

94834

OTS No. 1810

SUPERVISORY AGREEMENT
(Revised and Amended)

This Supervisory Agreement ("Agreement") is made and is effective this 7th day of June, 1993 (the "Effective Date"), by and between Keystone Savings and Loan Association (the "Association"), a state chartered mutual savings association, having its main office located at 5024 Wayne Avenue, Philadelphia, Pennsylvania and the Office of Thrift Supervision ("OTS"), an office within the Department of the Treasury, a department in the Executive Branch of the United States Government, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C.

WHEREAS, the OTS is the primary federal regulator of the Association; and

WHEREAS, the Association and the OTS entered a Supervisory Agreement effective June 27, 1990 ("1990 Agreement"); and

WHEREAS, based on the Report of Examination dated January 4, 1993 ("ROE"), the OTS, represented by the Regional Director for the Northeast Region or his designee ("Regional Director"), has determined that the Association has complied with various requirements of the 1990 Agreement; and

WHEREAS, based on the ROE, OTS is of the opinion that the Association has not complied fully with each of the requirements of the 1990 Agreement and is further of the opinion that the Association has engaged in acts and practices in operating the business of the Association that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, OTS is of the view that it is appropriate to take measures intended to ensure that the Association will: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, OTS has determined that it is appropriate to revise and amend the 1990 Agreement on account of its findings as described in the ROE; and

WHEREAS, the Board of Directors of the Association (the "Board"), wishes to cooperate with the OTS and to demonstrate that it has the

intent to: (1) comply with all applicable federal laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Board agrees that it is appropriate to revise and amend the 1990 Agreement.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

I. COMPLIANCE WITH LAWS AND REGULATIONS

1.1 The Association shall comply with the following Federal laws and regulations:

(a) the Bank Secrecy Act, 31 U.S.C. §§5311 et seq., Section 563.177 of the OTS Regulations, 12 C.F.R. §563.177, Subpart B of the regulations of the Department of the Treasury ("DOT"), 31 C.F.R. §103.21 et seq., and Section 103.33 of the regulations of DOT, 31 C.F.R. §103.33 (regarding Bank Secrecy Act compliance); and

(b) Section 563.170(c) of the OTS Regulations, 12 C.F.R. §563.170(c) (regarding establishment and maintenance of records).

II. CORRECTIVE PROVISIONS

2.1 Loan Origination Restrictions

As of the Effective Date hereof, and unless legally obligated in writing to do so, the Association shall not make or commit to make, purchase or commit to purchase, refinance or commit to refinance, disburse or commit to disburse, all or any part of any loan without the prior written approval of the OTS, with the exception of the following (so long as such transactions are effected in accordance with the Association's "normal lending territory" as that term is defined in Section 561.32 of the OTS Regulations, 12 C.F.R. §561.32):

- (a) Conforming loans secured by first loans on one-to-four family dwellings not to exceed FHLMC/FNMA limits;
- (b) Loans secured by savings accounts; and
- (c) Home equity loans provided that the loan-to-value ratio of each of said loans does not exceed 80%.

2.2 Brokered Deposits

The Association shall not accept, solicit, or commit to accept any new brokered deposits and shall not pay for any renewal of existing deposits.

2.3 Loan Underwriting, Administration, and Collection Policies

The Board shall assure that the Association continues to comply with its loan policies and procedures regarding loan underwriting, administration, and collection for its the one-to-four family, consumer, commercial, and commercial real estate portfolios. The Board shall undertake as necessary to revise and modify the said policies and procedures so as to ensure the prudent and on-going credit administration of the said portfolios. The Association's policies for extensions of credit that are secured by liens on or interests in real estate or that are made for the purpose of financing permanent improvements to real estate shall be in accordance with Section 563.101 of the OTS regulations, 12 C.F.R. §563.101. The Board also shall ensure that the Association's loan records include the documentation required by Section 563.170(c) of the OTS Regulations, 12 C.F.R. §563.170(c), and, further, shall contain signed and duly attested current financial statements, current certified rent rolls, and written analyses of such documents.

2.4 Books and Records

The Association shall maintain such accounting and other records as are required by Section 563.170 of the OTS Regulations, 12 C.F.R. §563.170, in order to provide an accurate, complete, and timely record of all business it transacts. Furthermore, the documents, files and other materials comprising said records shall at all times be available for examination and/or audit. Moreover, with regard to the books and records of the Association:

(a) All assets and liabilities of the Association are to be recorded promptly on the books of the Association;

(b) All journal entries shall be posted promptly to the general ledger on a daily basis; and

(c) Bank reconciliations are to be performed in a timely manner and the Association shall maintain written documentation evidencing the reconciliation. Unreconciled differences are to be investigated promptly and resolved.

2.5 Internal Controls

Within 90 days after the Effective Date, the Board shall adopt, and thereafter oversee compliance with, specific written policies and procedures to insure that the Association shall comply with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311 et seq. and the regulations promulgated thereunder, Section 563.177 of the OTS Regulations, 12 C.F.R. §563.177 and Subpart B of the regulations of the Department of the Treasury, 31 C.F.R. §103.21 et seq.

The Board shall assure that the Association eliminates immediately the internal control deficiencies discussed on pages 13 and 14 of the ROE and shall cause to be implemented: (1) the vault signature register and the wire transfer record log as set forth therein; and (2) a readily-accessible system for recording cash transactions by and between the Association and its correspondent bank.

2.6 Changes/Additions to the Board of Directors and Senior Officers

No new person shall be appointed to, serve on, or be elected to the Board of the Association without the prior approval of the Regional Director and any such appointment, service, or election shall be in accord with the requirements of Section 32 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. §1831i and OTS Thrift Bulletin Number 45 ("TB 45"). No new person shall be appointed to, serve as, or employed as a senior officer of the Association without the prior approval of the Regional Director and any such appointment, service, or employment shall be in accord with the requirements of Section 32 of the FDIA, 12 U.S.C. §1831i and TB 45.

III BOARD OF DIRECTORS

3.1 Compliance with Agreement

A. The Board and Officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.

B. The Board, on a quarterly basis, shall adopt a Board Resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Association has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance in all material respects was found not to exist, and (ii) identify all notices of exemption issued by the Regional Director that were outstanding as of the date of its adoption.

C. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each Director voting in favor of its adoption; and (ii) the identity of each Director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such Director's reasoning for opposing or abstaining.

D. No later than the 25th Business Day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolution adopted during the first month immediately subsequent to such calendar quarter. The Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified that to the best of its knowledge the statements with respect to compliance with the terms of this Agreement set forth in each Compliance Resolution are accurate in all material respects, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Association.

IV. MISCELLANEOUS

4.1 Definitions

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the terms used in this Agreement have the meanings assigned to them in this Section 4.1 and include the plural as well as the singular; (b) all accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, except that if such terms are defined in the Rules and Regulations of the OTS, such regulatory definitions shall be controlling; (c) all terms not otherwise defined herein that are defined in the HOLA, the FDIA, the Rules and Regulations of the OTS or its publicly available bulletins and Advisory Memoranda shall have the meanings assigned to them in such statutes, Rules and Regulations, Bulletins, and Advisory Memoranda; and (d) all technical words or terms not subject to a definition in this Agreement shall have the meanings that accord with the best custom and usage in the thrift and banking industries.

"Board Resolution" means a resolution duly adopted by the Board at a duly called and held meeting of the Board (or a Committee thereof) at which a quorum was present.

"Business Day" means any weekday excluding Federal holidays.

"Director" shall mean any current or former member of the Association's Board of Directors.

"FDIA" means the Federal Deposit Insurance Act, as amended.

"FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183. _

"HOLA" means the Home Owners' Loan Act, as amended, 12 U.S.C. §§ 1461 et seq.

"Officer" shall have the meaning set forth in Section 561.35 of the OTS Regulations, 12 C.F.R. § 561.35.

"OTS" refers to the Office of Thrift Supervision, United States Department of the Treasury, or its successor.

"Regional Director" or his successor is the "senior supervisory

official" within the meaning of Section 723(d) of the FIRREA, and refers to the Regional Director of the Northeast Region of OTS. All references to the Regional Director shall include the Regional Director and/or his designee(s).

"Savings Association" shall have the meaning set forth in Section 2(4) of the HOLA, 12 U.S.C. § 1462(4).

4.2 Successor Statutes, Regulations, Guidance, Amendments

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda 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.

4.3 Notices

A. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

(1) the OTS by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place, 18th Floor, Jersey City, N.J. 07302 or telecopied to (201) 413-5842 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

(2) the Association by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Association at 5024 Wayne Avenue, Philadelphia, Pennsylvania 19144 or telecopied to (215) 849-2171 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notice hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

4.4 Duration, Termination or Suspension of Agreement

A. This Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

B. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

4.5 Effect of Headings

The Section headings herein are for convenience only and shall not affect the construction hereof.

4.6 Separability Clause

In case any provision in this Agreement 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 sole discretion determines otherwise.

4.7 No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted; FDICIA Controlling

Nothing in this Agreement shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting, in any way, the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

4.8 Successors in Interest/Benefit

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors in interest hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

4.9 Enforceability of Agreement

The Association and OTS represent and warrant that this Agreement has been duly authorized, executed, and delivered, and constitutes, in

accordance with its terms, a valid and binding obligation of the Association and the OTS, respectively. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

THE ASSOCIATION

By:

By

151
Name: Regional Deputy Director
Title:

151
Name:
Title:

DIRECTORS OF THE ASSOCIATION

151
Director
Director
Director
Director

151
Director
Director
Director
Director

