

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 2nd day of July, 1992, by and between Johnstown Savings Bank, FSB (OTS No. 7000), hereinafter referred to as "JSB" or "Institution", for itself and any wholly-owned subsidiary and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of JSB. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS, as that term is used in 12 U.S.C. § 1818(b).

WHEREAS, the OTS is of the opinion that based on the results of the Report of Examination ("ROE") dated January 27, 1992, it has grounds for the initiation of formal administrative action against the Institution; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of formal administrative action against the Institution, so long as JSB is in compliance with the provisions of the Agreement; and

WHEREAS, although the Institution neither admits nor denies the matters contained in the ROE, in the interest of regulatory compliance and cooperation, JSB is willing to enter into the Agreement and avoid the initiation of such formal administrative action:

NOW, THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of formal administrative action against JSB it is agreed between the parties hereto as follows:

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1. JSB will not make or commit to make, purchase or commit to purchase, refinance or commit to refinance, any loan secured by commercial real estate, if the collateral property is located more than one hundred (100) miles from JSB's home or branch offices.

However, JSB is authorized to make, refinance or modify commercial real estate loans and commercial real estate owned property, regardless of location, provided that:

- a) the loan is being granted for the sole purpose of enhancing or strengthening a criticized asset that currently exists on the Institution's books and that failure to extend further credit would be detrimental to the best interests of JSB;
- b) the specific weaknesses surrounding the troubled asset justifying the need for the granting of the loan are documented;
- c) a current appraisal is obtained on each securing property and that additional collateral is obtained, where feasible, to protect the Institution from loss should the appraised value of the security property be less than the outstanding loan amount; and

- d) written board certification is obtained indicating that a majority of the full board ratifies the credit extension and detailing the reasons why failure to do so would be detrimental to the best interest of JSB. The initial approval may be effected by the Directors Loan Committee; however, ultimately a majority of the full board shall ratify the transaction and at that time the required certification will be prepared and will be maintained in the borrower(s) credit file.
2. JSB shall continue to take all appropriate steps to reduce the level of adversely classified assets. The board shall monitor the level of classified assets and continue strategic planning for reducing the classified balances through the use of both individual asset plans and by establishing objectives for reducing the overall level of classified assets to specific percentages of tangible capital plus general valuation allowances. These percentages and time frames for their accomplishment shall be prescribed and monitored by the board.
3. JSB shall ensure that the methodology utilized to establish general valuation allowances for real estate owned, as stated in the Real Estate Owned and Repossessed Assets Policy, adopted by the board in response to the concerns noted on Page 13 of the ROE, is implemented by JSB management.

4. Within sixty (60) days of the date of the Agreement, JSB shall establish procedures requiring that sufficient documentation be maintained supporting conclusions that application of in-substance foreclosure treatment under the Securities and Exchange Commission in Financial Reporting Release (FRR) - 28 is not appropriate. Additionally, in-substance determinations shall be made independent of the loan department.
  
5. Within sixty (60) days of the date of the Agreement, the board of JSB shall require amendment of the hedging policy of Standard Mortgage Corporation of Georgia to establish limits on the amount of interest rate risk exposure; such limits to be mandatory and not exceeded without the express permission of the board of directors of Standard Mortgage Corporation with subsequent ratification of such action(s) by the JSB board of directors. Furthermore, the policy shall be revised to eliminate the exceptions noted on Report page A - 16 and shall address the volume of pipeline and warehouse loans to be maintained without firm commitments for delivery, the parties responsible for implementing stop-loss procedures, and the cost-benefit relationship of external hedging versus the dollar loss exposure in a rising rate environment. The policy shall also provide for monthly reporting to the board of directors of JSB of the dollar amount of interest rate risk exposure under a variety of interest rate scenarios. Copies of these exposure

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reports shall be submitted to the Pittsburgh office of the OTS on a quarterly basis.

6. JSB shall ensure that the internal audit procedures, developed in April 1992 to ensure accurate preparation of Thrift Financial Reports, are implemented by JSB management.
7. JSB shall not make any "golden parachute payment," as that term is defined in Section 18(k) of the FIDA (codified at 12 U.S.C. 1818(k)) or final regulations adopted by the FDIC under that authority, to any director, officer or employee, without:
  - (i) providing 30 days advance notice to the Regional Director ("RD"); and
  - (ii) receiving a written notice of non-objection to such payment by the RD.
8. The adequacy of and compliance with the various policies and procedures required by this Agreement, as well as overall compliance with this Agreement shall be determined by the RD in conjunction with the next examination as well as future examinations of JSB.

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 of 1933 ("HOLA") and Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Thrift Activities Handbook shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

The terms and provisions of the Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

Upon a written request by JSB which demonstrates just cause, the time frames for the submission of policies and procedures and other required documents, as prescribed within this Agreement may be extended by the approval of the RD or his designee.

Nothing contained herein shall prevent the OTS from taking, or its successors in interest from recommending or taking, such further supervisory action as is deemed appropriate under given circumstances, with regard to the foregoing or otherwise.

This Agreement between the OTS and the Institution shall remain in effect until terminated as an Agreement by OTS acting through its RD. Additionally, the RD may, in his discretion suspend any or all of such provisions of the Agreement during the term of the Agreement.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Johnstown Savings Bank, FSB.

IN WITNESS WHEREOF, the OTS acting through the RD for the Northeast Region, and JSB by its duly elected directors, have executed this Agreement on the date first above written.

JOHNSTOWN SAVINGS BANK, FSB  
Johnstown, Pennsylvania  
By the Board of Directors:

\_\_\_\_\_  
/s/

OFFICE OF THRIFT SUPERVISION

By: \_\_\_\_\_  
/s/  
Regional Director  
Deputy