

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 23rd day of September, 1992 (the "Effective Date"), by and between White Eagle Federal Savings Bank (the "Association"), a federally chartered stock association, having its main office located at 600 South Harrison Street, Wilmington, Delaware 19805 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, based on the Report of Examination dated September 23, 1991 (the "ROE"), the OTS, represented by the Regional Director for the Northeast Region or his designee ("Regional Director") is 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, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association; and

WHEREAS, the 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, the Board of Directors of the Association (the "Board") wishes to cooperate with the OTS and to demonstrate that they have the intent and ability to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices.

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

SECTION I -- COMPLIANCE WITH LAWS AND REGULATIONS

1.1. The Association shall immediately cease and desist from any violation of, or the aiding or abetting of any violation of:

- (a) Subsection 11(b)(1) of the HOLA, 12 U.S.C. §1468(B)(1)¹;
- (b) Section 545.36 of the OTS Regulations, 12 C.F.R. §545.36 (regarding loans to acquire or to improve real estate);
- (c) Section 545.52(a) of the OTS Regulations, 12 C.F.R. §545.52(a) (regarding loans on savings accounts);
- (d) Section 552.6 of the OTS Regulations, 12 C.F.R. §552.6 (regarding shareholder meetings);
- (e) Section 552.11 of the OTS Regulations, 12 C.F.R. §552.11 (regarding books and records);
- (f) Section 563.43(b), 12 C.F.R. §563.43(b) (regarding restrictions concerning loans and other transactions with affiliated persons);
- (g) Section 563.93 of the OTS Regulations, 12 C.F.R. §563.93 (regarding lending limitations);
- (h) Section 563.170 of the OTS Regulations, 12 C.F.R. §563.170 (regarding examinations and audits; appraisals; establishment and maintenance of records);
- (i) Section 563.180 of the OTS Regulations, 12 C.F.R. §563.180 (regarding criminal referrals and other reports or statements);

1. Subsection 11(b)(1) of the HOLA makes Section 22(h) of the Federal Reserve Act ("FRA"), 12 U.S.C. §375b (regarding loans to officers, directors and principal shareholders), applicable to savings associations in the same manner and to the same extent as if the savings association were a member bank. The Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), promulgated Regulation O, 12 C.F.R. §215.4, to implement Section 22(h) with respect to member banks. The OTS has advised savings associations to look to both Section 22(h) and Regulation O for guidance. — See OTS Thrift Bulletin 31-8, Part IV, 2d paragraph.

- (j) Sections 566.2, 566.3, 566.4 and 566.5 of the OTS Regulations, 12 C.F.R. §§566.2, 566.3, 566.4 and 566.5 (regarding liquidity requirements, deficiencies and penalties, reports, records and payment of penalty);
- (k) Section 571.7 of the OTS Regulations, 12 C.F.R. §571.7 (regarding conflicts of interest);
- (l) Part 564 of the OTS Regulations, 12 C.F.R. §564.1 et seq. (regarding appraisals); and
- (m) The Memorandum of Understanding between the Association and the OTS, dated December 27, 1989 (the "MOU").

1.2 The compliance requirements of this Agreement shall not be construed as an authorization for the Association or its affiliates to engage in the activities governed by the aforesaid laws, rules, and regulations. To the extent that it is lawful for the Association or its affiliates to engage in such activities, and if provisions of this Agreement set forth more strict restrictions, limitations, and requirements than are set forth in applicable laws and regulations, then, under such circumstances, those activities shall be subject to the stricter restrictions, limitations, and requirements set forth in this Agreement.

SECTION 2 -- LENDING RESTRICTIONS

2.1 Restrictions on Asset Growth.

The Association shall not increase its Total Assets during any calendar quarter in excess of an amount equal to net interest credited on deposit liabilities during the calendar quarter, without the prior written notice of non-objection of the Regional Director. For the purposes of this Section 2.1, asset growth shall be measured at the end of the most recent calendar quarter against the Total Assets as of the end of the previous calendar quarter. The Regional Director reserves the right to determine that the Association is growing in an unsafe and unsound manner between measurement dates and to take appropriate action to restrict such growth.

2.2 Prohibited Loans. Unless otherwise permitted by the Regional Director or expressly permitted by this Agreement, the Association or any Subsidiary or Service Corporation shall not directly or indirectly, Make any loan.

2.3 Permitted Loans. The Association shall be permitted to Make the types of loans specified in this Section 2.3, provided that (i) such loans do not cause the Association to increase its level of Total Assets to an amount that would violate Section 2.1; (ii) the Association Makes such loans in a prudent manner; and (iii) the Association complies with the conditions specified in this

Section 2.3:

A. Qualifying Mortgage Loans provided that: (i) the Association obtains independent verification of the borrower's income, employment, the source of downpayment, and a credit report; (ii) the interest rate on the loan is not a Teaser Rate; and (iii) the real estate securing the loan is located within the Permissible Lending Area.

B. home equity loans and home equity lines of credit, provided that: (i) the aggregate principal amount of each such loan does not exceed \$100,000; (ii) the loan-to-value ratio does not exceed 80%; (iii) the real estate securing the loan is an owner occupied 1-4 family dwelling unit; and (iv) the real estate securing the loan is located within the Permissible Lending Area.

C. Residential Construction Loans provided that legally binding contracts of sale to qualified buyers exist prior to approval of any such Residential Construction Loan.

D. fully secured Consumer Loans, provided that (i) the aggregate principal amount of each loan does not exceed \$15,000; (ii) the loans are made at market rates and terms; and (iii) each loan complies with prudent underwriting policies and procedures, including the requirement that adequate collateral secures the loan.

E. unsecured Consumer Loans provided that: (i) the aggregate loan to one borrower ("LTOB") amount of such unsecured Consumer Loans does not exceed \$3,000; (ii) the term of each loan does not exceed three (3) years and is made at market rates and terms; (iii) each loan complies with prudent underwriting policies and procedures; and (iv) the borrower has a satisfactory credit rating.

2.4. Commitments and Loans In Process. The Association shall be permitted to advance funds necessary to honor existing legally binding commitments in existence as of November 14, 1991 to fund loans ("Commitments") or loans-in-process ("Loans in Process") provided that the following conditions are satisfied:

A. Prior to finalizing any Commitment or making any disbursement under Loans In Process, the Association shall affirmatively determine that all conditions precedent to the Commitment or disbursement have been satisfied.

B. To the extent that it has not already done so, within thirty (30) days of the Effective Date, the Association shall provide the Regional Director with a list of all Commitments and Loans In Process existing as of November 14, 1991. The list should contain the following information: (i) amount and type of Commitments and Loans in Process (including whether firm or standby); (ii) date the Commitment was issued; (iii) identity of the borrower and amount of other outstanding

loans or commitments and Loans In Process to the borrower; (iv) type, location and value of the collateral; (v) schedule of anticipated funding; (vi) amount of any commitment fee received and date of receipt; and (vii) amount and portion of interest and fees funded by loan proceeds, if any.

C. The Association shall obtain a written opinion from legal counsel, stating that: (i) counsel has reviewed the terms of each Commitment or Loan In Process listed in Section 2.4(B); (ii) that each such Commitment or Loan in Process constitutes a legally binding obligation of the Association that could be enforced in a court of law by the party to whom the Commitment and Loan in Process is made; and (iii) the honoring of such Commitment and Loan in Process will not cause the Association to violate any laws or regulations applicable to it.

2.5 Third Party Contracts.

Without the prior written notice of non-objection of the Regional Director, the Association shall not enter into any contract or any agreement for the purchase, sale, or lease of goods, materials, equipment, supplies, services or capital assets, except that this restriction shall not apply to contracts to be entered into during the ordinary course of business where the amount of any one such contract does not exceed \$ 15,000. Any such contract which the Association proposes to enter into shall comply with the provisions of Thrift Bulletin No. 50.

2.6 Golden Parachute Payments and Indemnification.

A. The Association shall not make any "golden parachute payment" or "indemnification payment" as such terms are defined in Section 18(k) of the FDIA, 12 U.S.C. §1828k or regulations adopted by the FDIC under that authority.

B. Prior to the Association making any payment relating to indemnification of a Director, Officer or employee, provided that such indemnification payment is not otherwise prohibited under Section 18(k) of the FDIA, 12 U.S.C. §1828k: (i) the Board shall adopt a resolution approving such payment as being in accordance with Section 545.121 of the OTS regulations, 12 C.F.R. §545.121; and (ii) the Association shall notify the Regional Director not less than twenty (20) days prior to the date of payment of the Association's intent to make such payment, and shall include a copy of the Board Resolution approving payment.

2.7 OTS Notice of Non-Objection.

A. The OTS, in the exercise of its discretion, may from time to time, provide the Association with a written notice of non-objection to permit activities otherwise prohibited hereby. The Association may request of the OTS the issuance of

such written notice(s) of non-objection. Such requests must be submitted in writing to the Regional Director. The OTS will not process such requests unless they are accompanied by: (i) a Board Resolution indicating that the Board, upon due inquiry, has determined the proposed activity to be in the best interests of the Association and has authorized the activity contingent upon OTS non-objection; and (ii) such documentation and information as the OTS may deem appropriate.

B. With respect to requests for written notice of non-objection of the Regional Director to make loans or investments other than those expressly permitted by this Agreement, such requests, in addition to the requirements of Section 2.7(A), shall be accompanied by a Board Resolution, signed by each individual member of the Board voting in favor of the resolution, finding as follows:

- (1) management is capable of underwriting and administering the loans in a safe and sound manner;
- (2) the Board has adopted policies and procedures to ensure that the loans are prudently underwritten and administered;
- (3) internal controls measuring compliance with such policies and procedures are in place;
- (4) during the preceding 12 months, the Association has not experienced significant losses in connection with similar loans; and
- (5) the loans contemplated are necessary to preserve the Association's franchise value and will not cause an increase in Total Assets.

SECTION 3 -- OPERATING REQUIREMENTS

3.1 New President and Chief Executive Officer.

A. No later than December 31, 1992, the Association shall replace its present President and Chief Executive Officer with a new President and Chief Executive Officer with the qualifications and experience necessary to manage, operate and administer the affairs of the Association in a fully satisfactory manner under the direction of the Board; provided however, that (i) if any acquiror of the Association wishes to retain the current President and Chief Executive Officer and (ii) all approvals necessary for the consummation of such acquisition have been obtained prior to December 31, 1992, the Association shall be permitted to retain the current President and Chief Executive Officer. In the event that all such approvals have not been obtained by December 31, 1992, the Board may request the written notice of non-objection of the Regional

Director to an extension of time, who in his or her sole discretion may authorize or deny such request for an extension.

B. As required by Section 32 of the FDIA, 12 U.S.C. §1831i and Thrift Bulletin No. 45, in the event that the Association must replace the President and Chief Executive Officer pursuant to Section 3.1(A), the Association shall provide at least thirty (30) days prior written notice to the Regional Director before such employment becomes effective.

3.2. Liquidity Requirement/Borrowing Capacity.

A. The Association shall at all times maintain liquid assets (as defined in 12 C.F.R. § 566.1(g)) in accordance with the requirements of 12 C.F.R. Part 566.

B. The Association shall, at all times, maintain sufficient unpledged assets (giving effect to the applicable margin requirements or "haircut" requirements) that will enable it to secure advances by the Federal Home Loan Bank of Pittsburgh or the Federal Reserve Bank of Pittsburgh in an amount not less than 10.0% of total unconsolidated assets, as reported in the most recent monthly report to the OTS (Schedule SC - Line 60). For purposes of this Section 3.2 "unpledged assets" may include liquid assets as defined in Section 566.1(g) of the OTS Regulations that are used to meet the Association's liquidity requirements.

C. The Association shall immediately notify the Regional Director of any violation of this Section 3.2.

3.3 Loans to One Borrower.

A. Within thirty (30) days of the Effective Date, the Association shall (i) implement a more complete and comprehensive policy and procedures to ensure on going compliance with the LTOB requirements of Section 563.93 of the OTS Regulations, 12 C.F.R. §563.93 and (ii) develop and implement a written plan to ensure that the loans listed on pages A-14.1 and 14.2 of the Report of Examination are in compliance with the limits set forth in Section 563.93 of the OTS Regulations, 12 C.F.R. §563.93.

B. In the event that the loans specified in Section 3.3(A) cannot be brought into compliance, the Association shall take such actions as are necessary to dispose of such loans. Within sixty (60) days after the Effective Date, if a non-conforming loan cannot be brought into compliance or disposed of without significant losses, the Board shall provide the Regional Director with a written explanation which includes: (i) a description of all efforts to dispose of the loan(s); and (ii) any mitigating reasons for violating the LTOB limitation.

C. The Association shall ensure that: (i) all loans are

considered in aggregating LTOBs; (ii) that where the borrowing entity consists of more than one entity, loans are assigned to each member of the borrowing entity; and (iii) where the LTOB exceeds \$500,000 and 5% of unimpaired capital and unimpaired surplus, the Association shall include in the documentation of such loan that such loan was made within the limitations of Section 563.93(f)(2) of the OTS Regulations, 12 C.F.R. §563.93(f)(2).

3.4 Savings Account Loans.

Within thirty (30) days of the Effective Date, with respect to loans secured by savings accounts, the Association shall have taken all steps necessary to ensure that: (i) adequate collateral exists for such loans; (ii) there is documentation sufficient to provide for the creation and perfection of a security interest in the collateral securing the loan, including the placement of proper holds on savings accounts securing such loans; (iii) the amount of the loan is within the limitations set forth in Section 545.52(b) of the OTS Regulations, 12 C.F.R. §545.52(b); and (iv) accurate and complete records of all such loans are maintained in accordance with Section 563.170(c) of the OTS Regulations, 12 C.F.R. §563.170(c).

SECTION 4 -- TRANSACTIONS WITH AFFILIATED PERSONS

4.1 Code of Ethics Policy.

A. Within thirty (30) days of the Effective Date, the the Board shall establish, approve and implement a written Code of Ethics Policy (the "Ethics Policy") to address the relevant comments from the Report of Examination, and provide for disclosure requirements regarding interactions and relationships that may involve potential conflicts of interest. The Association shall consider, as a reference in establishing its Ethics Policy, the "Code of Ethics," dated April 19, 1990 and written by William J. Durbin, Department of the Treasury, Office of Thrift Supervision, Seattle, Washington. The Association's Ethics Policy shall, at a minimum:

(1) provide that each Director, Officer or other Affiliated Person of the Association shall avoid placing himself in a position which creates, which leads to or could lead to, a conflict of interest having any adverse effects;

(2) require compliance with the provisions of (a) Section 563.34 of the OTS Regulations, 12 C.F.R. §563.34 (regarding deposit relationships); (b) Section 563.40 of the OTS Regulations, 12 C.F.R. §563.40 (regarding restrictions on loan procurement fees, kickbacks and unearned fees); (c) Section 563.41 of the OTS Regulations, 12 C.F.R. §563.41 (regarding restrictions on real property transactions); (d) Section 563.44 of the OTS Regulations, 12 C.F.R. §563.44 (regarding loans

involving mortgage insurance); (e) the OTS policy statement on conflicts of interest, 12 C.F.R. §571.7; (f) subsections 23A, 23B, 22(h) and 22(g) of the Federal Reserve Act, 12 U.S.C. §§ 371c, 371c-1, 375b and 375a as applied to savings associations by Section 11 of the HOLA, as such sections are amended by Section 306 of the FDICIA and any regulations promulgated thereunder; and (g) criminal statutes applicable to financial institutions pursuant to Title 18 of the United States Code;

(3) provide for an annual statement from all Officers of the level of Vice President and higher and all Directors certifying their compliance with the Conflicts Policy;

(4) provide that any Director who may have any interest whatsoever in any transaction or matter which comes before the Board for discussion and analysis, immediately disclose such interest to the Board and refrain from any discussion of or vote on such matter and any such disclosure shall be recorded in the Board minutes;

(5) provide that the Association conform to its written policies with respect to payment of service fees for overdrafts on customer accounts in connection with overdrafts by Affiliated Persons, provided, in addition, that such overdrafts fully comply with Regulation O.

4.2 Loans to Affiliated Persons and Potential Conflicts of Interest.

A. As of November 14, 1991, the Association shall not, without the prior written notice of non-objection of the Regional Director, Make or Modify any loans to (i) any Affiliated Person or (ii) any independent contractor who performs services for the Association, including but not limited to appraisers, attorneys and accountants.

B. In the event that the Association proposes to Make or Change any of the types of loans specified in Section 4.2(a), the Association must provide documentation showing that: (i) such transaction is on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the Association as those prevailing at the time for comparable transactions with or involving persons other than those specified in Section 4.2(A); and (ii) such transaction is on an arms-length standard.

C. The requirements specified in this Section 4.2 are in addition to and in no way are a substitute for any applicable laws and regulations, including without limitation Section 22(h) of the FRA, the Federal Reserve Board's Regulation O and Section 563.43 of the OTS Regulations.

4.3 Remedial Action.

A. If and to the extent that the Board has not already done so prior to the Effective Date, the Board shall immediately initiate efforts to:

- (1) cause Mr. Sylvester Legutko to reimburse the Association in the amount of: (i) two (2) points of the origination fee on the mortgage loan granted to him on April 5, 1991 for \$135,000 plus (ii) all application fees, credit report fees and appraisal fees normally charged to customers of the Association in connection with the making of such loan;
- (2) cause Mr. Legutko to reimburse the Association in the amount of the difference between the interest rate on the loan granted to him on January 26, 1990 for \$2,000 and the market rate of interest normally charged to customers of the Association for this type of loan;
- (3) cause Mr. Legutko to reimburse the Association in the amount of the difference between the interest rate on the loan granted to him on December 27, 1989 for \$10,000 and the market rate of interest normally charged to customers of the Association for this type of loan;
- (4) cause Mr. Legutko to reimburse the Association for all service charges on all overdrafts for which the Association had waived the service charges; and
- (5) cause Ms. Jackie Lynn Roberts to reimburse the Association in the amount of one (1) point of the origination fee on the mortgage loan granted to Ms. Roberts, on January 26, 1990 for \$67,500.

B. The Association shall submit to the OTS within thirty (30) days of the Effective Date, written evidence of the actions it has taken or proposes to take in order to comply with the provisions of this Section 4.3.

SECTION 5 -- POLICIES AND PROCEDURES

5.1 Business Plan.

A. Submission of Business Plan. Within sixty (60) days of the Effective Date, the Association shall adopt a revised business plan which has been approved by the Board. Such approval shall be documented in the Board minutes.

B. Contents. The business plan shall identify the major areas in and means by which the Board will seek to improve the Association's operating performance. At a minimum, the business plan shall address/incorporate the following areas: (i) the Association's objectives, operating strategy and business philosophy (including time frames in which management is expected to accomplish the stated objectives and provisions for monitoring progress); (ii) the Association's present financial condition and risk profile (i.e. capital, earnings, credit risk, interest rate risk and liquidity risk; (iii) budget and budget review procedures that compare actual results with prior projections; (iv) credit exposure; (v) regulatory capital position; (vi) profit composition; (vii) market penetration; and (viii) deposit solitication strategies.

C. Review by Board. The business plan and its implementation by management shall be reviewed by the Board at least once during every calendar quarter and such review shall be documented in the Board minutes. The Board shall in addition to such quarterly reviews, review the business plan annually to determine if revisions are required and shall revise the business plan accordingly.

5.2 Appraisals.

A. The Association shall immediately cease using the appraisal services of George E. Allen, Allen Appraisal Associates, Inc., and any other entity owned or operated by Mr. Allen, including any employee of Mr. Allen or of his firm and any other entity owned or operated by Mr. Allen. The Association shall not resume using the services of Mr. Allen or any of the entities specified in the immediately preceding sentence without obtaining the prior written notice of non-objection of the Regional Director.

B. Within thirty (30) days of the Effective Date, the Board shall review, revise and implement, as necessary, an effective policy regarding its appraisal program consistent with 12 C.F.R. §§563.170, 563.172(a) and 564.1 et seq. The Association shall consider, as a reference in establishing its appraisal policy, the "Appraisal Policy and Procedures Guide," dated November 1990 and written by Gregg A. Hoefer, MAI, Department of the Treasury, Office of Thrift Supervision,

Seattle, Washington.

C. The policy specified in Section 5.1(B) shall include a provision to prevent any conflict-of-interest, whether actual, potential or perceived, with respect to appraisers and the property that they are appraising. Such provision shall prohibit any appraisal being performed or reviewed by: (i) any appraiser who has any interest whatsoever in the property being appraised; or (ii) any appraiser who either employs, is employed by, is related to or is personally acquainted with the owner of the property being appraised.

5.3 Interest Rate Risk Management.

A. Policy and Procedures. If, and to the extent that it has not already done so, within thirty (30) days of the Effective Date, the Board shall develop, adopt and implement an interest rate risk management policy and procedures which are consistent with OTS Regulations 12 C.F.R. §§563.17 and 571.3 and OTS Thrift Bulletins Nos. 13, 13-1 and 13-2. The policy shall at a minimum provide for: (i) the accurate measuring and monitoring of interest rate risk; (ii) the assessment of the impact of varying interest rate scenarios on the market value of portfolio equity and net interest income; (iii) goals, strategies and timetables for reducing the Association's interest rate risk exposure; (iv) targetted gap ratios and procedures for monitoring the Association's progress towards achieving these ratios; and (v) a prudent limit on the amount of acceptable maximum change in the market value of portfolio equity and in net interest income as a result of possible changes in market interest rates.

B. Review by the Board. Management shall prepare a report on a quarterly basis comparing actual interest rate risk exposure to the limits approved by the Board pursuant to Section 5.3(A) and the degree of compliance of the Association with the policy. Such report shall be reviewed by the Board and the Board's review shall be documented in the Board minutes.

5.4 Investment Policy.

If, and to the extent that it has not already done so, within thirty (30) days of the Effective Date, the Board shall develop, adopt and implement an investment policy consistent with Section 571.19 of the OTS Regulations, 12 C.F.R. §571.19. The policy shall at a minimum, include the following items: (i) a statement of the investment objectives of the Association; (ii) the Association's investment strategy; (iii) the types and levels of allowable investments; (iv) a listing of authorized brokers; (v) specific procedures for the purchases and sales of securities; (vi) the names of officers responsible for each procedure and their investment amount limitations; (vii) the name of Board approved advisors; (viii) to the extent that the Association shall continue to engage in secondary market

activities, ensure that reporting is done in accordance with generally accepted accounting principles; and (ix) a program for monitoring investments.

5.5 Lending Policy.

A. Standards. If, and to the extent that it has not already done so, within thirty (30) days of the Effective Date, the Board shall revise its written loan policy to include, at a minimum: (i) the individual lending authority of each loan officer; (ii) the lending authority of a loan or executive committee, if any; (iii) the responsibility of the Board in reviewing, ratifying and approving loans, extensions or modifications; (iv) the maintenance and review of complete and current credit files on each borrower and property, including without limitation all the loan documentation required by Sections 563.170 and 563.171 of the OTS Regulations, 12 C.F.R. §§563.170 and 563.171; (v) interest rate, terms and collateral for each type of loan; (vi) procedures for designating non-accrual loans; (vii) procedures for identifying, supervising and collecting problem loans; (viii) maximum amounts and maximum maturities for each loan type; (ix) loan pricing; (x) limitations on aggregate outstanding balances; (xi) concentrations of credit risk; (xii) loan to value ratios for each type of loan; (xiii) circumstances in which exceptions to the underwriting policy will be made and the authority to approve such exceptions; and (xiv) a statement of the Association's position with respect to violations of loan policy.

B. Loan Documentation. The documentation referred to in Section 5.5(A) shall include at a minimum: (i) complete credit information for the borrower which shall be periodically updated to determine debt serviceability; (ii) financial statements of the borrowers; (iii) evidence of satisfaction of minimum debt to income ratios for borrowers; (iv) independent verification of income and a well defined primary source of repayment; (v) verification that all loan documentation and information has been properly reviewed and analyzed; (vi) verification of the purpose of the loan; and (vii) evidence of a definite repayment program agreed to by the Association and the borrower.

5.6 Approval by the Board.

The Board shall indicate that it has reviewed and approved all of the policies and procedures listed in this Section 5 and such review and approval shall be recorded in the Board minutes. Thereafter, such policies and procedures shall be reviewed by the Board on an annual basis, at a minimum.

SECTION 6 -- BOARD REVIEW OF COMPLIANCE WITH THIS AGREEMENT

6.1 Prompt Action. The Board shall take action, as promptly as reasonably possible, to cause the Association to fully comply

with this Agreement.

- 6.2 Compliance Resolution. Each month, the Board shall adopt a formal resolution (the "Compliance Resolution") resolving that, following a diligent inquiry of relevant information, to the best of its knowledge and belief, during the immediately preceding calendar month, 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 was found not to exist; and (ii) identify all notices of exemption or other exceptions issued by the Regional Director that were outstanding as of the date of the Compliance Resolution. In connection herewith, the Board may reasonably rely on information and reports supplied by management and by advisors to the Board and/or management.
- 6.3 Board Minutes. 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; (ii) the identity of each director voting in opposition to its adoption; and (iii) the identity of each director abstaining from voting thereon.
- 6.4 Submission of Compliance Resolution. No later than the 10th Business Day of each month, the Association shall provide to the Regional Director a certified true copy of each such Compliance Resolution adopted at the Board meeting of the immediately preceding month. 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, to their best knowledge and belief, to the accuracy of the statements set forth in each Compliance Resolution, 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 meeting of the Board.
- 6.5 Shareholders' Meetings.

The Board shall develop, approve, and implement a policy that: (i) ensures that an annual meeting of the shareholders of the Association for the election of directors and for the transaction of any other business of the Association shall be held within one hundred and twenty (120) days after the end of the Association's fiscal year; and (ii) otherwise conforms to the requirements of Section 552.6 of the OTS Regulations, 12 C.F.R. §552.6.

SECTION 7 -- DEFINITIONS AND MISCELLANEOUS PROVISIONS

- 7.1 Definitions. For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires: (a) the terms defined in this Agreement have the

meanings assigned to them in this Section 7.1 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 FDICIA, FIRREA, 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.

"Advisory Memoranda" refers to inter alia, R Memoranda and T Memoranda issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Affiliated Person" shall mean (i) "affiliated person" as that term is defined in Section 561.5 of the OTS Regulations, except that the term "immediate family", as defined in Section 561.24 of the OTS Regulations and as used in Section 561.5 of the OTS Regulations, shall include all members of such immediate family regardless of whether they live in the same home as such person; (ii) to the extent not already included in clause (i) of this definition, "principal shareholder" as that term is defined in subsection 215.2(j) of Regulation O; and (iii) to the extent not already included in clause (i) of this definition, "related interest" as that term is defined in subsection 215.2(k) of Regulation O.

"Board Resolution" means a resolution duly adopted by a disinterested majority of the Board present at a duly called and held meeting of the Board at which a quorum was present.

"Bulletins" refers to, inter alia, Regulatory Bulletins, Thrift Bulletins, and PA Bulletins, issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Business Day" means any weekday excluding Federal holidays.

"Consumer Loans" shall have the meaning set forth in Section 545.50 of the OTS Regulations, 12 C.F.R. §545.50.

"Director" shall have the meaning set forth in Section 561.18 of the OTS Regulations, 12 C.F.R. §561.18.

"FDIA" means the Federal Deposit Insurance Act, as amended, 12 U.S.C. §1811 et seq.

"FDIC" means the Federal Deposit Insurance Corporation.

"FDICIA" means the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102-242, 105 Stat. 2236.

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

"Make" means (i) in the context of making a loan, to enter into a binding obligation (whether or not memorialized in writing) to provide loan funds; and (ii) the obtaining of a lender's interest in a pre-existing debt whether through a purchase, swap, or otherwise.

"Modify" means to modify, extend or otherwise restructure a loan.

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

"Permissible Lending Area" shall mean (i) the state of Delaware, (ii) Chester County and Delaware County in the state of Pennsylvania, (iii) Salem County in the state of New Jersey, and (iv) Cecil County in the state of Maryland.

"Qualifying Mortgage Loan" shall have the meaning set forth in Section 567.1(u) of the OTS Regulations, 12 C.F.R. §567.1(u).

"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).

"Report of Examination" means the Report of Examination of the Association, conducted by OTS, beginning September 23, 1991 and concluding December 4, 1991, and any subsequent report of examination conducted by the OTS of the Association.

"Residential Construction Loan" means any loan(s), the proceeds of which are used to acquire, construct, improve and/or rehabilitate 1-4 family residential real estate, which shall be occupied by the owner of such real estate.

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

"Service Corporation" shall have the meaning set forth in Section 561.45 of the OTS Regulations, 12 C.F.R. §561.45.

"Subsidiary" or "Subsidiaries" shall have the meaning set forth in Section 567.1(dd) of the OTS Regulations, 12 C.F.R. §567.1(dd) and subsidiaries of such entities.

"Teaser Rate" means a rate of interest on a loan in which the interest rate charged for the initial period of the loan is below the fully-indexed interest rate (which fully-indexed interest rate is based upon an index plus a margin), and in which this discounted introductory interest rate rather than the fully-indexed interest rate is also used by the Association to determine the adequacy of debt service coverage.

"Total Assets" shall have the meaning set forth in Section 567.1(ff) of the OTS Regulations.

B. The words "herein", "hereof", and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Part, Section, or other subdivision, unless the context otherwise requires.

7.2 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 hereof and references to successor provisions as they become applicable.

7.3 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 or airmail 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, New Jersey 07302, or telecopied to (201) 413-7543 and confirmed by mail, first class or airmail 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 or airmail postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the

Association at White Eagle Federal Savings Bank, 600 South Harrison Street, Wilmington, Delaware 19805 or telecopied to (302) 654-3276 and confirmed by mail, first class or airmail postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notices 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.

7.3 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 (or his designee), in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

7.4 Effect of Headings.

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

7.5 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.

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

A. 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.

B. To the extent that any provision of FDICIA or any regulation(s) promulgated thereunder relating to undercapitalized depository institutions imposes more restrictive requirements than any provision contained in this

Agreement (either expressly or through OTS interpretive Bulletins or policy statements), such provision(s) of the FDICIA or such regulation(s) shall be controlling.

7.7 Effect on MOU and Supervisory Directive Dated November 14, 1991.

In the event of any conflict between this Agreement and any other prior written agreements and understandings (including, but not limited to, the MOU and the Supervisory Directive dated November 14, 1991 from the OTS to the Association), the terms and conditions of this Agreement shall be controlling unless the Regional Director in his sole discretion determines otherwise.

7.8 References in the Agreement.

All references in this Agreement to the Association, Subsidiaries and Service Corporations shall apply equally to any and all of the Association's Subsidiaries and Service Corporations, or any other entity acting on behalf of the Association. Furthermore, the Association, its Subsidiaries and Service Corporations shall not authorize any entity acting on its behalf to engage in any activity for the purpose, or with the effect, of evading laws or regulations applicable to them or conditions to which each is subject, including but not limited to those in this Agreement.

7.9. 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 hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

7.10. Signature of Directors.

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

7.11. Enforceability of Agreement.

The Association represents and warrants 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. 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

WHITE EAGLE FEDERAL SAVINGS BANK

By: /

By: _____

15/

Name: Robert C. Albanese
Title: Regional Deputy Director

15/

Name:
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

15/

Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of White Eagle Federal Savings Bank, FSB ("the Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on Sept 23, 1992;
2. At said meeting a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that it has the intent and ability to: (1) comply with all applicable laws and regulations; (2) engage in safe and sound practices; and (3) maintain the Association in a safe and sound condition, consistent with its fiduciary duties; and

WHEREAS, the directors of the Association have read and considered the proposed Supervisory Agreement (the "Agreement"), which has been attached to the minutes of the meeting of the Board of Directors held on September 23, 1992; and

WHEREAS, after due consideration, the Directors of the Association have determined to enter into the Agreement in the interest of regulatory compliance and cooperation;

NOW, THEREFORE BE IT RESOLVED, that the attached Agreement, the provisions of which are incorporated herein by reference, be and are hereby approved by the Board of Directors of the Association,

FURTHER RESOLVED, that the officers and employees of the Association are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement and to comply with such Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except _____) and all members of the Board of Directors (except _____) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 23rd day of September, 1992.

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Name: RAYMOND S. BABIARZ, JR.
Title: President

(SEAL)