

OFFICE OF THRIFT SUPERVISION

**Order No.: 2000-73
Date: August 14, 2000**

Order Approving Conversion of a State Chartered Savings Bank to a Federal Savings Bank, Conversion of State Chartered Mutual Holding Companies to Federal Mutual Holding Companies, and Trust Powers

Harris Savings Bank, Harrisburg, Pennsylvania (the Savings Bank), has filed an application with the Office of Thrift Supervision (OTS) to convert from a Pennsylvania-chartered savings bank to a Federal stock savings bank to be known as Waypoint Bank, pursuant to section 5(a) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(a), and 12 C.F.R. § 552.2-6; and an application to convert its Pennsylvania-chartered mutual holding companies, Harris Financial, M.H.C. and Harris Financial, Inc., into Federal mutual holding companies, pursuant to section 10(o) of the HOLA, 12 U.S.C. § 1467a(o). In connection with the proposed transactions, the Savings Bank has requested, pursuant to 12 C.F.R. § 552.3, that OTS approve a provision of the Savings Bank's charter allowing the Savings Bank's board of directors to have up to 17 members. In addition, the Savings Bank has applied for OTS approval for its existing trust powers, pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550. (The foregoing are collectively referred to as the Applications.)

Immediately upon consummation of the proposed transactions, the Savings Bank's mutual holding companies will merge into the Savings Bank, and the mutual holding companies will convert to stock form pursuant to Sections 5(i) and 10(o) of the HOLA and 12 C.F.R. Parts 563b and 575. The subsequent transactions are addressed in a separate order.

The OTS has considered the Applications under 12 U.S.C. §§ 1464(e), 1464(n), and 1467a(o), and 12 C.F.R. §§ 552.2-6 and 552.3 and Part 550, the Community Reinvestment Act, 12 U.S.C. §§ 2901, et seq., and the OTS Community Reinvestment Act Regulations, and all other applicable statutes and regulations. In addition, the OTS has considered the digest submitted by the OTS Northeast Regional Office, a legal opinion by the Business Transactions Division, and an analysis by the Office of Examination and Supervision (collectively, the Staff Memoranda). For the reasons set forth in the Staff Memoranda, the OTS has determined that the proposed transactions would be in compliance with all

applicable standards and criteria, provided that the Savings Bank and its successor federal savings bank, Waypoint Bank, satisfy the conditions set forth below.

Accordingly, the Applications are hereby approved, provided the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director):

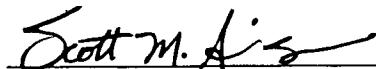
- 1: The Savings Bank and the two mutual holding companies must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals supplied to the Regional Director;
2. The transactions must be consummated within 120 calendar days after the date of this Order;
3. On the business day prior to consummation of the proposed transactions, the chief financial officers of the two mutual holding companies and the Savings Bank must certify to the Regional Director in writing that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Savings Bank or the mutual holding companies as disclosed in the Applications. If additional information having a material adverse bearing on any feature of the Applications is brought to the attention of the Savings Bank, the mutual holding companies, or the OTS since the date of the financial statements submitted with the Applications, the transactions must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transactions;
4. The Holding Companies and the Savings Bank must advised the Regional Director in writing within 5 calendar days after the effective date of the proposed transactions: (a) of the effective date of the proposed transactions; and (b) that the charter conversions have been consummated in accordance with the provisions of all applicable laws and regulations, the Applications, and this Order;
5. The Savings Bank must comply with all applicable state and federal securities laws that pertain to any requirements for registration as an investment advisor and must submit evidence of such compliance to the Regional Director;
6. The trust operation of the Savings Bank must develop and submit to the Regional Office for review an oversight program, consisting of a comprehensive audit program, a compliance management program, and a risk management program. The audit program should address auditor qualifications, audit scope and method, committee involvement, reporting,

and the process for effectuating corrective action. The compliance program should ensure compliance with applicable laws, regulations, and sound fiduciary principles. It should include, at a minimum: (a) the assignment of specific compliance responsibilities to experienced staff; (b) training for affected staff; (c) routine self-evaluation; (d) periodic compliance audits; and (e) appropriate written policies and procedures. The risk management program should establish criteria to identify, measure, monitor, and control risks within the fiduciary activities; and

7. The Savings Bank must file legal opinions required by Item 10 of the trust powers application regarding the applicability of Pennsylvania and Maryland law to the trust activities to be conducted by the trust department, with the Regional Director prior to the consummation of the proposed transactions.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By Order of the Director of the Office of Thrift Supervision, or her designee,
effective August 14, 2000.


Scott M. Albinson
Managing Director
Office of Supervision