

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Dollar Bank, F.S.B.)
Pittsburgh, Pennsylvania)

Resolution No.: CIN 91-38

Dated: November 6, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS") by and through its Regional Director and Dollar Bank, F.S.B., Pittsburgh, Pennsylvania ("Dollar"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Dollar pursuant to the Federal Deposit Insurance Act, § 8(b), 12 U.S.C.A. § 1818(b) (West 1989). Dollar disagrees with the OTS opinion in this regard, but desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist litigation against Dollar with respect to the matters covered in the accompanying Cease and Desist Order ("Order").

2. Jurisdiction.

(a) Dollar is a "savings association" and an "insured depository institution" as defined by 12 U.S.C.A. §§ 1462 and 1813 (West 1989 and Supp. 1990).

(b) The Director of OTS is the "appropriate Federal banking agency" to maintain a cease and desist proceeding against such saving association, pursuant to 12 U.S.C.A. § 1818(b) (West 1989), therefore, Dollar is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it.

3. Consent. Dollar consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon its issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C.A. § 1818(b) (West 1989). Upon its issuance by the Cincinnati District Office, OTS, it shall be a final Order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C.A. § 1818(i) (West 1989).

5. Waivers. Except as otherwise provided for in the Order, Dollar waives its right to a notice of charges and the administrative hearing provided by 12 U.S.C.A. § 1818(b) (West 1989), and further waives its right to seek judicial review of the Order, including any such right provided by 12 U.S.C.A. § 1818(h) (West 1989), or otherwise to challenge the validity of the Order.

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CEASE AND DESIST ORDER

WHEREAS, Dollar Bank, F.S.B., Pittsburgh, Pennsylvania ("Dollar"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation"), which is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director and is incorporated herein by reference; and

WHEREAS, Dollar, in the Stipulation, has consented and agreed to the issuance of this Cease and Desist Order ("Order") pursuant to the Federal Deposit Insurance Act, § 8(b), 12 U.S.C.A. § 1818(b) (West 1989).

NOW THEREFORE, IT IS ORDERED that Dollar, its directors, officers, employees, agents, and service corporations shall abide by the terms of the Order, as follows:

1. The Board of Directors of Dollar ("Board") shall appoint a committee of outside directors who shall conduct a management review. The review shall evaluate Dollar's organizational structure and all officers at or above the level of Vice President having principal functions and responsibilities. Based upon the conclusions of the review, the Board shall adopt a written plan containing proposals to improve organization and/or to address any deficiencies. Within 120 days and prior to its implementation, the Board shall submit the plan to the appropriate OTS Deputy Regional Director. Upon notification that the OTS has no objection, Dollar shall implement the plan. In addition, Dollar's Board shall be reduced to no more than 15 members through normal attrition.

2. Dollar shall, within 30 days of the date of this Order, adopt policies and implement procedures for enhanced internal asset review and classification which the Board of Directors shall review annually and update as necessary. Dollar must include the following as part of these enhance policies and procedures: (a) clear provision for identification of problem or potential problem assets; (b) establishment of an independent asset review committee, consisting of a majority of outside directors and/or officers not involved in the troubled lending or investment decisions; and (c) a requirement that the asset review committee maintain adequate records and documentation of its activities.

3. Dollar shall, within 30 days of the date of this Order, prepare and implement an asset plan for each criticized or classified asset with an unpaid balance larger than \$500,000. For each asset, the plan shall provide sufficient detail to allow the reader to fully understand the asset and its known or potential problems, specific detail as to the optimum way to protect the institution from loss, and adequate supporting rationale for the plan to be followed. The Board shall review and update this asset plan at least quarterly and shall submit a report of its review and any update to the appropriate OTS Deputy Regional Director or designee immediately thereafter.

4. Dollar shall hire and/or train personnel, within 30 days of the date of this Order, with appropriate independence and expertise to analyze and classify assets. Dollar shall also make every reasonable effort to hire a new experienced commercial real estate loan workout officer with adequate staff to support such function.

5. Dollar shall, within 30 days of the date of the Order, adopt policies and implement procedures for the establishment of general valuation allowances, which shall give consideration to the level, security, and trend of nonperforming assets, and income earning assets. Dollar shall either establish specific valuation allowances or write off assets classified as loss.

6. Dollar shall, within 30 days of the date of the Order, adopt policies and implements procedures for enhanced loan underwriting and investment, which the Board shall review annually and update as necessary. As part of these enhanced policies and procedures, all deficiencies noted in Comment 1.c. of the November 21, 1990 OTS Report of Examination shall be addressed and corrected. These policies and procedures shall be submitted to the appropriate OTS Deputy Regional Director or designee for his approval.

7. Until the appropriate OTS Deputy Regional Director or designee approves the enhanced loan underwriting policies and procedures required by Paragraphs 5 and 6 of this

Order and Dollar's level of classified assets returns to a level below a ratio of 100% of such assets to tangible capital plus general valuation allowances:

- (a) Dollar shall cease making new commercial loans in excess of \$500,000 or new commercial real estate loans in excess of \$750,000, if such commercial or commercial real estate loans are to borrowers or on collateral located more than 100 miles from Dollar's home or branch offices;
- (b) notwithstanding (a), Dollar shall not increase its outstanding level of commercial real estate loans beyond the amount reported for such loans on its OTS Thrift Financial Report for the period ended September 30, 1991; and
- (c) the net increase in Dollar's commercial loan base, as measured by the difference between the amount shown on line 32 of Schedule SC of the quarterly Thrift Financial Report for the end of the particular quarter and the amount shown on line 32 of Schedule SC of the Thrift Financial Report for the period ended September 30, 1991, shall not exceed three times the net increase in Dollar's tangible capital, measured by the difference between the tangible capital amount shown on line 10 of Schedule CCR of Dollar's Thrift Financial Report for the quarter immediately preceding the particular quarter and the amount on line 10 of Schedule CCR of Dollar's Thrift Financial Report for the period ended June 30, 1991, unless Dollar obtains approval from the appropriate OTS Deputy Regional Director to exceed such limitation.

These restrictions shall not apply to legally binding commitments as of the date of issuance of this Order or to loans to facilitate the sale of real estate owned, however, these loans shall be made in accordance with Dollar's policies and procedures, regulations and safety and soundness.

8. Dollar shall comply with 12 C.F.R. § 563.43 (1990), which restricts loans and other investments involving affiliates and affiliated persons.

9. Dollar shall, within 30 days of the date of the Order, adopt policies and implement procedures to ensure full compliance with the Home Mortgage Disclosure Act of 1975 ("HMDA"), 12 U.S.C.A. §§ 2801-2810 (West 1989) and OTS

regulations located at 12 C.F.R. §§ 203.1-203.6 (1991), and 12 C.F.R. § 528.6 (1991), including the accurate recordation of all required information. Within 120 days, Dollar shall correct and bring into full compliance HMDA-1 reports for the four year period ended December 31, 1989 for all loans still outstanding on the effective date of this Order. Moreover, Dollar shall make every reasonable effort to correct data in the HMDA loan application register ("LAR") reports for the year ending December 31, 1990.

10. Dollar shall, within 30 days of the date of the Order, develop policies and implement procedures to provide and carry out explicit and comprehensive strategies for all basic classes of investment securities. The Board of Directors shall review said policies and procedures annually and update as necessary.

11. Dollar shall, within 60 days of the date of this Order, develop and implement a comprehensive Business Plan. The Business Plan shall be projected through December 31, 1994. Dollar shall not implement material changes to the activities and strategies outlined in this Plan without the written approval of the appropriate OTS Deputy Regional Director or designee. Dollar shall achieve and maintain a minimum core capital requirement equal to 4% of adjusted total assets no later than June 30, 1992 unless OTS approves an alternative capital plan submitted by Dollar. If Dollar fails to meet or maintain the agreed upon minimum core capital requirement, Dollar shall have 180 days to regain compliance during which period Dollar shall not (a) grow beyond 25% of net interest credited, (b) make any new commercial real estate loans or (c) increase its commercial loan base above the level in the OTS Thrift Financial Report for the quarter immediately preceding the date at which Dollar falls out of compliance with the agreed upon core capital requirement.

12. Dollar shall, within 30 days of the date of this Order, develop policies and implement procedures which address all deficiencies in the management information system and electronic data processing system as cited in the most recent OTS & FDIC exam reports and independent audit report.

13. Dollar shall, within 30 days of this Order, develop policies and implement procedures to ensure full compliance with 12 C.F.R. § 563.93 (1990) which restricts extension of credit to one borrower.

14. Nothing contained in this Order shall relieve Dollar of compliance with any capital requirement subsequently imposed by law or regulation, and Dollar in no way waives, releases, settles or otherwise compromises any rights to challenge such capital requirement. Moreover, Dollar does not waive, release, settle or otherwise compromise its rights under that certain Assistance Agreement dated September 21, 1984 and

