

SUPERVISORY AGREEMENT

OTS Docket No: 07178

This Supervisory Agreement ("Agreement") is made, as of this 28th day of January 2005 (the "Effective Date"), by and between **DWELLING HOUSE SAVINGS & LOAN ASSOCIATION**, (the "Savings Association"), a federally regulated, state-chartered mutual savings and loan association headquartered in Pittsburgh, Pennsylvania, and the **OFFICE OF THRIFT SUPERVISION** ("OTS"), an office within the United States Department of the Treasury, acting through its Northeast Regional Director or his duly authorized designee ("Regional Director").

WHEREAS, the OTS is the primary federal regulator of the Savings Association pursuant to the Home Owners' Loan Act and is authorized to exercise the powers set out in Section 8 of the Federal Deposit Insurance Act; and

WHEREAS, based on the findings set out in the Report of Examination for the regulatory examination of the Savings Association that was started on July 19, 2004 (the "Report of Examination"), the OTS is of the opinion that the Savings Association has certain deficiencies and that it has violated federal laws or regulations to which it is subject; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Savings Association; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Savings Association will operate in a safe and sound manner and comply with all applicable laws and regulations; and

WHEREAS, the Savings Association, acting through its Board of Directors ("Board"), and without admitting or denying any violations of laws or regulations, has determined to cooperate with the OTS and to evidence the intent to comply with all applicable laws and regulations and to operate in a safe and sound manner.

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

PART I

1.01. Compliance with Federal Laws and Regulations.

The Savings Association shall comply with the following federal laws and regulations:

- i. The Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the "Bank Secrecy Act" or "BSA"), 31 U.S.C. §§ 5311 *et seq.*, and the regulations issued thereunder by the U. S. Department of the Treasury, 31 C.F.R. §§ 103.11 *et seq.*, and the related BSA regulations issued by the OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the "BSA Laws and Regulations"), including but not limited to 31 C.F.R. §§ 103.22 and 103.29 and 12 C.F.R. §§ 563.177 and 563.180(d); and
- ii. The OTS regulations concerning Consumer Protection in Sales of Insurance, 12 C.F.R. Part 536

1.02. Effective Anti-Money Laundering/BSA Compliance Program Required.

(a) Within the 60-day period following the Effective Date of this Agreement, the Savings Association shall utilize the services of an independent and qualified external BSA consultant (the "BSA Consultant"), who must be acceptable to the OTS, for the following purposes:

- (i) To evaluate the Savings Association's BSA Compliance Program and prepare a written report thereon for the Savings Association's Board, within 75 days of the Effective Date of this Agreement (the "Report Deadline Date");
- (ii) To assist the Savings Association in amending its BSA Program so that such program is effective and causes the Savings Association to fulfill its responsibilities under the BSA Laws Regulations and this Agreement, and
- (iii) To assist the Savings Association in developing the Savings Association's plan (including written policies and procedures) designed to ensure compliance with the OFAC regulations, as required by Paragraph 1.03 of this Agreement.

(b) Following consideration of the study, report and recommendations of the BSA Consultant, and within 90 days of the Effective Date of this Agreement (or such later date as may be permitted by the OTS), the Savings Association shall adopt, and commence implementation and monitoring of amendments to its BSA Compliance Program so that such amended program will effectively ensure the Savings Association's compliance with the requirements of the BSA Laws and Regulations and the terms of this Agreement. The amendments to the BSA Compliance Program (including the various programs, plans and policies required by Paragraph 1.03 Agreement) must be approved by the Savings Association's Board of Directors and be reflected in the minutes of the meeting at which such approval occurs.

(c) To be acceptable, the enhanced BSA Compliance Program, at a minimum, shall:

- (i) Provide for a system of *internal controls* to ensure compliance with the BSA Laws and Regulations, including policies and procedures to detect and monitor all transactions to ensure that there is full compliance with all applicable laws and regulations;
- (ii) Provide for *independent testing*, no less than annually, of compliance with all applicable BSA Laws and Regulations and all applicable regulations requiring the reporting of suspicious transactions, and ensure that compliance audits are performed frequently, are fully documented, and are conducted with the appropriate segregation of duties (with consideration given to the limited number of staff at the Savings Association, which is a small institution);
- (iii) Ensure that the Savings Association has a qualified designated BSA Officer who shall be responsible for actively *managing, coordinating and monitoring* the Savings Association's day-to-day compliance with the BSA Laws and Regulations and the Savings Association's BSA Compliance Program. The Savings Association's designated BSA officer shall have day-to-day responsibility for all BSA compliance and related matters, including, without limitation: (A) the filing of Currency Transaction Reports where required, (B) the identification and timely, accurate and complete reporting to law enforcement and supervisory authorities of

unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Savings Association, and (C) monitoring the Savings Association's compliance and ensuring that full and complete corrective action is taken with respect to previously identified violations and deficiencies;

- (iv) Provide, no less than annually, meaningful BSA-related *training* by qualified consultants or other qualified personnel for all appropriate Savings Association personnel, including but not limited to tellers; and
- (v) Provide for the Savings Association to take the corrective actions (including enhancement of certain procedures) that were set out in the OTS Report of Examination mailed to the Savings Association on September 9, 2004.

(d) The Savings Association's Board shall monitor and update the BSA Compliance Program on an ongoing basis as necessary to adjust to: (i) changes in the Savings Association's operations that may impact on its compliance with the BSA and regulations thereunder and (ii) changes to the BSA Laws and Regulations (as well as related forms).

1.03. Plan for OFAC Compliance.

Within 30 days of the Report Deadline Date (as defined in Paragraph 1.02(a) above) or by such later date as may be permitted by the OTS, and following consideration of the study, report and recommendations of the BSA Consultant, the Savings Association shall develop, adopt and commence implementation of a written plan ("OFAC Compliance Plan") that, consistent with OFAC published guidance, is designed to ensure that: (i) the Savings Association complies with the regulations of the U.S. Department of the Treasury's Office of Foreign Asset Control (31 C.F.R. Part 500, as well as any other rules and regulations issued or administered by OFAC), and (ii) the Savings Association does not violate 18 U.S.C. § 2339B (prohibiting material support or resources to designated foreign terrorist organizations). The OFAC Compliance Plan should be coordinated with the BSA Compliance Program. At a minimum, the OFAC Compliance Plan shall include procedures to ensure that customer transactions are processed in accordance with OFAC requirements (as specified in regulations and other applicable guidance) and in accordance with a regularly updated list of entities and individuals whose transactions or assets are required to be blocked, frozen or monitored. Pursuant to the OFAC Compliance Plan the Savings Association shall establish and implement procedures: (i) to provide enough information to key staff members in all relevant operations to enable them to recognize and stop/interdict suspect transactions for further review before they are processed; and (ii) to provide a documentary audit trail demonstrating the Savings Association's efforts to avoid violations of 18 U.S.C. § 2339B and the OFAC regulations.

1.04. Compliance Program Management.

(a) The Savings Association, at all times, shall have and implement an effective Compliance Management Program (*i.e.*, program for implementing and adhering to the Compliance Laws identified in the Overview of Laws and Regulations in the OTS guidebook entitled "Compliance: A Self-Assessment Guide"). The Savings Association's Compliance Management Program shall be managed and implemented by a full-time Savings Association officer or employee designated by the Board (in duly adopted and recorded board meeting minutes) to serve as the Savings Association's Compliance Officer, who may have other duties

to perform on behalf of the Savings Association. The person appointed to serve as Compliance Officer must be qualified and trained to perform the day-to-day responsibilities of a banking institution compliance officer.

(b) The Savings Association's Compliance Officer, shall be responsible for: (i) developing, overseeing and managing the Savings Association's Compliance Management Program, and (ii) serving as the Savings Association's designated BSA Officer. On no less than a quarterly basis, the Compliance Officer also shall report to the Board on activities and developments relative to the Compliance Management Program. On no less than a semi-annual basis, the Compliance Officer shall report to the Board on whether any amendments or enhancements to the Compliance Management Program should be adopted and implemented to further the Savings Association's adherence to the compliance laws and regulations, in view of any change in circumstances (including any changes in laws, regulations, regulatory guidance, or industry best practices) and the Savings Association's experience in implementing the Compliance Management Program.

(c) The Savings Association's Board shall ensure that the Compliance Officer has sufficient authority, competency, time, staff (which may include outsourced staff) and resources to perform his/her assigned BSA-related and other compliance management responsibilities on a day-to-day basis. The Savings Association's Board and executive management also shall assure that such person is provided adequate resources (included budgeted funds) and ongoing training (on no less than an annual basis), in order to perform his/her compliance officer duties effectively.

(d) By March 31, 2005 (or such later date as may be permitted by the OTS), the Savings Association's Board shall consider and adopt an appropriate written Compliance Management Program, customized to the needs of the Savings Association, that, at a minimum, incorporates the following six SMAART components (which are described further in the OTS's written guidebook entitled "Compliance: A Self-Assessment Guide"):

Systems	The embodiment of task-specific procedures and internal controls that ensure that transactions are conducted and recorded in compliance with legal obligations and customer-service goals.
Monitoring	The process of supervising the day-to-day or week-to-week functioning of the Savings Association's compliance systems to assure real-time execution in accordance with program standards.
Assessment	The periodic review of system records and operations to identify transactional violations and program deficiencies.
Accountability	The arrangement of responsibility, authority and reporting relationships that provides direction to staff for implementing institution compliance policy and appraises senior management and the directors about compliance program performance.
Response	The process of addressing consumer complaints, remedying regulatory violations, amending procedures and controls, correcting internal oversight deficiencies, and implementing policy and system revisions or updates.
Training	The communication to appropriate Savings Association personnel of compliance policies, procedures, directives, regulatory requirements, product information and service goals. Also addressed by this component is the commitment and manner in which the Savings Association develops and maintains staff expertise.

1.05. Board Compliance Committee.

(a) Within thirty (30) days of the Effective Date of this Agreement, the Board shall establish a board committee (the "Regulatory Compliance Committee") comprised of three or more directors, the majority of whom shall be Independent of Management, to monitor and coordinate the Savings Association's compliance with the provisions of this Agreement. The Audit Committee of the Board of Directors may serve as the Regulatory Compliance Committee.

(b) By January 31, 2005 and thereafter within 30 days after the end of each calendar quarter, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Agreement and the results of those actions.

(c) By February 15, 2005 and thereafter within 45 days after the end of each calendar quarter, the Board shall submit to the OTS (c/o the Field Manager identified in Paragraph 1.06 hereof): (i) a copy of the Regulatory Compliance Committee's quarterly progress report required by the foregoing subparagraph, with any additional comments made by the Board, to the OTS, and (ii) a written certification, which may be made by the Savings Association's Corporate Secretary, that each director has reviewed the report.

1.06. Adoption and Compliance with Required Plans and Procedures.

(a) The plans, policies, and procedures required by this Agreement shall be submitted to the OTS's Regional Office for review and approval/non-objection by the Regional Director (or his designee). The Savings Association shall submit acceptable plans, policies and procedures to the Regional Office by the required due dates or within the required time periods. The plans, policies and procedures shall be sent to:

Mr. Robert C. Albanese
Regional Director
Office of Thrift Supervision
Harborside Financial Plaza Five, Suite 1600
Jersey City, New Jersey 07311

with copies sent to:

Mr. Philip Gerbick, Assistant Director Office of Thrift Supervision 1 South Wacker Drive, Suite 2000 Chicago, Illinois 60606	Mr. Randall Lyscik, Field Manager Office of Thrift Supervision 651 Holiday Drive Pittsburgh, Pennsylvania 15220-2740
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With respect to any plan, policy or procedure that is timely filed and prepared with reasonable diligence by the Savings Association, but nevertheless requires modification to accommodate input by OTS occurring after the due date, no violation of this Paragraph 1.06 (a) will be found to exist for so long as the Savings Association: (i) makes diligent and good faith efforts to incorporate such modifications and (ii) complies with subsequent OTS direction concerning the due dates for implementing such modifications.

(b) The Savings Association, pursuant to resolutions duly adopted by its board of directors, shall adopt the approved plans, policies, and procedures within thirty-five (35) days of

written approval or non-objection by the Regional Director (or his designee) and then shall fully implement and comply with them.

(c) During the term of this Agreement, the approved plans, policies, and procedures shall not be amended or rescinded without the prior written non-objection of the Regional Director (or his designee).

1.07. Compliance With Agreement.

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

PART II

2.01. Definitions.

All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act ("HOLA"), Federal Deposit Insurance Act ("FDI Act"), or published OTS guidance. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDI Act, or published OTS guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

2.02. Integration Clause; Relationship to Other Regulatory Actions.

(a) This Agreement represents, as of the Effective Date, the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date.

(b) The OTS's acceptance of this Supervisory Agreement does not in any way relieve the Savings Association of its obligation to undertake and implement the various corrective actions prescribed in the Report of Examination.

2.03. Successor Statutes, Regulations, Guidance, Amendments; Successors in Interest.

(a) Reference in this Agreement to provisions of statutes, regulations, and published OTS guidance 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.

(b) 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 Federal Deposit Insurance Corporation, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

2.04. Time Limits; Rules of Interpretation.

(a) Time limitations for compliance with the terms of this Agreement run from the Effective Date hereof unless, as to a particular provision, this Agreement otherwise specifies.

(b) Nothing in this Agreement shall be construed as allowing the Savings Association to violate any law, rule, regulation, or policy statement to which it is subject.

(c) The paragraph headings herein are for convenience only and shall not affect the construction hereof.

(d) 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/her sole discretion determines otherwise.

2.05. Enforceability of Agreement; Director Attestation.

The Savings 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 agreement of the Savings Association. Each director signing Addendum A attached to this Agreement attests, by such act, that she or he, as the case may be, voted in favor of the board of director resolutions (copies submitted to the OTS herewith) authorizing the execution of this Agreement by the Savings Association.

2.06. Effective Date; Duration; Termination or Suspension of Agreement.

This Agreement shall be effective and enforceable as of the date the OTS's Regional Director executes this Agreement, which date is the Effective Date hereof, as indicated on the first page hereof. 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). The Regional Director, in his sole discretion and by written notice, may suspend any or all provisions of this Agreement.

2.07. No Bar or Estoppel.

The provisions of this Agreement shall not bar, estop or otherwise prevent the OTS from taking any other action (including, without limitation, any type of supervisory, enforcement or resolution action) affecting the Savings Association or any of their current or former institution-affiliated parties.

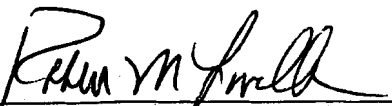
2.08. Section 8 Agreement.

This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement.

DWELLING HOUSE SAVINGS &
LOAN ASSOCIATION

OFFICE OF THRIFT SUPERVISION

By: 
Robert M. Lavelle
President

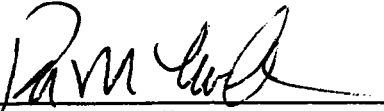
Date: Jan. 25, 2005

By: 
Robert C. Albanese
Regional Director

Date: The "Effective Date" above

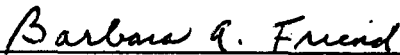
Addendum A to Supervisory Agreement

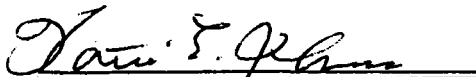
Each of the undersigned individuals, being directors of DWELLING HOUSE SAVINGS & LOAN ASSOCIATION acknowledges that he/she has read the foregoing Agreement and has voted in favor of a board resolution authorizing the Savings Association to execute the Agreement.

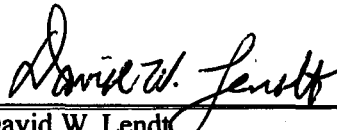

Robert M. Lavelle


Robert R. Lavelle


Richard A. Thornton


Barbara A. Friend


Katie E. Johnson


David W. Lendt


Johnnie Monroe

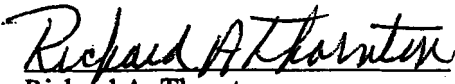

Brenda J. Rian

Addendum A to Supervisory Agreement

Each of the undersigned individuals, being directors of DWELLING HOUSE SAVINGS & LOAN ASSOCIATION acknowledges that he/she has read the foregoing Agreement and has voted in favor of a board resolution authorizing the Savings Association to execute the Agreement.

Robert M. Lavelle

Robert R. Lavelle


Richard A. Thornton

Barbara A. Friend

Katie E. Johnson

David W. Lendt

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Brenda J. Rian

Addendum A to Supervisory Agreement

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