

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 28th day of December, 1995 (the "Effective Date"), by and between First Commonwealth Savings Bank, FSB, Alexandria, Virginia, OTS No. 7206, for itself and its wholly owned service corporations and subsidiaries ("First Commonwealth" or "Institution"), and the Office of Thrift Supervision ("OTS"), a bureau of the United States Department of the Treasury, acting through its Acting Regional Director for the Southeast Region or his designee ("Regional Director").

WHEREAS, the OTS is the primary federal regulator of the Institution; and

WHEREAS, based upon the May 30, 1995 OTS Safety and Soundness Report of Examination (the "1995 Exam"), the OTS is of the opinion that the grounds exist to initiate an administrative proceeding against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)¹; and

WHEREAS, the Institution, acting through its board of directors (the "Board"), without admitting or denying that such grounds exist, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement to avoid the initiation of such administrative proceeding on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceeding against the Institution to require the actions specifically covered by this Agreement, for so long as the Institution is in compliance with the provisions of this Agreement that pertain to such actions; and

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures on matters not specifically covered by this Agreement that the OTS considers appropriate under the circumstances.

NOW, THEREFORE, in consideration of the above-stated forbearance, it is agreed between the parties hereto as follows:

TAX SHARING PAYMENTS

1. (a) As of the Effective Date of this Agreement, First Commonwealth shall make no tax sharing payments to its parent holding company, First Commonwealth Financial Corporation ("FCFC")

1. All references to the United States Code ("U.S.C.") are as amended.

without the prior written approval of the Regional Director. First Commonwealth shall immediately terminate all existing tax sharing agreements among or between FCFC, the Institution, and any of First Commonwealth's service corporations or subsidiaries.

(b) Within 30 days after the Effective Date of this Agreement, the Board shall draft, adopt and submit to the Regional Director for review a new consolidated tax sharing agreement covering the Institution and its service corporations and subsidiaries (hereinafter the "Revised Agreement"). The Revised Agreement shall conform to the requirements set forth in Section 500 of the OTS Holding Company Handbook and (i) provide for computation and payment of the Institution's tax liability on a consolidated basis with all Institution service corporations and subsidiaries, (ii) require that any and all tax sharing payments owed by the Institution to FCFC under the Revised Agreement be retained by the Institution and recorded in a general ledger payable account, and (iii) require that any and all tax sharing payments owed by the Institution and its service corporations and subsidiaries under the Revised Agreement be paid by the Institution directly to the appropriate taxing authority.

(c) Until such time as the Revised Agreement is approved and operational the following steps shall be followed. If a payment to an appropriate taxing authority becomes due, First Commonwealth shall make the payment directly to the taxing authority. Such payments may not exceed the amount that First Commonwealth would pay if it were filing as a separate entity on a consolidated basis with its service corporations and subsidiaries.

(d) Within 30 days after the Effective Date of this Agreement, the Institution shall prepare and submit to the Regional Director for review a report that (i) lists all tax sharing payments made to FCFC by the Institution and its service corporations or subsidiaries since the formation of FCFC, (ii) identifies separately the actual tax liability of the Institution on a consolidated basis with its service corporations and subsidiaries, for each tax year filed, and (iii) lists the dates and amounts of all refunds received by the Institution and its service corporations and subsidiaries from FCFC.

(e) Within 30 days after the Effective Date of this Agreement, the Institution shall seek reimbursement of (i) tax sharing payments made to FCFC in excess of the amount of taxes owed by First Commonwealth on a consolidated basis with its service corporations and subsidiaries for years prior to 1995, and (ii) the aggregate amount of all tax sharing payments made to FCFC during 1995.

INDEPENDENT FEE AND EXPENSE REVIEW

2. (a) The Board shall retain an independent auditor to perform a comprehensive review of (i) all fees and expenses paid by the Institution and its service corporations and/or subsidiaries to the law firm of David, Hagner, Kuney & Krupin, P.C., and the accounting firm of Aronson, Petridge, Weigle & Schimel; and (ii) any other fees and expenses directly or indirectly paid to or on behalf of John C. York, Jr. ("York"), and any York-related entities, including but not limited to, any monies paid to or received by York in connection with loan sales or purchases by First Commonwealth and expenses related to travel, meals, lodging and entertainment. The auditor's review shall include the amount, purpose, nature and propriety of all such fees and expenses and shall identify all improperly paid fees and expenses. The auditor's findings shall be in writing and reviewed by the Board. The Board shall seek reimbursement of all improperly paid fees and expenses and all monies paid to or received by York in connection with loan sales or purchases by First Commonwealth. Further, the Board shall seek reimbursement for any fees and expenses paid to or on behalf of York and any York-related entities, on or after the effective date of his resignation.

(b) The Board's review of the report required by Paragraph 2(a) shall be fully documented in the minutes of the Board meeting at which the report is discussed. A copy of the report and the Board minutes shall be provided to the Regional Director for review within 10 days after the Board meeting at which the report findings are discussed. Further, in addition to the above, the Board shall, within 30 days after the Effective Date of this Agreement, seek reimbursement of the \$70,348 of FCFC expenses improperly paid by First Commonwealth and James Madison Mortgage Company, as described in the OTS's May 30, 1995 First Commonwealth Examination Report.

DIVIDENDS

3. The Institution shall make no dividend payments or any other form of capital distribution without the prior written approval of the Regional Director.

TRANSACTIONS WITH AFFILIATES AND AFFILIATED PERSONS

4. (a) As of the Effective Date of this Agreement, the Institution shall not directly or indirectly (i) engage in any transactions with or on behalf of, or (ii) pay any monies to or on behalf of York, Michael A. Sullivan, FCFC or any other affiliate or affiliated person of the Institution (collectively the "Affiliates") without the prior written approval of the Regional Director. This prohibition shall include, but is not limited to, payment of dividends or any other form of capital distribution, transfer of tax sharing payments, payment of fees for services, payment of expenses, payment of management fees, sale of assets,

increases in existing accounts receivable, establishment or creation of new accounts receivable, loans and extensions of credit, guaranty of payment or satisfaction of indebtedness, or the execution or guaranty of any performance of obligations. The Affiliates shall not be prohibited from maintaining or opening a deposit account with the Institution in the ordinary course of business on terms and under circumstances that are substantially the same, or at least as favorable to the Institution, as those prevailing at the time for comparable transactions with or involving those persons or companies who are not Affiliates. No overdrafts shall be covered or paid by the Institution on any deposit account maintained or opened by the Affiliates.

(b) The Institution and its directors, officers, employees, affiliated persons, and affiliates shall comply with Section 11 of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. Section 1468; Sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c-1, respectively; 12 C.F.R. Part 215; 12 C.F.R. §§ 563.41 and 563.42; and any other applicable laws, regulations, memoranda, and bulletins regarding the avoidance of conflicts of interest in conducting the business of the Institution or transactions with affiliates, affiliated persons, insiders or related interests of such persons.

CONFLICTS OF INTEREST

5. Within 60 days after the Effective Date of this Agreement, the Board shall draft, adopt, implement, and thereafter adhere to written policies and procedures to ensure that the Institution complies with the OTS Statement of Policy regarding conflicts of interest, set forth at 12 C.F.R. §571.7. The Institution shall take any and all action necessary to avoid the appearance of a conflict of interest involving directors, officers, or other affiliated persons of the Institution. The Board shall be responsible for the Institution's compliance with the policies and procedures required by this Paragraph and shall obtain and review quarterly reports from Management indicating the level of compliance. The Board's review and certification of compliance shall be fully documented in the minutes of the Board meetings at which such compliance is discussed.

INTERNAL CONTROLS

6. Within 10 days after the Effective Date of this Agreement, the Board shall designate an internal auditor ("Internal Auditor") to review and approve all employee expenses incurred, paid, or reimbursed by the Institution on or after the Effective Date of this Agreement. The Internal Auditor shall report directly to the Board and shall verify the amount, nature, recipient, and business purpose of all expenses and ensure that appropriate documentation is submitted to the Institution prior to payment of any such expenses. The Board shall be responsible for the Institution's compliance with this Paragraph and shall obtain and review

quarterly reports from the Internal Auditor indicating the level of expenses incurred, as well as compliance with applicable written expense reimbursement policies and procedures. The Board's review shall be fully documented in the minutes of the Board meetings at which such compliance is discussed.

GROWTH

7. Pursuant to OTS Regulatory Bulletin 3a-1, the Institution shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter.

MANAGEMENT

8. Pursuant to Section 32 of the FDIA, 12 U.S.C. § 1831i, and Section 574.9 of the OTS Regulations, 12 C.F.R. § 574.9, the Institution shall notify the OTS in writing of the proposed addition or employment of any individual as a director or senior executive officer (as those terms are defined in § 574.9) not less than 30 days prior to the date that such addition or employment becomes effective.

9. First Commonwealth shall comply with 12 C.F.R. §§ 563.39 and 563.161 and OTS Regulatory Bulletin 27a. The Institution shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer, of the Institution or any service corporation or subsidiary thereof, unless it first (i) provides a minimum of 30 days advance written notice of the proposed action to the Regional Director and (ii) receives a written notice of non-objection from the Regional Director.

10. The Institution shall not make any "golden parachute payment", as that term is defined in Section 18(k) of the FDIA, 12 U.S.C. § 1828(k), and as it may be further defined in regulations adopted by the Federal Deposit Insurance Corporation ("FDIC") under that authority, unless it first (i) provides a minimum of 30 days advance written notice of the proposed payment to the Regional Director and (ii) receives a written notice of non-objection from the Regional Director.

RESPONSE TO OTS REQUESTS

11. First Commonwealth and its Board members shall promptly, fully, completely and accurately respond to any and all OTS requests for information and shall provide the OTS with any and all documents or information requested. Further, the Institution will at all times deal with the OTS in good faith, not withhold any information from the OTS, and provide complete and candid responses, including any documentation or other information, to the OTS.

DEFINITIONS

12. 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, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENTS

13. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

NOTICES

14. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

- a. The OTS by the Institution, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 1475 Peachtree St., N.E., Atlanta, Georgia 30309 or telecopied to (404)888-5634 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
- b. The Institution by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered to Patrick J. Keeley, Acting Chairman of the Board, in each case addressed to the Institution at 301 South Washington Street, Alexandria, Virginia 22314 or telecopied to (703) 739-5727 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
- c. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a

dispute about the date on which a written notice has been received by a party to this Agreement, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

DURATION, TERMINATION OR SUSPENSION OF AGREEMENT

15. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) 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).

16. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

TIME LIMITS

17. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of the Agreement, unless otherwise provided for in the Agreement. Such time limitations may be extended by the Regional Director in his sole discretion upon written application by the Institution.

EFFECT OF HEADINGS

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

DIRECTOR RESPONSIBILITY

19. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Regional Director, the Board has the ultimate responsibility for proper and sound management of the Institution.

SEPARABILITY CLAUSE

20. 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.

NO VIOLATIONS OF LAW, RULE, REGULATION OR POLICY STATEMENT
AUTHORIZED; OTS NOT RESTRICTED; RELATION TO STATE LAW

21. Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting or estopping the OTS from taking any action(s), except as provided herein, that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

SUCCESSORS IN INTEREST/BENEFIT

22. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Institution, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

FIRST COMMONWEALTH, FSB
Alexandria, Virginia

BY:

15/

BY:

15/

Richard M. Riccobono
Acting Regional Director

Patrick J. Keelley
~~Acting Chairman of the Board~~ Director *PK*

DIRECTORS OF THE INSTITUTION

15/

Regina G. Roman
Director

Louis J. Rubino, Jr.
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W. Dean Smith
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