



demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate risk management. The Board shall provide the necessary written authority to management to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this ORDER;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws, rules, and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition;

(b) Within 30 days from the effective date of this ORDER, the Bank shall retain an independent third party bank consultant who is acceptable to the Regional Director of the FDIC's New York Regional Office ("Regional Director") and the Commonwealth of Pennsylvania Department of Banking ("Department") and who will develop a written analysis and assessment of the Bank's management needs ("Management Report") within 60 days from the effective date of this ORDER. Upon completion, a copy of the Management Report shall be delivered to the Regional Director and the Department. At a minimum, the Management Report shall:

- (i) identify the type and number of officer positions needed to manage and supervise the affairs of the Bank, detailing any vacancies or additional needs and giving appropriate consideration to the size and complexity of the Bank;
- (ii) identify the type and number of staff positions needed to carry out the Bank's strategic plan, detailing any vacancies or additional needs;
- (iii) present a clear and concise description of the relevant knowledge, skills, abilities, and experience necessary for each position, including delegations of authority and performance objectives;

(iv) identify training and development needs;

(v) identify and establish Bank committees needed to provide guidance and oversight to management;

(vi) evaluate the current and past performance of all existing Bank officers, including executive officers and staff members, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank's established policies and practices, and operate the Bank in a safe and sound manner;

(vii) review and analyze all compensation and fees paid to officers and senior management, including analyzing whether the compensation or fees are commensurate with the job duties, responsibilities and actual services rendered to the Bank and the reasonableness of any monthly cash payment of health insurance payments made to or on behalf of the officers and senior management; and

(viii) revise the Bank's Management Succession Plan to provide for orderly management succession, and, at a minimum, shall identify the individual(s) at the Bank who are considered to have the potential for advancement or promotion, the area(s) in which individual(s) may assume new duties or responsibilities or the position(s) to which they may be promoted, and the training to be provided such individual(s) to ensure adequate successor management.

(c) Within 15 days from the effective date of this ORDER, the Bank shall provide the Regional Director and the Department with a copy of the proposed engagement letter or contract with the independent third party bank consultant for non-objection before it is executed.

(d) Within 30 days of receipt of the Management Report, the Board will develop a written Management Plan that incorporates the findings of the Management Report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. At a minimum, the Management Plan shall:

- (i) contain a recitation of the recommendations included in the Management Report;
- (ii) incorporate a plan to provide necessary training and development for all employees;
- (iii) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and
- (iv) contain a revised management succession plan that provides for adequate replacement of senior management in the event of a vacancy.

(e) A copy of the Management Plan and any subsequent modification thereto shall be submitted to the Regional Director and the Department for review and comment. Within 30 days from receipt of any comment, and after consideration of such comment, the Board shall approve the Management Plan which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and follow the Management Plan and any modifications thereto. It shall remain the responsibility of the Board to fully implement the plan within the specified time frames. In the event the Management Plan, or any portion thereof, is not timely implemented, the Board shall immediately advise the Regional Director and Department, in writing, of specific reasons for deviating from the Management Plan.

#### BOARD OF TRUSTEES

2. (a) Within 60 days from the effective date of this ORDER, the Board shall develop a written analysis and assessment of the composition and functions of the Board (“Trustees’ Plan”), which shall include, at a minimum:
- (i) an evaluation of each member of the Board to determine whether those individuals and Board as a whole have the ability, experience, independence, and other

qualifications which are necessary to perform the duties of the Board, including providing effective oversight and guidance of management and staff to ensure adherence to the Board's policies and to maintain the Bank in a safe and sound condition;

(ii) a review and analysis of all compensation and fees paid to trustees, including analyzing whether the compensation or fees are commensurate with the duties, responsibilities and actual services rendered to the Bank and the reasonableness of any monthly cash payment of health insurance payments made to or on behalf of the trustee(s); and

(iii) a written plan of action to enhance the effectiveness of the Board by either adding new members to the Board with the necessary ability, experience, independence and other qualifications (to the extent permissible by state statute or the Bank's by-laws, by means of appointment or election at a regular or special meeting of the Bank's trustees) or requiring additional education and training for existing members of the Board, or both.

(b) The Board shall obtain the services of an independent third party consultant, acceptable to the FDIC and Department, who is knowledgeable in the area of bank management, to assist in evaluating the Board and preparing the Trustees' Plan. The independent third party consultant may be the same independent third party bank consultant that the Bank hired to perform the Management Report. In the event that recommendations made by the independent third party consultant are not included in the Trustees' Plan, the Board shall immediately advise the Regional Director and the Department, in writing, of the specific reasons for which the recommendations were excluded from the Trustees' Plan.

(c) The Trustees' Plan and any subsequent modifications thereto shall be submitted to the Regional Director and the Department for review and comment. Within 30 days from the receipt of any comments, and after considering such comments, the Board shall approve the Trustees' Plan and/or any subsequent modification thereto, which approval shall be recorded in the Board

minutes. Thereafter, the Board shall implement and follow the Trustees' Plan and/or any subsequent modifications thereto.

(d) As of the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of Bank management and all of the Bank's activities, consistent with the role and expertise commonly expected for trustees/directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewed, insider, charged off, delinquent, noncurrent and recovered loans; investment activity; adoption or modification of operating policies; liquidity and funds management; individual committee reports; audit reports; internal control reviews including managements' responses; reconciliation of general ledger accounts; and compliance with this ORDER. The Board shall maintain adequate and complete minutes of all Board meetings, approve such minutes and retain them for supervisory review. The Board minutes shall reflect Board member participation, discussion and decisions and document all reviews and approvals, including the names of any dissenting trustees.

(e) Within 60 days of the effective date of this ORDER, the Board shall conduct a review of corporate governance procedures to ensure consistency with Board responsibilities to effectively and adequately oversee senior management and the business affairs of the Bank. The review shall at a minimum address, consider and include:

(i) identification of the types of risks inherent in the activities of the Bank and efforts to remain informed about these risks as risk management practices and the activities of the Bank evolve;

(ii) the review and approval of the appropriate policies to limit risks inherent in the Bank's operations;

(iii) the Board's familiarity with and use of adequate recordkeeping and reporting systems to measure and monitor the major source of risk to the Bank;

(iv) the periodic review and approval of risk-exposure limits to conform with changes in the Bank's strategies, new products and changes in market conditions;

(v) assurance that the depth of staff resources is sufficient to operate and soundly manage the Bank's activities;

(vi) adequate controls over insider transactions and conflicts of interest, including revising the Bank's Conflicts of Interest Policy to include procedures to govern insider transactions and ensure compliance with applicable law, regulations and the Bank's internal policies; and

(vii) compliance with all applicable laws, regulations and regulatory policies, including compliance with the requirement to maintain the confidentiality of supervisory information to the extent it is discussed in Board meetings, in accordance with Part 309 of the FDIC's Rules and Regulations.

(f) Within 30 days of completion of the review, the Board shall prepare a report of its review and assessment and submit the same to the FDIC and the Department.

(g) The Bank shall notify the Regional Director and the Department in writing of any resignations or terminations of any members of its Board or any of its senior executive officers within 15 days of the event. For purposes of this ORDER, "senior executive officer" is defined in section 303.101(b) of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101(b). Any notification required by this subparagraph shall include a description of the background(s) and

experience of any proposed replacement personnel and must be received at least 30 days prior to the individual(s) assuming the new position(s).

### LOAN ADMINISTRATION

3. (a) Within 45 days from the effective date of this ORDER, the Board shall develop a program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. (“Independent Loan Review Program”)

(b) At a minimum, the Independent Loan Review Program shall provide for:

(i) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention; and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(iii) identification of trends affecting the quality of the loan portfolio and potential problem areas;

(iv) assessment of the overall quality of the loan portfolio;

(v) identification of credit and collateral documentation exceptions;

(vi) identification and status of violations of laws, rules, or regulations with respect to the lending function;

(vii) identification of loans that are not in conformance with the Bank's lending policy;

(viii) identification of loans to directors, officers, principal shareholders, and their related interests; and

(ix) a mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (viii) above to the Board.

(c) Within 45 days from the effective date of this ORDER, the Independent Loan Review Program shall be submitted to the Regional Director and the Department for review and comment. Within 15 days of receipt of any comments from the Regional Director and the Department, and after incorporation and adoption of all comments, the Board shall approve the program, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Independent Loan Review Program.

(d) Within 30 days from the effective date of this ORDER, the Board shall review and revise the Bank's lending related policies and procedures to include the following:

(i) procedures regarding subprime lending in accordance with the standards set forth in the *Interagency Expanded Examination Guidance for Subprime Lending Programs* (FIL-9-2001, issued January 31, 2001) and the *Interagency Guidelines on Subprime Lending* (FIL-20-99, issued March 4, 1999);

(ii) identification, monitoring and risk mitigation procedures for concentrations of credit in accordance with the *Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices* (FIL-104-2006, issued December 12, 2006)

and *Managing Commercial Real Estate Concentrations in a Challenging Environment* (FIL-22-2008, issued March 17, 2008);

(iii) due diligence procedures to be performed prior to the purchase of loans from third parties to ensure adherence to adequate underwriting standards; and

(iv) procedures in accordance with the *Statement of Policy on Uniform Retail Credit Classification and Account Management Policy* (FIL-40-2000, issued June 29, 2000).

(e) Within 30 days from the effective date of this ORDER, the Bank shall submit the revised loan policies to the Regional Director and Department for comment. Within 15 days after receipt of comments, the Board shall adopt the revised loan policies, including any modifications or amendments requested by the FDIC or the Department. Thereafter, the Board shall direct the immediate implementation of the measures detailed in the revised loan policies, to the extent such measures have not previously been initiated, to effect compliance with the revised loan policies.

#### CONCENTRATIONS

4. Within 30 days from the effective date of this ORDER, the Board shall identify and determine the volume of loans within the loan portfolio that constitute a concentration and effectively monitor any loan concentration to ensure that the risk associated with the concentration and other significant exposures are appropriately identified and controlled in accordance with the standards set forth in the *Interagency Expanded Examination Guidance for Subprime Lending Programs* (FIL-9-2001, issued January 31, 2001) and the *Interagency Guidelines on Subprime Lending* (FIL-20-99, issued March 4, 1999).

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

5. (a) Within 30 days from the effective date of this ORDER, the Board shall review the appropriateness of the Bank's Allowance for Loan and Lease Losses ("ALLL") and establish a

comprehensive policy for determining an appropriate level of the ALLL, including documenting its analysis, according to the standards set forth in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (FIL-105-2006, issued December 13, 2006) and the *Interagency Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Associations* (FIL-63-2001, issued July 25, 2001). The review shall focus on the accounting standards set forth in Financial Accounting Standards Board Statement (“FASB”) Numbers 5 and 114, as codified by FASB under its Accounting Standards Codification effective after September 15, 2009 (established by FASB Statement Number 168) (“FASB 5 and 114”), the results of the Bank’s internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review.

(b) Within 30 days from the effective date of this ORDER, the Bank shall submit the revised ALLL policy to the Regional Director and the Department for comment. Within 15 days after receipt of comments, the Board shall adopt the revised ALLL policy, including any modifications or amendments requested by the FDIC or the Department. Thereafter, the Board shall direct the immediate implementation of the measures detailed in the revised ALLL policy, to the extent such measures have not previously been initiated, to effect compliance with the revised ALLL policy.

#### COMPLIANCE MANAGEMENT SYSTEM

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and implement an effective Compliance Management System (“CMS”) that is commensurate with the level of complexity of the Bank’s operations to ensure the establishment and implementation

of a comprehensive written compliance program (“Compliance Program”). The CMS shall, at a minimum, include:

(i) the development and implementation of a Compliance Program that is reviewed and approved annually by the Board, with the Board’s approval reflected in the Board minutes.

The Compliance Program shall include written policies and procedures that shall:

- a. provide Bank personnel with all the information that is needed to perform a business transaction; and
- b. reflect changes, based on periodic updates, in the Bank’s business and regulatory environment.

(ii) the implementation and maintenance of a training program related to all federal consumer laws, regulations and policies (“Consumer Laws”) for all Bank personnel, including senior management and the Board, commensurate with their individual job functions and duties. The Compliance Officer shall be responsible for the administration of this program and shall ensure that training is provided to officers and employees on a continuing basis.

(iii) effective compliance monitoring procedures that have been incorporated into the normal activities of every department to ensure the Bank’s compliance with Consumer Laws and adherence to internal policies, operating procedures and processes. At a minimum, monitoring procedures should include ongoing reviews of:

- a. disclosures and calculations for various loan and deposit products;
- b. document filing and retention procedures;
- c. any marketing literature and advertising; and
- d. internal compliance communication system that provides to Bank personnel appropriate updates resulting from revisions to Consumer Laws.

(iv) a requirement for an annual independent, comprehensive, and written compliance audit. The Board shall document its efforts, including the review of and corrective measures made pursuant to the audit's findings, in the Board minutes. The audit shall:

a. provide for sufficient transactional testing, as appropriate, for all areas of significant compliance risk, including those areas identified in the FDIC's Compliance Report of Examination dated October 26, 2009 ("Compliance Report of Examination"); and

b. identify the deficiencies noted, provide descriptions of or suggestions for corrective actions and time frames for correction, and establish follow-up procedures to verify that corrective actions were implemented and effective.

#### COMPLIANCE OFFICER

7. (a) Within 60 days after the effective date of this ORDER, the Bank shall have and retain a qualified Compliance Officer with the requisite knowledge and experience to establish and administer an effective CMS.

(b) The Board shall ensure that the Compliance Officer receives ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the Bank's CMS.

(c) The responsibilities of the Compliance Officer shall include:

(i) developing and reviewing compliance policies and procedures to ensure compliance with all Consumer Laws and the Bank's policies and procedures;

(ii) assessing emerging issues or potential liabilities and training management and employees in Consumer Laws;

(iii) reporting compliance activities and audit or review findings to the Board and ensuring corrective actions; and

(iv) coordinating responses to consumer complaints.

(d) The Board shall ensure that the Compliance Officer has and retains sufficient authority and independence to implement policies related to Consumer Laws and to institute corrective action as needed. At a minimum, this authority shall include the ability to:

- (i) cross departmental lines;
- (ii) access all areas of the Bank's operations; and
- (iii) effectuate corrective action upon discovering deficiencies.

#### HMDA COMPLIANCE

8. Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with the Home Mortgage Disclosure Act, 12 U.S.C. §§ 2801-2810, and Regulation C of the Board of Governors of the Federal Reserve System ("Regulation C"), 12 C.F.R. Part 203, with specific provisions to accurately collect and record required data on applications for, and originations, purchases, and refinancings of, home purchase and home improvement loans on a register in the format prescribed in Regulation C, within 30 calendar days after the end of the quarter in which the final action is taken, as required by section 203.4(a) of Regulation C, 12 C.F.R. § 203.4(a).

#### CORRECTION AND PREVENTION

9. Beginning on the effective date of this ORDER, the Bank shall take steps necessary, consistent with other provisions of this ORDER and sound banking practices, to eliminate, correct and prevent the unsafe or unsound banking practices and/or violations of law or regulation and all contraventions of federal banking agency policies, procedures and guidelines that were identified in the Report of Examination as of June 30, 2009 issued by the Department and the Compliance Report of Examination. In addition, the Board shall take all steps necessary to ensure future compliance with all applicable state and federal laws, rules and regulations.

COMPLIANCE COMMITTEE

10. Within 30 days from the effective date of this ORDER, the Board shall establish a subcommittee of the Board charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The subcommittee shall report monthly to the entire Board, and a copy of the report and any discussion related to the report or the ORDER shall be included in the minutes of the Board meeting. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

11. Within 45 days after the end of the first calendar quarter following the effective date of this ORDER, and within 30 days after the end of each successive calendar quarter, the Bank shall furnish written progress reports to the Regional Director and the Department detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by the ORDER have been accomplished and the Regional Director and the Department have released the Bank in writing from making any further reports.

OTHER ACTIONS

12. It is expressly and clearly understood that if, at any time, the Regional Director shall deem it appropriate in fulfilling the responsibilities placed upon him or her under applicable law to undertake any further action affecting the Bank, nothing in this ORDER shall in any way inhibit, estop, bar, or otherwise prevent him or her from doing so, including, but not limited to, the imposition of civil money penalties.

EFFECTIVE DATE

13. This ORDER shall be effective on the date of issuance. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof. The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued Pursuant to Delegated Authority

Dated: 3/17/2010

By:

\_\_\_\_\_/s/\_\_\_\_\_  
James C. Watkins  
Acting Regional Director  
Division of Supervision and  
Consumer Protection  
New York Regional Office  
Federal Deposit Insurance Corporation