

95234

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 20th day of December, 1991, by and between CENTRAL PENNSYLVANIA FINANCIAL CORPORATION (OTS No. H-0871), hereinafter referred to as "CPFC" or "HOLDING COMPANY" 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 CPFC and the OTS. 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 based on the results of the August 5, 1991 Holding Company Report of Examination ("HROE") that certain supervisory concerns contained in the HROE should be addressed in this Agreement; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of formal enforcement proceedings against CPFC, so long as CPFC is in compliance with the provisions of the Agreement; and

WHEREAS, although without admitting or denying that such grounds exist, in the interest of regulatory compliance and cooperation, CPFC is willing to enter into the Agreement to avoid the initiation of such proceedings:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of formal enforcement proceedings against CPFC, it is agreed between the parties hereto as follows:

1. CPFC's Board of Directors shall develop and adopt policies and procedures, within sixty (60) days of the effective date of this Agreement, that will ensure that transactions with affiliates as discussed in 12 U.S.C. § 371C-1 (Federal Reserve Reg. 23B) are on terms and conditions that are substantially the same as those prevailing for comparable transactions with non-affiliated companies.

2. Within sixty (60) days of the effective date of this Agreement, CPFC's Board of Directors agrees to infuse \$123,348 of cash into Central Pennsylvania Savings Association promptly as an additional equity capital contribution.

3. Without written permission of RDD, CPFC agrees not to pay a dividend if, as a result of such payment, CPFC's liquid assets, as defined in 12 C.F.R. § 566.1, and without consolidation of Central Pennsylvania Savings Association and its own subsidiaries, falls below the level needed by CPFC in order to infuse additional equity capital into Central Pennsylvania Savings Association in an amount sufficient to maintain said Association's regulatory capital at whichever of the following standards is highest:
 - (a) The then existing regulatory capital requirements imposed by OTS or any successor regulator; or
 - (b) core capital of no less than five (5.0%) percent of total adjusted assets; or
 - (c) capital obligations under CPFC's existing net worth maintenance agreements which remain outstanding.

4. The HOLDING COMPANY's Board of Directors shall ensure that the Addison property, transferred from Central Pennsylvania Savings Association to Shamokin in March 1991, is properly accounted for in accordance with Generally Accepted Accounting Principles. The Board shall obtain a written opinion from its certified public accounting firm regarding the proper accounting for the original transfer of this property and the proper accounting for the named property as of the effective date of this Agreement. The opinion shall provide references to the appropriate accounting literature as well as actual amounts to be presented on the books and records of Central Pennsylvania Savings Association and Shamokin. The written opinion shall be submitted to the OTS Regional Deputy Director ("RDD") within thirty (30) days of the effective date of this Agreement.
5. CPFC shall make timely and appropriate disclosures in accordance with the requirements of applicable state and federal securities laws and regulations, with regard to this Agreement and the Cease and Desist Order issued to Central Pennsylvania Savings Association, as well as any other material disclosures required as a result of the findings of the Holding Company and/or Central Pennsylvania Savings Association Reports of Examination.
6. 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 CPFC.

7. Within sixty (60) days of the effective date of this Agreement, CPFC's Board of Directors shall submit to the RDD, a written plan which implements proper and effective levels of direction, supervision and control over its thrift institution subsidiary, in accordance with the direction provided at Section 700 ("Management Quality") of the Office of Thrift Supervision's "Regulatory Handbook - Holding Companies."

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.

This Agreement has been duly authorized, executed, and delivered and constitutes, in accordance with its terms, a valid and binding obligation of Central Pennsylvania Financial Corporation.

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 or modify any or all of the provisions of the Agreement during the term of the Agreement.

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

OFFICE OF THRIFT SUPERVISION

By: / S /
Regional Deputy Director

CENTRAL PENNSYLVANIA FINANCIAL CORPORATION
Shamokin, Pennsylvania
BOARD OF DIRECTORS

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CERTIFIED COPY OF RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of CENTRAL PENNSYLVANIA FINANCIAL CORPORATION (OTS No. H-0871) (hereinafter referred to as "CPFC") 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 DEC. 17, 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 CPFC have read and considered the proposed Supervisory Agreement ("Agreement") attached to the minutes of the meeting of the Board of Directors held on DEC. 17, 1991, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the 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 CPFC.

The officers and employees of CPFC 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 CPFC This 17TH day of DEC., 1991.

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Secretary