

AGREEMENT BY AND BETWEEN
The National Bank of North East
North East, PA
and
The Office of the Comptroller of the Currency

The National Bank of North East, North East, PA (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his/her National Bank Examiner, has examined the Bank, and his/her findings are contained in the Report of Examination for the examination that commenced on January 17, 2003 (“ROE”).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his/her authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Pittsburgh Field Office
4075 Monroeville Boulevard, Room 300
Monroeville, PA 15146

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one shall be employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the appointment of the Committee and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Agreement; and
- (b) the results of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller.

ARTICLE III

ACTION PLAN

(1) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written action plan detailing the Board's assessment of what needs to be done to improve the Bank, specifying how the Board will implement the plan, setting forth a timetable for the implementation of the plan, and identifying who is accountable for completion of the action items within the plan.

(2) Upon completion of the plan, the Board shall submit the plan to the Assistant Deputy Comptroller for review. The Board shall establish appropriate procedures for the implementation of the plan.

(3) In the event the Assistant Deputy Comptroller recommends changes to the action plan, the Board shall immediately incorporate those changes into the plan.

(4) The plan shall be implemented pursuant to the time frames set forth within the plan unless events dictate modifications to the plan. Where the Board considers modifications appropriate, those modifications shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE IV

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or

external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) determination if nonaccrual accounting treatment is appropriate, and
- (e) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets or relationships with an aggregate outstanding balance equal to or exceeding Fifty Thousand dollars (\$50,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset, criticized portion thereof, or relationships with an aggregate outstanding balance equal to or exceeding Fifty Thousand dollars (\$50,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed Fifty Thousand dollars (\$50,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

(b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE V

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within one hundred twenty (120) days the Board shall obtain current and satisfactory credit information on all loans equal to or greater than Seventy-Five Thousand dollars (\$75,000) lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) Within one hundred eighty (180) days the Board shall obtain current and satisfactory credit information on all loans ranging from Twenty-Five Thousand dollars (\$25,000) up to Seventy-Five Thousand dollars (\$75,000) lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) Within one hundred twenty (120) days the Board shall ensure proper collateral documentation is maintained on all loans equal to or greater than Seventy-Five Thousand dollars (\$75,000) and correct each collateral exception on all loans equal to or greater than Seventy-Five Thousand dollars (\$75,000) listed in the ROE, in any subsequent Report of Examination, in any

internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(4) Within one hundred eighty (180) days the Board shall ensure proper collateral documentation is maintained on all loans ranging from Twenty-Five Thousand dollars (\$25,000) up to Seventy-Five Thousand dollars (\$75,000) and correct each collateral exception on all loans ranging from Twenty-Five Thousand dollars (\$25,000) up to Seventy-Five Thousand dollars (\$75,000) listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(5) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank.

- (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank.
- (e) determining appropriate accounting treatment, and
- (f) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE VI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (“Allowance”) and shall, within ninety (90) days, establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the Allowance for Loan and Lease Losses booklet, A-ALLL, of the Comptroller’s Handbook and OCC Banking Bulletin 2001-37 “Policy Statement on Allowance for Loan and Lease Losses Methodologies”, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal and/or external loan review;
- (b) an estimate of inherent loss exposure on each problem credit in excess of Fifty Thousand dollars (\$50,000);
- (c) loan loss experience;
- (d) trends of delinquent and nonaccrual loans;
- (e) concentrations of credit in the Bank;
- (f) present and prospective economic conditions; and

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and approval.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VII

LOAN REVIEW

(1) Within one hundred twenty (120) days, the Board shall establish an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease portfolios. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;

- (d) credit and collateral documentation exceptions and the adequacy of reporting systems and corrective action;
- (e) the appropriateness of the loan's accounting treatment, including nonaccrual status;
- (f) the identification and status of credit related violations of law, rule or regulation;
- (g) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;
- (h) concentrations of credit;
- (i) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (j) loans and leases not in conformance with the Bank's lending and leasing policies and regulatory guidance;
- (k) approved exceptions to the Bank's lending and leasing policies; quality and success of the officer's workout plans;
- (l) the accuracy of monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (m) the quality of the consumer portfolio; and,
- (n) adequacy of systems and activity for reporting and collecting previously charged-off assets.

(2) Within one hundred twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for independent review of

problem loans and leases in the Bank's loan and lease portfolios for the purpose of monitoring portfolio trends, on at least a quarterly basis. The program shall require a quarterly report to the Board.

(3) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(6) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE VIII

LENDING POLICY

(1) Within ninety (90) days, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to the Loan Portfolio Management booklet, A-LPM, of the Comptroller's Handbook. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;

- (b) guidelines consistent with Banking Circular 255, setting forth the criteria under which renewals of extensions of credit may be approved. At a minimum the policy shall:
 - (i) ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies; and
 - (ii) provide guidelines and limitations on the capitalization of interest;
- (c) guidelines addressing the identification, accounting treatment, supervision, control and reporting of nonaccrual loans;
- (d) charge-off guidelines, by type of loan or other asset, addressing the circumstances under which a charge-off would be appropriate and ensuring the recognition of losses within the quarter of discovery;
- (e) guidelines for loans and other extensions of credit to insiders
- (f) guidelines for periodic review of the Bank's adherence to the revised lending policy; and
- (g) A system to monitor early problem loan identification in order to ensure the timely identification and rating of loans and leases based on lending officer submissions.

(2) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE IX

INTERNAL AUDIT

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program, which includes coverage of bank information systems, sufficient to:

- (a) detect irregularities in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (d) ensure adequate audit coverage in all areas based on risk; and
- (e) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(4) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to qualifications, experience level and number of the individuals employed.

(5) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, that shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(6) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(7) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(8) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

ARTICLE X

VIOLATIONS OF LAW - INSIDER CREDITS

(1) Within thirty (30) days, the Board shall ensure that the Bank is reimbursed for foregone fees on overdrafts granted to President Carr in violation of 12 C.F.R. Part 215, as more fully described in the Violations of Law section of the ROE. The Board shall determine what would have been the proper overdraft fees under the criteria set forth in 12 C.F.R. § 215.4.

(2) Within thirty (30) days, the Board shall submit its analysis for determining the overdraft fees to the Assistant Deputy Comptroller for a prior determination of no supervisory

objection. After the Board determines a proper overdraft fee and receives a prior determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall ensure that the Bank is reimbursed the income.

ARTICLE XI

STRATEGIC PLAN

(1) Within one hundred fifty (150) days, the Board shall develop a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, liability structure, capital adequacy, products or market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

- (a) an assessment of the Bank's present and future operating environment;
- (b) the development of strategic goals and objectives to be accomplished over the short and long term;
- (c) an evaluation of the Bank's internal operations, staffing requirements, Board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (1)(b) of this Article;
- (d) a management employment and succession program to promote the retention and continuity of capable management;

- (e) an action plan to improve Bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (f) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (g) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (h) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and
- (i) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(2) Upon completion, the Bank's strategic plan shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall adopt, implement and ensure the Bank's adherence to the strategic plan.

(3) The plan shall be implemented pursuant to the time frames set forth within the plan unless events dictate changes to the plan. Where the Board considers changes appropriate, those changes with supporting reasons shall be submitted in writing to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plans developed pursuant to this Article.

ARTICLE XII

PROFIT PLAN

(1) Within sixty (60) days, the Board shall develop a revised profit plan for calendar year 2003 to account for extraordinary and other expenses associated with this Agreement and any other significant changes in the bank's business strategy.

(2) In consideration of the Bank's strategic plan developed in Article XI, within one hundred and eighty (180) days, the Board shall develop a longer term profit plan beginning with calendar year 2004 to improve and sustain the earnings of the Bank. This plan shall include, at a minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance; and
- (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements.

(3) Upon completion of each plan under sections (1) and (2), the Board's profit plans shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and ensure the Bank's adherence to the profit plan.

(4) The budgets and related documents for 2003 required in subparagraph (2)(b) above shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall

submit to the Assistant Deputy Comptroller annual budgets as described in subparagraph (2)(b) above for each year this Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

ARTICLE XIII

INFORMATION SECURITY PROGRAM

(1) Within sixty (60) days, the Board shall appoint a permanent (not an interim) independent information security administrator or officer familiar with information technology operations. The information security administrator shall be responsible for reviewing and ensuring appropriate information security for this bank.

(2) Within in ninety (90) days, the Board shall ensure the creation and adoption of an Information Security Program that meets all requirements of 12 C.F.R. Part 30, Appendix B, and is commensurate with the size, complexity, and risk environment of the National Bank of North East.

(3) Within five (5) days of Board approval, the Board shall provide the Assistant Deputy Comptroller for review, information sufficient to demonstrate compliance with all requirements outlined in 12 C.F.R. Part 30, Appendix B. In addition, the name, qualifications, and duties of the information security administrator or officer will be provided to the Assistant Deputy Comptroller for review.

ARTICLE XIV

COMPREHENSIVE BUSINESS RESUMPTION AND CONTINGENCY PLAN

(1) Within one hundred eighty (180) days, the Bank shall develop and test a formal comprehensive (bank-wide) business resumption plan that, at a minimum, complies with the

requirements set forth in OCC Bulletin 97-23, dated May 16, 1997, which adopts the Federal Financial Institutions Examination Council's revised policy statement SP-5 : *Corporate Business Resumption and Contingency Planning*.

(2) A copy of the comprehensive business resumption plan, training curriculum, and test results shall be forwarded to the Assistant Deputy Comptroller for review.

(3) At least annually thereafter, the Board shall review its comprehensive business resumption plan, ensure employees are properly trained to execute their respective portion of the comprehensive business resumption plan, and perform all necessary programs and system applications using its back-up location, to ensure the continuation of operations in the event of a disaster. The Board shall document the results of this review, training, and testing in its meeting minutes.

ARTICLE XV

CORRECT BANK INFORMATION SYSTEMS DEFICIENCIES

(1) The Board shall immediately take all steps necessary to improve the management of the Bank's Information Systems ("BIS") activities and correct each deficiency cited in the Report of Examination or any subsequent Report of Examination.

(2) Within thirty (45) days, the bank shall define the purpose for the board information technology committee and the management information technology committee. In addition, each committee will adopt standards that at a minimum address the following:

- (a) Define content of minutes,
- (b) Define Management information technology committee reporting to the board committee,

- (c) Define board information technology committee interaction with the full board and other board level committees,
- (d) Establish regular meeting dates for each committee during 2003,
- (e) Design and implement an effective method to track and monitor corrective action commitments to address IT Examination and IT Audit findings.

(3) In addition, the Board shall review the information technology committee membership in an effort to ensure each member is capable of fulfilling the defined committee purpose and provides value to committee work.

(4) Within ninety (90) days, the Board shall develop and implement an effective and independent internal BIS audit program. At a minimum, the BIS audit program shall be performed by an independent and qualified individual, and include fundamental elements of a sound audit program as described in the Federal Financial Institutions Examination Council's 1996 Information Systems Examination Handbook, Banking Circular 226, dated January 25, 1988, Banking Circular 229, dated May 31, 1998, and OCC Bulletin 2003-12, dated April 23, 2003 (supercedes. OCC Bulletin 98-1 dated January 7, 1998).

(5) Within one hundred eighty (180) days, the bank shall develop, complete, approve, and implement appropriate policies, standards, and procedures for information technology operations. Including, but not limited to, the following:

- Comprehensive vendor management policy that addresses fundamental elements described in OCC Bulletin 2001-47, dated November 1, 2001, and OCC Advisory Letter 2000-12, dated November 28, 2000.
- End-user policy that includes fundamental elements of end-user computing as described in the Federal Financial Institutions Examinations Council's 1996 Information Systems Examination Handbook, Banking Circular 226, dated January 25, 1988, and OCC Bulletin 98-38, dated August 24, 1998.

- Information technology operations manual that includes necessary procedures and instructions to perform duties and operate equipment and promote segregation of duty.
- Network/LAN/WAN Policy that includes fundamental elements of networking and client/server environments as described in the Federal Financial Institutions Examinations Council's 1996 Information Systems Examination Handbook, OCC Bulletin 98-3, dated February 4, 1998, and OCC Bulletin 98-38, dated August 24, 1998.
- Internet banking policy that at a minimum addresses fundamental elements contained in OCC Bulletin 2001-31, dated July 3, 2001.

(6) A copy of the IT audit risk based schedule, all completed policies, standards and procedures, and committee purpose and structure shall be forwarded to the Assistant Deputy Comptroller for review.

ARTICLE XVI

CALL REPORTS - REFILE

(1) Within thirty (30) days, the Board shall cause the Bank to refile an amended Report of Condition and Income for the period ending December 31, 2002. This amendment is required to accurately reflect nonaccrual loans, credit losses, and the provision to the Allowance for Loan and Lease Losses.

(2) Within ninety (90) days, the Board shall adopt and cause the Bank to implement policies and procedures, in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, to ensure that all official and regulatory reports filed by the Bank accurately reflect the Bank's condition as of the date that such reports are submitted. Thereafter the Board shall ensure Bank adherence to the policies and procedures adopted pursuant to this Article.

(3) Upon completion of the policies, the Board shall submit a copy of the policies to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies developed pursuant to this Article.

ARTICLE XVII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank determines that an exception to any provision of this Agreement is in the best interests of the Bank, or requires an extension of any time frame within this Agreement, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief.

(2) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with any provision, that require the Assistant Deputy Comptroller to exempt the Bank from any provision, or that require an extension of any time frame within this Agreement. All such requests shall be accompanied by relevant supporting documentation.

(3) The Assistant Deputy Comptroller's decision in granting the request is final and not subject to further review.

ARTICLE XVIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the

United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1),

and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his/her hand on behalf of the Comptroller.

/s/ James Calhoun

James Calhoun
Assistant Deputy Comptroller
Pittsburgh Field Office

06/25/03

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed

June 25, 2003

George F. S. Bennett

Date

Signed

6/25/03

Gary M. Brown

Date

Signed

6/25/03

James S. Bryan

Date

James S. Carr

Date

Signed

6-25-03

Jerry E. Cass

Date

Signed

6-25-03

Martin C. Haas

Date

Signed

6/25/03

Ann H. Neckers

Date

Signed

6-25-03

Brian M. Quimby

Date

Signed

6/26/03

Douglas C. Sceiford

Date