

(717) 783-8240

January 29, 2002

Dear:

This will respond to your letter notifying the Pennsylvania Department of Banking (the "Department") that [redacted] (the "Bank") formed [redacted] (the "Subsidiary"), as a wholly- owned subsidiary of the Bank. The purpose of the Subsidiary is to engage in the sale of title insurance as agent.

It is the position of the Department that a Pennsylvania State-chartered bank, bank and trust company, or savings bank may acquire and hold the stock of a subsidiary corporation which is engaged in activities permissible for such institution or activities permissible under the Bank Services Corporation Act, 12 U.S.C. § 1861 et seq., pursuant to Section 203(d) of the Banking Code of 1965. As a general matter, Act 40 of 1997 provides authorization to the Pennsylvania Insurance Department to license a Pennsylvania State-chartered bank, bank and trust company, or savings bank to act as agent in the sale of insurance and annuities, without regard to the size of the place where the respective bank, bank and trust company, or savings bank is located. With regard to the Bank's proposed title insurance sales activity, the Bank is required to comply fully with all applicable State and federal regulations, including appropriate licensing requirements.

We have reviewed the Bank's notice of such a subsidiary as noted above and the Department does not object to the formation of [redacted], pursuant to the provisions of Section 203(d) of the Banking Code of 1965 (the "Code"), as amended. However, Section 203(d) of the Code requires that the Bank provide that Department with at least thirty days prior written notice when establishing a subsidiary. The Department is expected to review the proposed activities of the Subsidiary within the 30-day notice period and has the ability to prohibit the Bank from engaging in said activities pursuant to Section 201(e)(iii) of the Code. The Bank established the above-noted Subsidiary in January of 2001 and pursued the acquisition of licensure from the Pennsylvania Department of Insurance in April of 2001. The Department understands that the Subsidiary began operating in the late spring or early summer of 2001. These actions were taken in violation of Section 203(d) of the Code because the Department was not given the required prior written notice as discussed above. The Department has broad authority to regulate the activities of Pennsylvania State-chartered banks and their subsidiaries and can take actions against such entities as it deems appropriate to serve the purposes for which the Code was established including ordering a subsidiary to cease and desist ("C&D") all business activities. Failure to follow the notice requirements of Section 203(d) of the Code in the future could result in the Department, in its sole discretion, imposing such a C&D or taking any other action, including other types of enforcement actions, as it deems appropriate.

The Department's non-objection is subject to the following conditions:

1. The activities of the Subsidiary are not to be expanded beyond the purposes as set forth in this letter and any such change will require prior written notice to the Department.

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2. The Board of Directors of both the Bank and the Subsidiary, respectively, are to establish a limitation on the total amount of borrowings by the Subsidiary from the Bank and any other affiliated companies.

Receipt of the following documentation relative to the formation of the Subsidiary is acknowledged:

1. Articles of Incorporation for the Subsidiary.
2. Certificate of Incorporation issued by the Department of State or other evidence of filing for the Subsidiary.
3. Application for Employer Identification Number for the Subsidiary.
4. License issued by the Department of Insurance to **[redacted]**.
5. Certificate of Qualification Application for the Subsidiary.
6. Certificate of Qualification Application for **[redacted]**.
7. United General Title Insurance Company Title Policy Issuing Agreement.

In order to complete our files in this matter, please forward the following to the attention of Joseph A. Moretz, Manager – Corporate Applications, at the above-noted address:

1. Copy of the Resolution of the Bank's Board of Directors authorizing formation of the Subsidiary.
2. Identification of the initial directors and officers of the Subsidiary.
3. Bylaws of the Subsidiary.
4. The initial and current balance sheet of the Subsidiary.
5. A statement setting forth the amount of the Bank's investment in the Subsidiary.
6. Copy of any requisite approval of the Subsidiary issued by the Federal Deposit Insurance Corporation (if applicable).

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Please contact Mr. Moretz should you require additional explanation or information regarding this matter.

Very truly yours,

Richard S. DeMartino
Director - Bureau of
Supervision & Enforcement

RSD:JAM:kse

cc: Daryl P. Stum
Regional Director – FDIC

Joseph A. Moretz
Manager – Corporate Applications