, TFRs), 12 C.F.R. §§ 560.160 (asset classifications and ALLL), 560.172 (requiring appraisals of real estate owned), 563.177(c)(2) (requiring independent testing for BSA compliance), 563.180 (requiring accurate regulatory reports), 573.4(a) (requiring issuance of initial privacy notices), 203.4(a) (requiring collection of certain information under the Home Mortgage Disclosure Act), as well as 12 C.F.R. Part 202 (Equal Credit Opportunity Act regulations) and 12 C.F.R. Part 226 (Truth-in-Lending regulations). The OTS further finds that, during 2004, the Savings Association engaged in unsafe or unsound practices with respect to: (i) its underwriting and origination of certain non-owner-occupied real-estate-secured loans, and (ii) its loan-portfolio-management practices resulting in an unsafe concentration of higher-risk loans.

3. Consent.

(a) The Savings Association hereby consents to the issuance by the OTS of the Orders.

(b) The Savings Association further agrees to comply with the terms of the Orders upon their issuance. The Savings Association further stipulates and agrees that the Orders comply with all requirements of law, as applicable.

4. Finality.

The C&D Order is issued by the OTS under the authority of 12 U.S.C. § 1818(b), and the CMP Order is issued by the OTS under the authority of 12 U.S.C. § 1818(i)(2). Upon the issuance of the Orders by the OTS, acting by and through the undersigned Regional Director (which term also

shall refer to the Regional Director's authorized designees), both of the Orders shall be final orders, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

The Savings Association hereby waives the following:

(i) The right to be served with a written notice of the OTS's charges;

(ii) The right to an administrative hearing of the OTS's charges concerning the basis for issuance of the Orders;

(iii) The right to seek judicial review of the Orders, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Orders; and

(iv) Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Orders, whether arising under federal statutes (*e.g.*, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412), under common law, or otherwise.

6. Other Government Actions Not Affected; Scope of OTS Release.

(a) Upon the OTS's issuance of the accompanying C&D Order and CMP Order, following the OTS's acceptance of this Stipulation executed by the Savings Association, OTS does release and discharge Progressive-Home from all administrative enforcement claims and charges that have been or might have been asserted by the OTS, based on the alleged violations and practices during August 1, 2003, through January 31, 2005, described in the "OTS Findings of Fact" set forth in Paragraph 2 of this Stipulation, to the extent known to the OTS as of the Effective Date of such Orders. Notwithstanding such release, however, the violations and unsafe or unsound practices alleged in the "OTS Findings of Fact" (¶ 2 hereof) may be utilized by the OTS in future enforcement actions to establish a pattern or practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of the OTS to determine and ensure compliance with the terms and provisions of the Orders and this Stipulation.

(b) The Savings Association acknowledges and agrees that its consent to the issuance of the Orders does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Savings Association that arise pursuant to this action or otherwise, and that may be or have been brought by any other government entity other than the OTS.

7. **Miscellaneous.**

(a) The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Orders.

(b) The Board of Directors of the Savings Association has duly authorized the Savings Association to execute this Stipulation and to consent the OTS's issuance of the Orders. The Savings Association is submitting herewith a certified copy of said duly adopted board resolutions.

(c) All references to the OTS in this Stipulation and in the Orders shall also mean any of the OTS's predecessors, successors, and assigns.

(d) The section and paragraph headings in this Stipulation and in the Orders are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Orders.

(e) The terms of this Stipulation and of the Orders represent the final written agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

(f) This Stipulation and the Orders shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative. The CMP Order, however, will terminate automatically at 11:59 pm on the date on which the Government/OTS receives full payment of the penalty assessed by the CMP Order.

WHEREFORE, the Savings Association executes this Stipulation, intending to be legally bound hereby.

PROGRESSIVE-HOME FEDERAL SAVINGS & LOAN ASSOCIATION

By: /S/
Gerald Benn
President

Date: June 29, 2005

Accepted by:
OFFICE OF THRIFT SUPERVISION

By: /S/
Robert C. Albanese
Regional Director

Date: See the date in the caption hereof

final

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	
	)	Order No. NE-05-10
PROGRESSIVE-HOME FEDERAL SAVINGS & LOAN ASSOCIATION,	)	Date: June 30, 2005
Pittsburgh, Pennsylvania (OTS No. 00495)	)	

ORDER TO CEASE AND DESIST

WHEREAS, **Progressive-Home Federal Savings & Loan Association**, Pittsburgh, Pennsylvania ("Progressive-Home" or the "Savings Association") has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist and of an Order of Assessment of Civil Money Penalties ("Stipulation"); and

WHEREAS, Progressive-Home, by its execution of the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to 12 U.S.C. § 1818(b);[1] and

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of Section 8 of Federal Deposit Insurance Act, 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED as follows:

PART I

1.01. Compliance With Laws and Regulations.

Progressive-Home and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of the following laws and regulations:

a. 12 C.F.R. § 560.160 (asset classifications; allowance for loan and lease losses);
b. 12 C.F.R. § 560.172 (real estate owned);
c. 12 C.F.R. §§ 562.2 and 563.180(b) (requiring accurate regulatory reports, including accurate Thrift Financial Reports, "TFRs");
d. 12 C.F.R. § 563.177(c)(2) (independent testing of BSA compliance program);
e. 12 C.F.R. § 573.4 (Privacy of Consumer Financial Information, required notices);
f. 12 C.F.R. Part 226 (Truth in Lending);
g. 12 C.F.R. § 203.4 (Home Mortgage Disclosure Act regulations); and
h. 12 C.F.R. Part 202 (including sections 202.13 and 202.14, Equal Credit Opportunity Act).

[1] All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

1.02. Business Plan and Budget; Plan for Reducing Level of Problem Assets.

(a) The Savings Association shall develop, adopt and implement an appropriate written 3-year comprehensive, strategic Business Plan and Budget ("Business Plan") that is acceptable to the OTS. In developing the Business Plan the Savings Association's Management and Board should be guided by Section II.H of Appendix A to the Safety and Soundness Guidelines at 12 C.F.R. Part 570, which states that "institutions should establish and maintain a system that is commensurate with the institution's size and nature and scope of its operations to evaluate and monitor earnings and ensure that earnings are sufficient to maintain adequate capital and reserves." The Savings Association's Business Plan must:

(i) Be designed to serve as a blueprint to guide future operations of the Savings Association in a safe and sound manner while also addressing the institution's current asset quality problems;

(ii) Set out business strategies (including consideration of a restructuring of the balance sheet) to provide more stable and sustainable sources of core income;

(iii) Set out strategies with specified goals, objectives, and assignments designed to reduce the Savings Association's level of classified assets and delinquent loans; and

(iv) Provide a plan for operations supported by capital levels commensurate with the risks of the Savings Association's operations and the composition of its balance sheet.

(b) To be acceptable to the OTS, the Business Plan, at a minimum, must incorporate the following elements and considerations:

(i) Budgeted, quarterly pro forma financial statement projections (utilizing TFR reporting categories and line items), including income statements, balance sheets (which must set out targeted regulatory capital ratios), and statements of cash flow.

(ii) The requirement for Progressive-Home's senior officers and Board to use a budgeting process that, on a quarterly basis, compares actual prior period financial results to the Business Plan's projections, including variances for individual line items with explanations for large discrepancies. Significant 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 Business Plan or of its underlying assumptions. All such reviews shall be documented in the minutes of the Board.

(iii) The requirement that, within 45 days of each quarter-end, the Savings Association will submit to the OTS a written quarterly variance report (using quarter-end Thrift Financial Report ("TFR") data) that is based on the performance review required by item (ii) above. Among other things, the quarterly variance report shall include an analysis of the change in the Savings Association's level of classified assets, delinquent loans, and non-owner-occupied real estate loans comparing actual to projected levels.

(iv) Target regulatory capital ratios, and the above-required pro forma financial statements shall include quarterly projections of the Savings Association's leverage and total risk based capital ratios. The target capital ratios shall exceed the ratios required for a "well

capitalized" designation, pursuant to 12 C.F.R. § 565.4, and shall be commensurate with the risk level of the Savings Association's activities and balance sheet. In addition, the Business Plan's discussion of the target capital ratios shall, at a minimum, address and consider: (1) the Savings Association's current and future capital needs; (2) risks related to the composition of the Savings Association's balance sheet (including consideration of the level of higher-risk loans identified in the OTS's Report of Examination issued on April 15, 2005 (the "2005 Examination Report," which concerns the examination started on January 24, 2005); (3) the risks related to the Savings Association's various types of lending activities; (4) the volume of adversely classified assets; and (5) the Savings Association's anticipated level of retained earnings.

(v) A detailed description of all activities, and risks attendant to such activities, that the Savings Association intends to engage in during the term of the Business Plan. In particular, for all loan programs involving higher-risk loans, the Savings Association's Business Plan must clearly set forth the specific parameters of the higher-risk lending programs.

(vi) Details about the Savings Association's management and diversification of loan concentrations and other asset concentrations, which asset-concentration management shall be done in a safe and sound manner consistent with the OTS's diversification guidance at Section 211 of the Thrift Activities Handbook.

(vii) The requirement for Board review, no less than annually, of the Business Plan and the Savings Association's performance thereunder to determine whether revisions are warranted to reflect, among other things, changes in interest rates or market conditions and, if so, the Business Plan shall be revised accordingly. The reviews and any actions taken by the Board shall be documented in the Board's minutes.

(viii) The requirement that, on an annual basis starting in 2006, the Savings Association will develop an amendment extending the Business Plan for an additional year such that the Savings Association's operations will be continuously guided by a 3-year Business Plan. And,

(ix) An express written provision providing that, until the later of December 31, 2007 or the date of termination of this Order, any revisions to the Business Plan shall require prior written notice to, and an opportunity for comment by, the OTS.

(c) The Savings Association's Board must participate in the formulation of the Business Plan and must approve it by formal action at a duly called and held meeting.

(d) By no later than sixty (60) days following the Effective Date of this Order (or such later date as may be permitted in writing by the OTS), the Savings Association shall submit to the OTS its proposed initial 3-year Business Plan. The submitted Business Plan must address the remainder of 2005, as well as calendar years 2006, 2007 and 2008.

(e) Within 30 days after receiving the Savings Association's proposed Business Plan, the OTS will provide written notice to the Savings Association of whether the Business Plan has been found acceptable or seek additional information (and/or revisions) regarding the plan. The Savings Association shall commence implementation of the Business Plan immediately upon its receipt from

the OTS of written notice of the acceptability of the Business Plan (which then shall be deemed the "Approved Business Plan", which term includes any such plan that is subsequently amended with written approval of the OTS).

(f) The Savings Association will be deemed to be in violation of this Order if, without prior written clearance from the OTS: (i) it fails to reduce concentrations of non-owner-occupied residential loans or otherwise reduce its risk profile in the manner contemplated by an Approved Business Plan by failing to undertake the actions contemplated by such Plan, (ii) if it engages in any material respect in operations not contemplated by an Approved Business Plan, (iii) if the Savings Association's asset size materially exceeds the amounts contemplated by an Approved Business Plan, or (iv) if the Savings Association's regulatory capital ratios (as reported in a TFR or as otherwise determined by the OTS) are materially below the projected levels set out in an Approved Business Plan.

(g) The Savings Association may, after prior written notice to and receipt of written non-objection from the OTS, amend an Approved Business Plan to reflect a change in circumstance. Until such time as a proposed amendment has been approved, the Savings Association shall not engage in activities not contemplated by the then outstanding and effective Approved Business Plan.

1.03. Restrictions on Lending and on Sales of Real Estate Owned.

(a) Until the restrictions of this Paragraph 1.03(a) have been terminated pursuant to Paragraph 1.03(b), and except with the prior written non-objection of the OTS, the Savings Association **shall not** directly or indirectly:

(i) Make, invest in, purchase, refinance, extend or otherwise materially modify or commit to make, invest in, purchase, refinance, extend or otherwise materially modify real estate mortgage loans that are secured or to be secured by residential property that is not owner-occupied; and/or

(ii) Make, invest in, purchase, refinance, extend or otherwise modify or commit to make, invest in, or purchase any "new" types of loans (*i.e.*, loans of a type not customarily made by the Savings Association during 2004), except in conformity with the Savings Association's Approved Business Plan (within the meaning of Paragraph 1.02(3) hereof); and/or

(iii) Sell any real estate owned ("REO") and/or originate any loans to facilitate the sale of REO unless with respect to a particular REO-related transaction:

(A) The transaction first has been reviewed and approved by the Savings Association's Board (as documented in the Board's minutes);

(B) The Savings Association has provided to OTS, no less than 20 calendar days prior to the scheduled closing of the transaction, written notice and opportunity to

object. The written notice to OTS shall include all materials considered by the Board in connection with its determination to approve the transaction; and

(C) The OTS, prior to the consummation of the proposed transaction, has provided the Savings Association with written notice that it does not object to the proposed transaction.

(b) The restrictions set out Paragraph 1.03(a) hereof shall automatically terminate when the OTS has found acceptable both the Savings Association's Business Plan and its enhanced Loan Underwriting Policy, and upon such occurrence the Savings Association's lending and REO-related operations shall be subject to the terms and projected quantitative limitations specified by the Approved Business Plan. The date of such automatic termination shall be the later of the following: (i) the date of the Regional Director's written notice of the acceptability of the Business Plan to be submitted by the Association pursuant to Paragraph 1.02 hereof, or (ii) the date of the OTS's written notice of non-objection regarding the enhanced Loan Underwriting Policy to be submitted by the Savings Association pursuant to Paragraph 1.04 hereof. In addition, by written notice to the Savings Association's Board, the OTS's Regional Director, in the exercise of his discretion, may terminate or relax the lending and/or REO-related restrictions set out at Paragraph 1.03(a) hereof, but no such termination or alleviation is likely prior to the Savings Association's submission of the aforementioned Business Plan and enhanced Loan Underwriting Policy.

1.04. Enhancement of Loan Underwriting.

(a) By no later than sixty (60) calendar days following the Effective Date of this Order (or such later date as may be permitted in writing by the OTS), the Board shall review, revise, and enhance the Savings Association's written loan underwriting policies and procedures for all real-estate-related lending to the extent contemplated by the Paragraph 1.02-required Business Plan ("Loan Underwriting Policy"), including but not limited to (1) speculative construction lending, and (2) mortgage lending on the security of non-owner-occupied residential real estate if such lending is contemplated by an Approved Business Plan; however, revision and enhancement of the underwriting policy for homogenous owner-occupied, 1-4 family residential home loans is not mandatory. The Underwriting Policy shall be revised to conform to the provisions of 12 C.F.R. §§ 560.100, 563.101 and 560.170 and the guidance provided in TAH Section 210. The revised and enhanced Underwriting Policy, at a minimum, shall:

(i) Establish the Board's requirements for the types of loans that will be granted by the Savings Association;

(ii) Detail the types and frequency of reports required by the Board to monitor the Savings Association's activities and compliance with its Underwriting Policy;

(iii) Require at least an annual review of the Underwriting Policy by the Board to ensure that it remains appropriate in light of changes in market conditions and applicable laws and regulations;

(iv) Clearly define the Savings Association's market area, which definition should be consistent with the Savings Association's business plan and Community Reinvestment Act Statement;

(v) Establish requirements for the amount of borrowers equity, the financial condition and resources of the borrower and any guarantor, acceptable levels and types of collateral, loan to value ratios, and loan terms and pricing;

(vi) Establish loan approval authority limits for each lending officer based on the officer's experience and tenure with the Savings Association;

(vii) Require Savings Association personnel to conduct a thorough analysis and documentation of each loan's compliance with the Underwriting Policy, including the verification of the source of any down payment, prior to entering into a credit commitment;

(viii) Require, if multi-unit development and construction lending is contemplated, a thorough analysis and confirmation by a qualified officer or consultant, prior to credit commitment, of appropriate feasibility studies, pre-sales, builder takeout commitments, and any necessary county and/or state development or building permits;

(ix) Establish a system of independent, ongoing credit monitoring and review to ensure periodic updated financials, collateral status, and other necessary information is obtained with appropriate communication to Management and to the Board; and

(x) Consider the risks associated with concentrations of credit and establish specific diversification limits for all non-homogenous loans (A) as a percentage of the Savings Association's assets, (B) as a percentage of the Savings Association's capital, and (C) by borrower, including all persons and entities with loans that would be required to be combined under the lending limits/loans to one borrower regulations set forth in 12 C.F.R. § 560.93. If construction lending is contemplated, then the following also should be considered: (D) concentration by construction loan type (speculative versus pre-sold), (E) concentration by subdivision or development, (vi) concentration by borrower (developer) for each subdivision or development, and (F) concentration by locality.

(b) The Savings Association's Board shall ensure the Savings Association's compliance with the Underwriting Policy and shall require such reports as are necessary from Management to satisfy this obligation and its fiduciary responsibility. A copy of the Underwriting Policy (together with the Board meeting minutes reflecting the Board's discussion and approval of the Underwriting Policy) shall be provided to the OTS for review and non-objection within ten (10) calendar days after the Board's approval.

1.05. Lending Limits/Loans to One Borrower Compliance.

(a) By no later than the sixtieth (60th) calendar day following the Effective Date of this Order (or such later date as the OTS may permit in writing), the Savings Association and its Board shall

develop, adopt and implement such policies, procedures, and reporting systems as are necessary to ensure that the Savings Association complies with the LTOB limitations set forth in 12 C.F.R. § 560.93 ("LTOB Policies"). The LTOB Policies adopted by the Board shall, at a minimum, fully address the LTOB-related weaknesses noted in the OTS's 2005 Examination Report. The LTOB Policies also shall require the Savings Association to develop, update, and utilize, on an ongoing basis, a comprehensive loans-to-one-borrower report designed to facilitate the Savings Association's compliance with 12 C.F.R. § 560.93.

(b) By no later than sixty (60) days following the Effective Date hereof (or such later date as may be permitted in writing by the OTS), the Board shall submit a copy of the LTOB Policies required hereby to the OTS for review and non-objection.

1.06. Appraisals.

(a) The Savings Association must comply with 12 C.F.R. § 560.172 by, among other things, obtaining written appraisal reports concerning the value of each parcel of real estate owned (REO) at the earlier of in-substance foreclosure or at the time of the Savings Association's acquisition of such property, and at such times as dictated by prudent banking practices.

(b) No later than sixty (60) calendar days following the Effective Date of this Order, the Savings Association shall adopt and commence implementation of prudent written appraisal-review policies and procedures requiring appropriate review of various identified types of appraisal reports (by property and loan type) by qualified in-house staff or consultants. Such policies and procedures must be consistent with industry best practices and regulatory guidance. *See, e.g.*, the "Use of Appraisals" portion of Section 208 (Real Estate Appraisal) of the OTS's Thrift Activities Handbook.

1.07. Enhancement of Credit Administration.

(a) Not later than ninety (90) calendar days following the Effective Date of this Order, the Savings Association's Board shall adopt, and the Savings Association shall commence implementation of prudent and detailed written policies and procedures governing credit administration (the "Credit Administration Policy"). The Credit Administration Policy shall conform to the requirements of: 12 C.F.R. §§ 560.170 and 560.101 (including the Interagency Guidelines for Real Estate Lending Policies at Appendix A thereof); and section II.C. of the Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570. Among other things, the Credit Administration Policy must establish a system for loan file and record retention and loan administration that is designed to provide for all required records, filings and documents to be retained, reviewed, renewed and updated as appropriate.

(b) In order to facilitate the Savings Association's effective implementation of the Credit Administrative Policy, requiring credit administration in a safe and sound manner, the Savings Association's Board shall timely take all appropriate actions to cause the Savings Association to either (i) employ an appropriate number of qualified credit administration staff, or (ii) outsource appropriate elements of the credit administration function to a qualified firm retained to provide management and the Board with appropriate reports about its reviews.

(c) The Board, no later than one hundred twenty (120) days following the Effective Date of this Order, shall submit a copy of the Credit Administration Policy, adopted by it as required by subparagraph (a) hereof, to the OTS for non-objection. If, as a condition of regulatory non-objection, the OTS requires the Board to make revisions to the Credit Administrative Policy, the Board shall promptly make such changes as are necessary to satisfy OTS's written comments provided to the Board.

1.08. Internal Asset Review; Policies on Asset Quality and Classification.

(a) The Savings Association shall maintain an appropriate allowance for loan and lease losses ("ALLL") conforming to the requirements of generally accepted accounting principles and the *Interagency Policy Statement on the Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions*, dated July 2, 2001 (66 Fed. Reg. 35629, published on July 6, 2001).

(b) By no later than the sixtieth (60th) calendar day following the Effective Date of this Order, the Board shall adopt, and the Savings Association shall implement, a formal written Internal Asset Review Program ("IAR Program") to identify and classify problem assets. The Internal Asset Review Program must meet the requirements of: (i) 12 C.F.R. § 560.160, (ii) section II.G. of Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570, and (iii) the *Interagency Policy Statement on the Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions,* dated July 2, 2001 (66 Fed. Reg. 35629, published on July 6, 2001),[2] (iv) OTS Chief Executive Officer Memorandum No. 140 (CEO 140), and (v) the requirements specified in subparagraph (c) hereof (below). By no later than 75 calendar days following the Effective Date of this Order, the Savings Association shall submit to the OTS for review and non-objection copies of the Savings Association's Board-adopted Internal Asset Review

[2] The OTS distributed copies of the Interagency Policy Statement to savings institutions under cover of OTS CEO Memorandum 142, and a copy is available on the OTS's Internet site at http://www.ots.treas.gov/docs/25142.pdf

Program (together with a copy of the Board meeting minutes regarding the adoption of such Program).

(c) Among other things, the Savings Association's Internal Asset Review Program must have the following characteristics:

(i) Although the Savings Association may outsource internal asset review activities to a qualified contractor, the internal asset review function (including work performed by the outsourced contractor) must be supervised by a qualified and designated Savings Association management official who: (A) has no independent loan origination or approval authority, (B) is independent of the appraisal preparation process and (C) reports directly to the Board or the Audit Committee concerning the IAR Program;

(ii) It must ensure the proper identification of assets as "loss", "doubtful", "substandard" or "special mention" (collectively referred to as "Criticized Assets") and the reporting of each such asset to the Board at least monthly. Loan classifications shall be based on an assessment of all pertinent factors affecting the likelihood that the loan will be repaid according to its terms, and will not rely excessively on loan performance to date;

(iii) It must provide for the maintenance of an adequate allowance for loan and lease losses ("ALLL") to reflect credit risk in the Savings Association's loan and lease portfolio;

(iv) It must ensure the prompt charge-off of uncollectible loans, or portions of loans, in accordance with generally accepted accounting principles. See SFAS No. 5, No. 15 and No. 114;

(v) It must require the timely and accurate reporting of the Criticized Assets, ALLL and charge-offs on the TFR;

(vi) It must establish timeframes and procedures for reporting the results of all independent asset reviews to the Board for consideration; and

(vii) It must require the Savings Association's management to conduct quarterly reviews of classified assets and to prepare quarterly reports to the Board, to be submitted in writing within thirty (30) days following the end of each calendar quarter, regarding the status and resolution of each such classified asset.

(d) The Savings Association's Board shall conduct its review of the above-required quarterly asset-review reports within thirty (30) calendar days of receipt of the quarterly reports from Management. The Board shall fully document its asset-review/classification activities, pursuant to the Internal Asset Review Program, in the minutes of the appropriate Board meeting.

1.09. Asset Liability Committee.

The Savings Association's Asset-Liability Committee ("ALCO") is to assist the Board and institution officers to safely and soundly manage the Savings Association's interest rate risk and balance sheet in conformity with 12 C.F.R. §§ 563.176 (requiring successful implementation of a Board-adopted policy for the management of interest-rate risk). The ALCO, which must maintain written minutes of its meetings, must meet at least monthly, and it shall periodically report to the Board. The Board shall review the results of operations on a no less than quarterly basis, and the

Board's reviews and related actions shall be reflected in the appropriate Board meeting minutes. In performing their responsibilities hereunder, the ALCO and the Board shall be guided by the chapter on "Asset/Liability Management Reports" in the OTS publication entitled Director's Guide to Management Reports.

1.10. Compliance Management.

By no later than the ninetieth (90th) calendar day following the Effective Date of this Order (or such later date as may be permitted by the OTS), the Savings Association shall: (i) complete a compliance risk assessment relative to Compliance Laws and Regulations that are pertinent to its operations,[3] (ii) adopt written amendments to its compliance management program (addressing each of the six SMAART components identified in the table below[4]) to provide for an appropriate comprehensive self-assessment schedule and program, and (iii) commence implementation of the amended compliance management program.

Systems	The embodiment of task-specific procedures and internal controls that ensure that transactions are conducted and recorded in compliance with legal obligations and customer-service goals.
Monitoring	The process of supervising the day-to-day or week-to-week functioning of the Savings Association's compliance systems to assure real-time execution in accordance with program standards.
Assessment	The periodic review of system records and operations to identify transactional violations and program deficiencies.
Accountability	The arrangement of responsibility, authority and reporting relationships that provides direction to staff for implementing institution compliance policy and apprises senior management and the directors about compliance program performance.
Response	The process of addressing consumer complaints, remedying regulatory violations, amending procedures and controls, correcting internal oversight deficiencies, and implementing policy and system revisions or updates.
Training	The communication to appropriate Savings Association personnel of compliance policies, procedures, directives, regulatory requirements, product information and service goals. Also addressed by this component is the commitment and manner in which the Savings Association develops and maintains staff expertise.

1.11. Management/Directorate Study.

By no later than one hundred twenty (120) calendar days following the Effective Date of this Order, the Board, with a view to the safe and sound operation of the Savings Association, must adopt an appropriate written Management and Directorate Plan ("Management Plan"), which Management Plan must be acceptable to the OTS. The Board shall develop and adopt the Management Plan following consideration of the written recommendations of an appropriate consulting firm, acceptable to the OTS, which firm shall be retained to conduct, and complete within 90 calendar

[3] Many potentially pertinent Compliance Laws and Regulations are identified in the Overview of Laws and Regulations in the OTS guidebook entitled "Compliance: A Self-Assessment Guide".

[4] These are described further in "Compliance: A Self-Assessment Guide"

days of the Effective Date hereof, an in-depth management study. The consulting firm shall be engaged: (i) to review the qualifications, duties, composition, and effectiveness of the members of senior management; (ii) to evaluate the institution's organizational structure; (iii) to review the effectiveness of the Board's oversight over management and operations; and (iv) to make recommendations to the Board in view of its review findings. By no later than 125 calendar days following the Effective Date of this Order, the Board shall submit its proposed Management Plan (including any related Board minutes) to the OTS for its review and non-objection. Upon receipt of written notice from the OTS of the acceptability of the Management Plan (with such revisions as may be required by the OTS), the Savings Association shall commence implementation of such plan.

1.12. Training.

By no later than ninety (90) calendar days following the Effective Date of this Order, the Board shall adopt and the Savings Association shall commence implementation of a written training plan to ensure that each year all employees (including but not limited to the loan underwriter and the compliance officer) regularly receive necessary and appropriate training based upon their respective positions and responsibilities ("Training Plan"). The Training Plan, which must reflect consideration of OTS training-related recommendations in the 2005 Examination Report, shall require mandatory attendance by officers and employees, specify the frequency of training, and include procedures and timeframes for updating training programs and materials and the method for delivering training. The Savings Association shall maintain adequate documentation and records of all training attended by each employee.

1.13. Limitation on Bonuses.

Until otherwise permitted in writing by the OTS's Regional Director, the Savings Association shall not directly or indirectly award or pay any bonuses to any of its officers or employees. The OTS will consider lifting the restrictions imposed by the foregoing sentence only after it has determined that the Savings Association has made substantial progress in undertaking the corrective actions required by this Order and the 2005 Examination Report.

1.14. Correction of Other Identified Deficiencies.

The Board and the Savings Association shall promptly address and correct all matters identified in the Matters Requiring Board Attention section of the OTS Report of the Examination transmitted to the Savings Association on April 15, 2005 (the "Report of Examination").

1.15. Board Compliance Committee.

(a) No later than five (5) calendar days following the Effective Date of this Order, the Board

shall establish and appoint a Board committee (the "Regulatory Compliance Committee") comprised of three or more directors, the majority of whom shall be Independent of Management,[5] to monitor and coordinate the Savings Association's compliance with the provisions of this Order.

(b) By July 31, 2005 and thereafter within 30 days after the end of each calendar quarter, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Order and the results of those actions.

(c) By August 15, 2005 and thereafter within 45 days after the end of each calendar quarter, the Board shall submit to the OTS: (i) a copy of the Regulatory Compliance Committee's quarterly progress report required by the foregoing subparagraph, with any additional comments made by the Board, to the OTS, and (ii) a written certification that each director has reviewed the report.

PART II

2.01. Restriction on Asset Growth.

~~Until the OTS (pursuant to Paragraph 1.02(e) hereof) provides the Savings Association with a~~ written notice of acceptability of the Business Plan required by Paragraph 1.02 hereof or except with the prior written approval/non-objection of the OTS, the Savings Association is prohibited from having any asset growth other than limited asset growth in an amount not to exceed net interest credited on deposit liabilities, as determined on a quarter-end basis. In view of the foregoing, at each quarter-end the Savings Association's Total Assets must not exceed the sum of (i) the Savings Association's Total Assets (as reported on line SC60 of its prior TFR) and (ii) the amount of the Savings Association's deposit-related interest expense reported on line SO215 of its most recent TFR. (See OTS Regulatory Bulletin 3b.)

2.02. Board and Management Changes.

The Savings Association shall be and is subject to the requirements and limitations set out in Subpart H of Part 563 of the OTS's regulations (12 C.F.R. §§ 563.550 - .590). Without limitation on such requirements and limitations, this means, among other things, that, except as otherwise permitted by 12 C.F.R. § 563.590, (i) the Savings Association must notify the OTS at least 30 days before adding or replacing any member of its Board, employing any person as a senior executive officer, or changing the responsibilities of any senior executive officer so that the person would assume a

[5] As used in this Order, the phrase "Independent of Management" means that the person: (i) is not an officer, employee or consultant of the Savings Association, (ii) is not, either by blood or marriage, related to any existing Savings Association officer, (iii) does not currently have a business or professional relationship with any existing Savings Association officer and (iv) to the extent not inconsistent with the foregoing, meets the criteria set forth at 12 C.F.R. Part 363 and Appendix A (including item 28) thereof.

different senior executive officer position, and (ii) the proposed director or senior executive officer may not begin service except as permitted by 12 C.F.R. § 563.585 and 12 U.S.C. § 1831i.

2.03. Compensation and Benefit Arrangements.

The Savings Association shall not enter into, renew, extend or revise any arrangement related to compensation or benefits with any director or senior executive officer of the Savings Association unless the Savings Association 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 OTS. This Paragraph implements OTS's policies about compensation arrangements of troubled institutions as set out in OTS Thrift Activities Handbook § 310 (p. 310.11) and OTS Regulatory Bulletin 27b.

2.04. Severance and Indemnification Payments and Agreements to Make Such Payments.

The restrictions at 12 C.F.R. Part 359 are applicable to the Savings Association. Such restrictions concern the making of agreements (including employment agreements) with severance provisions, "golden parachute payments" and "prohibited indemnification payments". Without limitation on the generality of the foregoing, this means, *inter alia*, that the Savings Association shall not make or agree to make any "golden parachute payment", as that term is defined 12 U.S.C. § 1828(k) and in 12 C.F.R. Part 359, except as may be permitted by the aforesaid statutory provision and regulations. See 12 C.F.R. §§ 359.2 and 359.4.

2.05. Contracts Outside of the Ordinary Course of Business.

The Savings Association shall not enter into any third-party contracts outside of the normal course of business without the prior written non-objection of the OTS. To seek such non-objection the Savings Association shall provide 30 days advance written notice to the OTS of any such proposed contract. At a minimum, such notice shall set forth the Savings Association's reasons for seeking the contract and shall transmit a copy of the proposed contract. See Thrift Activities Handbook § 310. The OTS reserves the right, *inter alia*, to shorten the 30-day notice period where, in the exercise of their discretion, they have determined that good cause has been shown therefor.

PART III

3.01. Submissions to OTS.

Various provisions of this Order require the Savings Association to make submissions to OTS for its approval, non-objection or notice of acceptability. All such submissions shall be in written form, following appropriate due diligence, inquiry and satisfaction of the Savings Association's internal approval processes. Each such submission shall: (i) summarize the Savings Association's inquiry

and due diligence efforts, (ii) identify the internal approval process (*e.g.*, Board or Board Committee approval) that has been satisfied, and (iii) otherwise comport with any applicable regulatory requirement governing such submissions. The original and a copy of each such submission shall be sent to the OTS as follows:

Original to:	Copy to:
Mr. Philip Gerbick, Assistant Director OFFICE OF THRIFT SUPERVISION 1 South Wacker Drive, Suite 2000 Chicago, Illinois 60606 Telephone: (312) 917-5061 Fax: (312) 917-5001 & 5002	Mr. Randall Lyscik, Field Manager OFFICE OF THRIFT SUPERVISION 875 Greentree Road Parkway Center Building Seven, Suite 855 Pittsburgh, PA 15220 Telephone: (412) 920-6609; Fax: (412) 920-6630

3.02. Definitions.

All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act ("HOLA"), the Federal Deposit Insurance Act ("FDIA"), OTS Memoranda or other published OTS guidance. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, the HOLA, the FDIA, or OTS Memoranda/guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

3.03. Successor Statutes, Regulations, Guidance, Amendments.

Reference in this Order to provisions of statutes, regulations, OTS Memoranda, and other published regulatory guidance 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.

3.04. No Violations Authorized; OTS Not Restricted.

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Savings Association to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that OTS determines to be appropriate, arising out of matters described in the Report of Examination, or based on other matters.

3.05. Relation to Prior Regulatory Actions.

Except as otherwise expressly provided in this Order, the requirements, restrictions and other terms of this Order supersede the requirements, restrictions and other terms of the OTS Supervisory

Directive issued to the Savings Association on February 16, 2005. In addition, to the extent there are any conflicts between the terms (including but not limited to deadlines) of this Order and the terms of the Matters Requiring Board Attention in the 2005 Examination Report, the terms of this Order shall prevail.

3.06. Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated.

(a) Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted. The OTS' Regional Director (or his designee), in the exercise of his discretion, may extend any of the deadlines set forth in the provisions of this Order by providing written notice to the Savings Association of any such extension.

(b) The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Order 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.

(d) The Stipulation is made a part hereof and is incorporated herein by this reference.

3.07. Effective Date; Duration.

This Order is and shall become effective on the date it is issued, *i.e.*, the Effective Date as shown on the first page hereof. This Order (including the related Stipulation) shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

/S/

By: _____
Robert C. Albanese
Regional Director, Northeast Region