

agents, and other "institution-affiliated parties," as that term is defined in Section 3(u) of the Federal Deposit Insurance Act, 12 U.S.C. § 1813(u), and its successors and assigns, shall take the following affirmative action:

1. Management.

(a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with their duties and responsibilities at the Bank. At a minimum, such management shall include: a chief executive officer with proven ability in managing a bank of comparable size and complexity; a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and a chief financial officer with 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.

(b) 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, including capital adequacy, management effectiveness, earnings, liquidity, and sensitivity to interest rate risk.

(c) Within 30 days from the effective date of this Order, the Bank shall retain a bank consultant who is acceptable to the Bureau and who will develop a written analysis and

assessment of the Bank's management needs ("Management Report") for the purpose of providing qualified management for the Bank. The Bank shall provide the Bureau with a copy of the proposed engagement letter or contract with the third party for non-objection or comment before it is executed.

- (d) The contract or engagement letter shall include, at a minimum:
 - (i) a description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;
 - (ii) the responsibilities of the firm or individual;
 - (iii) identification of the professional standards covering the work to be performed;
 - (iv) identification of the specific procedures to be used when carrying out the work to be performed;
 - (v) the qualifications of the employee(s) who are to perform the work;
 - (vi) the time frame for completion of the work;
 - (vii) any restrictions on the use of the reported findings;
 - (viii) a provision for unrestricted examiner access to work papers; and
 - (ix) a certification that the firm or individual is not affiliated in any manner with the Bank.

(e) The Management Report shall be developed within 90 days from the effective date of this Order and shall include, at a minimum:

- (i) identification of both the type and number of executive/senior officer positions needed to properly manage and supervise the affairs of the Bank;

- (ii) identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
 - (iii) evaluation of all Bank officers, senior vice president and above, to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;
 - (iv) evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits; and
 - (v) a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified in the Management Report.
- (f) Within 30 days from receipt of the Management Report, the Bank shall formulate a written plan ("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.
- (g) At a minimum, the Management Plan shall:
- (i) contain a recitation of the recommendations included in the Management Report, a plan of action to respond to each recommendation, and a time frame for completing each action;
 - (ii) include provisions to implement necessary training and development for all employees; and

(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 current management succession plan.

(h) The Management Plan shall be submitted to the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau, and after incorporation and adoption of all comments, the Board shall approve the Management Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Management Plan.

2. Board Participation.

(a) 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 all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size.

(b) 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, renewal, insider, charged off, and recovered loans; investment activity; liquidity levels and funds management; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including managements' responses; reconciliation of general ledger accounts; and compliance with this Order. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(c) The Bank shall notify the Bureau in writing of any resignations or terminations of any members of its Board or any of its "senior executive officers" (as that term is defined in section 303.101(b) of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101(b)), within 10 days of the event. 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). The Bank shall also establish procedures to ensure compliance with section 32 of the FDIA, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. Part 303.

3. Capital.

(a) Within 90 days from the effective date of this Order, the Board shall develop a written capital plan ("Capital Plan"), subject to review and approval of the Regional Director and the Department, that details the manner in which the Bank will meet and maintain a leverage ratio of at least 8%, a total Tier 1 risk-based Capital at least equal to 10% of total risk-weighted assets, and a total risk-based capital ratio of at least 12% (as defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325). At a minimum, the Capital Plan shall include specific benchmark leverage and total risk-based capital ratios to be met at each calendar quarter end until the required capital levels are achieved. The Bank shall comply with the FDIC's *Statement of Policy on Risk-Based Capital* found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(b) In the event any capital ratio is or falls below the minimum required by the approved Capital Plan, the Bank shall immediately notify the Bureau and

(i) within 45 days shall increase the capital in an amount sufficient to comply with the ratios set forth in the approved Capital Plan; or

(ii) within 45 days submit to the Bureau a contingency plan for the sale, merger, or liquidation of the Bank in the event the primary sources of capital are not available.

(c) The Capital Plan required by this provision shall be submitted to the Bureau for non-objection. Within 30 days of receipt of any objections from the Bureau and after incorporation and adoption of all objections or comments, the Board shall approve the Capital Plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Capital Plan.

(d) The Board shall review the Bank's adherence to the Capital Plan, at minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Bureau as part of the progress reports required by this Order, and any material changes to the Capital Plan no later than 10 days after completion.

4. Allowance for Loan and Lease Losses.

(a) Within 30 days from the effective date of this Order, the Bank shall revise and submit for review as described in subparagraph (d), its policy and methodology for determining the ALLL ("ALLL Policy"). The ALLL Policy shall provide for a review of the ALLL by the Board at least once each calendar quarter. The review should be completed no later than 15 days subsequent to the end of each calendar quarter so that the results of the review conducted by the Board may be properly reported in the quarterly Consolidated Reports of Condition and Income. Such reviews shall, at a minimum, be made in accordance with:

(i) Financial Accounting Standards Board ("FASB") ASC 310-40 and FASB ASC 310-10-35-2 through 30;

- (ii) the Federal Financial Institutions Examination Council's ("FFIEC's") Instructions for the Consolidated Reports of Condition and Income ("Call Report");
 - (iii) the *Interagency Statement of Policy on the Allowance for Loan and Lease Losses* (FIL-105-206, issued December 13, 2006);
 - (iv) other applicable regulatory guidance that addresses the appropriateness of the Bank's ALLL; and
 - (v) any analysis of the Bank's ALLL provided by the FDIC and the Bureau.
- (b) Such reviews shall include, at a minimum:
- (i) the Bank's loan loss experience;
 - (ii) an estimate of the potential loss exposure in the portfolio; and
 - (iii) trends of delinquent and nonaccrual loans and prevailing and prospective economic conditions.
- (c) The minutes of the Board meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended adjustment in the ALLL. The Board shall document in the minutes the basis for any determination not to require provisions for loan losses in accordance with subparagraphs (a) and (b).
- (d) The ALLL Policy shall be submitted to the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau, and after incorporation and adoption of all comments, the Board shall approve the ALLL Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the ALLL Policy.

(e) A deficiency in the ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 Capital determinations required by this Order and prior to the Bank's submission of its Call Report. The Bank shall thereafter maintain an appropriate ALLL.

(f) The analysis supporting the determination of the adequacy of the ALLL shall be submitted to the Bureau. These submissions shall be made at such times as the Bank files the progress reports required by this Order or sooner upon the written request of the Bureau. In the event that the Bureau determines that the Bank's ALLL is inadequate, the Bank shall increase its ALLL and amend its Call Reports accordingly.

5. Interest Rate Risk.

(a) Within 60 days from the effective date of this Order, the Bank shall develop and submit for review as described in subparagraph (c), an interest rate risk policy and procedures ("IRR Policy") that shall include, at a minimum:

- (i) measures designed to control the nature and amount of interest rate risk the Bank takes including those that specify risk limits and defines lines of responsibilities and authority for managing risk;
- (ii) a system for monitoring and reporting risk exposures; and
- (iii) a system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

(b) The IRR Policy shall address the exceptions noted in the current Report of Examination, comply with the FFIEC's *Advisory on Interest Rate Risk Management* (FIL-2-2010, issued January 20, 2010), the FFIEC's *Supervisory Policy Statement on Investment*

Securities and End-User Derivative Activities (FIL-45-98, issued April 28, 1998), and the *Joint Agency Policy Statement on Interest Rate Risk* (FIL-52-96, issued July 12, 1996).

(c) The IRR Policy shall be submitted to the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau, and after incorporation and adoption of all comments, the Board shall approve the IRR Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the IRR Policy.

6. Mortgage Operations.

(a) The Bank shall not grow or expand the Mortgage Banking Division until all deficiencies and exceptions noted in the current Report of Examination have been addressed, including deficiencies noted at the risk management, information technology, and compliance examinations. Management shall address the deficiencies cited in the February 28, 2013 risk assessment and the mortgage banking review dated September 19, 2013 conducted by the Bank's independent third party consultant. Restrictions on growth shall mean:

- (i) no net additions to the number of originators currently employed;
- (ii) no greater than a 5% increase in the volume of mortgage originations per month; and
- (iii) no material changes to the mortgage banking operations without prior non-objection from the Bureau.

(b) Within 45 days from the effective date of this Order, the Bank shall submit for review its internal routine and controls policy for the Mortgage Banking Division to provide adequate internal routines and controls consistent with safe and sound banking practices ("Mortgage Banking IRC Policy").

(c) The Mortgage Banking IRC Policy shall be submitted to the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau, and after incorporation and adoption of all comments, the Board shall approve the Mortgage Banking IRC Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Mortgage Banking IRC Policy.

7. Profit and Budget Plan.

(a) Within 90 days from the effective date of this Order, and within the first 30 days of each calendar year thereafter, the Bank shall formulate and submit for review as described in subparagraph (c), a written profit and budget plan ("Profit Plan") consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order.

(b) The Profit Plan shall include, at a minimum:

- (i) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;
- (ii) specific goals to maintain appropriate provisions to the ALLL;
- (iii) realistic and comprehensive budgets for all categories of income and expense;
- (iv) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly; and
- (v) a requirement to record the results of the budget review and any actions taken by the Bank as a result of the budget review in the Board minutes.

(c) The Profit Plan shall be submitted to the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau, and after incorporation and adoption of all comments, the Board shall approve the Profit Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Profit Plan.

(d) Within 30 days following the end of each calendar quarter following completion of the Profit Plan required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the Profit Plan, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board's meeting at which such evaluation is undertaken.

8: Strategic Plan.

(a) Within 90 days from the effective date of this Order, the Bank shall develop and submit for review as required by subparagraph (c), a written strategic plan ("Strategic Plan") supported by an operating budget and consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order. The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The Strategic Plan shall include, at a minimum:

- (i) identification of the major areas in and means by which the Bank will seek to improve operating performance;
- (ii) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses,

(iii) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(iv) coordination of the Bank's loan, investment, funds management, and operating policies, profit and budget plan, and ALLL methodology with the Strategic Plan.

(c) The Strategic Plan shall be submitted to the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau, and after incorporation and adoption of all comments, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Strategic Plan.

(d) The Strategic Plan required by this Order shall be revised 30 days prior to the end of each calendar year, and approved by the Board, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and adhere to the revised Strategic Plan.

9. Bank Secrecy Act. The Bank shall ensure that all required filings and/or reports, including Suspicious Activity Reports, and any other similar or related filings and/or reports required by law or regulation are completed accurately and properly filed within required timeframes.

10. Information Technology.

(a) Within 90 days from the effective date of this Order, the Bank shall prepare and present for the Board's approval a strategic plan for Information Technology ("IT") that is consistent with the Bank's overall strategic plan and provides for guidance of decision-making in the IT area.

(b) Within 90 days from the effective date of this Order, the Bank shall develop and implement an effective corporate information security policy to meet all of the requirements detailed in Part 364, Appendix B, of the FDIC's Rules and Regulations.

(c) Within 90 days from the effective date of this Order, the Bank shall report the results of the test of the Disaster Recovery/Business Continuity Plan to the Board or designated committee.

(d) Within 90 days from the effective date of this Order, the Board shall review, revise as necessary, and approve the Disaster Recovery/Business Continuity Plan annually, and upon completion of core processing outsourcing.

(e) Within 90 days from the effective date of this Order, the Bank shall prepare an electronic banking risk assessment and shall implement appropriate enhanced authentication and layer security controls as necessary. The risk assessment should be updated annually or as new transaction capabilities/methodologies are implemented. The Board shall approve the risk assessment, which approval shall be recorded in minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the risk assessment.

11. Audit Program. Within 90 days from the effective date of this Order, the Bank shall develop internal and external audit programs ("Audit Programs") that establish procedures to protect the integrity of the Bank's operational and accounting systems. At a minimum the Audit Programs shall:

- (i) comply with the *Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations* and the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing*;

- (ii) provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records; and
- (iii) provide for monthly reports of audit findings from the auditors directly to the Board.

The minutes of the Board shall reflect consideration of these reports and describe any discussion or action taken as a result of these reports.

12. Dividend Restriction. The Bank shall not declare or pay any dividend without the prior written consent of the Bureau.

13. Progress Reports. Within 30 days from the end of each calendar quarter following the effective date of this Order, the Bank shall furnish to the Bureau written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this Order. All progress reports and other written responses to this Order shall be reviewed by the Board and made a part of the Board minutes.

14. Compliance Committee.

(a) Within 30 days from the effective date of this Order, the Board shall establish a compliance committee ("Compliance Committee"), a majority of which members who are not now, and have never been, involved in the daily operations of the Bank, with the responsibility of ensuring compliance with the provisions of this Order.

(b) The Compliance Committee shall monitor compliance with this Order and submit a written report monthly to the entire Board, and a copy of the report and any discussion related to the report or this Order shall be part of the minutes of the Board meeting. Copies of the monthly report shall be submitted to the Bureau as part of the progress reports required by this

Order. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this Order.

15. Loan Production Offices: The Bank shall provide to the Department at least 30 days written notice of the intent to open or relocate a loan production office as set forth in 10 Pa. Code § 13.65 and prior notice of the closing of any loan production office. The Bank shall not open or relocate any loan production office without the Department's approval. The notice shall contain the following information as applicable:

(a) Relocations:

- (i) The exact address and telephone number of the office being relocated and the exact address and telephone number (if available) of the office's proposed new location;
- (ii) The name of the Bank's officer responsible for the activities of the office;
- (iii) A complete description of the activities to be performed at the office's new location;
- (iv) If the Bank is relocating an office in another state, a legal opinion providing that the establishment and maintenance of the proposed office does not violate, and is not otherwise contrary to, the laws of the other relevant state, including reference to the applicable statutory or regulatory authority, or both, of the other state and a statement providing that the Bank has obtained the regulatory approvals from other such states required to establish and maintain the proposed office;
- (v) A cost analysis for the relocated office which should include the number total costs (itemized) and lease expenses;

- (vi) Historic revenue for the closing location and pro forma revenue estimates for the new location;
- (vii) A full analysis of the projected cost savings and revenue enhancements created by the relocation;
- (viii) Pro forma financial projections for the new location for the overall mortgage banking division of the Bank for the next three years; and
- (ix) An analysis of the overall mortgage banking division of the Bank and how the above relocation works toward achieving the Bank's strategic objectives, including a current list of all of the Bank's loan production offices.

(b) New Offices:

- (i) The exact address and telephone number (if available) of the office to be established;
- (ii) The name of the Bank's officer responsible for the activities of the office;
- (iii) A complete description of the activities to be performed at the proposed office;
- (iv) If the Bank is seeking to establish an office in another state, a legal opinion providing that the establishment and maintenance of the proposed office does not violate, and is not otherwise contrary to, the laws of the other relevant state, including reference to the applicable statutory or regulatory authority, or both, of the other state and a statement providing that the Bank has obtained the regulatory approvals from such other states required to establish and maintain the proposed office;

- (v) A cost analysis for the new office which should include the number of employees, total costs (itemized) and lease expenses;
- (vi) Projected revenue for the new location;
- (vii) Pro forma financial projections for the new location for the overall mortgage banking division of the Bank for the next three years; and
- (viii) An analysis of the overall mortgage banking division of the Bank and how the new office works toward achieving the Bank's strategic objectives.

16. Corrective Action. The Bank shall take all steps necessary, consistent with the provisions of this Order and safe and sound banking practices, to eliminate or correct and prevent unsafe or unsound banking practices, violations of law or regulation, and all contraventions of regulatory policies or guidelines cited in this Order and Report of Examination.

17. Section 403 Reports to the Bureau. All reports that the Bank must submit to the Bureau per this Order are special reports as set forth in Section 403 of the Department of Banking and Securities Code, 71 P.S. § 733-403.B.

18. Publication. The Department will publish this Order pursuant to its authority in Section 302.A.(5) of the Department of Banking and Securities Code, 71 P.S. §733-302.A(5).

19. Other Actions.

(a) If at any time the Department shall deem it appropriate in fulfilling the responsibilities placed upon the Department under applicable law to undertake any further action affecting the Bank or any of the Bank's current or former institution-affiliated parties, nothing in this Order shall in any way inhibit, estop, bar or otherwise the Department from doing so.

(b) Nothing herein shall preclude any proceedings brought by the Department to enforce the terms of this Order and nothing herein constitutes a waiver of any right, power or

authority of any other representatives of the United States, departments or agencies thereof, Department of Justice, or any other representatives of the Commonwealth of Pennsylvania or any other departments or agencies thereof, including any prosecutorial agency, to bring other actions deemed appropriate.

20. Communications. All communications regarding this Order shall be sent to:

Robert C. Lopez, Director
Bureau of Commercial Institutions
Commonwealth of Pennsylvania
Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, PA 17101

21. Binding Nature. The provisions of this Order including the recital paragraphs shall be binding upon the Bank, its institution-affiliated parties, and their successors and assigns.

22. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

23. Effective Date. The effective date of this Order shall be the date upon which this Order has been executed by the Bureau. Each provision of this Order shall remain effective and enforceable, jointly and severally, until stayed, modified, terminated or suspended by the Bureau.

SO ORDERED.

Dated: December 9, 2013

By:
Robert C. Lopez, Director
Bureau of Commercial Institutions
Commonwealth of Pennsylvania
Department of Banking and Securities
17 North Second Street
Harrisburg, PA 17101