

February 2, 1998

Re: Reorganization of Mutual Holding Company for***** From Mutual to Stock Form

Dear Mr. :

This responds to the application received by the Pennsylvania Department of Banking ("Department") for ("MHC"), the mutual holding company for bank"), a Pennsylvania state-chartered stock savings bank, to reorganize with the result that Bank will be wholly-owned by a stock holding company. The net effect of the proposed transaction would be to eliminate any mutual ownership of Bank by MHC, through completion of the conversion of Bank to stock form.¹

Pursuant to the terms and conditions of this letter, the Department approves the proposed reorganization of the ownership of Bank, including the elimination of MHC and the creation of a stock holding company to own 100% of the stock issued by Bank.

The Proposed Transaction

¹ Even though Bank technically has already converted to stock form, the majority of Bank stock has been held by a mutual entity called MHC which represents the ongoing mutual interest of existing depositors at Bank in the ownership of Bank. Therefore, by (i) eliminating MHC, and (ii) causing a stock holding company called SHC to issue stock that actually will be paid for by investors, and (iii) offering SHC stock first to depositors at Bank consistent with preemptive rights requirements in section 1609(j) of the Banking Code, the technical conversion of Bank from mutual to stock form becomes truly complete because MHC will no longer own more than half of Bank stock.

At present, MHC owns approximately % of the common stock issued by Bank. The remaining % of stock issued by Bank is owned by certain minority shareholders. In the proposed transaction, MHC would cease to exist and Bank would become a wholly-owned subsidiary of , a stock holding company ("SHC").

The steps to accomplish the proposed transaction are as follows:

1. MHC converts to Interim Pennsylvania state-chartered stock savings bank ("Interim A").² Interim A shall comply with the minimum capital requirements in section 1102 of the Banking Code.
2. Merger A: Interim A merges with and into Bank. As a result, MHC ceases to exist and Bank survives the merger.
3. Shares of Bank, held by the former MHC, would be canceled.
4. Bank forms a stock holding company subsidiary called (previously defined as SHC), incorporated pursuant to the Pennsylvania Business Corporation Law, which SHC intends to be regulated by the Board of Governors of the Federal Reserve.
5. SHC forms another Interim Pennsylvania state-chartered stock savings bank ("Interim B") as a wholly-owned subsidiary of SHC. Interim B shall comply with the minimum capital requirements in section 1102 of the Banking Code.
6. Merger B: Interim B merges with and into Bank. Bank survives the merger.
7. As a result of Merger B, Bank becomes a wholly-owned subsidiary of SHC.
8. As a result of Merger B, SHC would issue its common stock to the minority shareholders, who held % of Bank stock, in exchange for their Bank stock.

² The Department will permit this MHC conversion to a Pennsylvania state-chartered stock savings bank under the limited circumstances of this proposed overall transaction, pursuant to the general authority in section 115.1(d)(vi) of the Banking Code.

9. SHC would issue additional shares of its common stock in an amount equivalent to the % of Bank stock formerly held by the former MHC to subscribers in:
 - The conversion offering, and if necessary;
 - The direct community offering; and if necessary;
 - The syndicated community offering.
10. After Step 9, the existing minority shareholders of % of Bank stock ("Existing Shareholders") will hold % of SHC stock corresponding to their present ownership interest in Bank prior to this proposed reorganization; and certain new shareholders of the % of the Bank stock held by the former MHC will hold % of SHC stock ("New Shareholders"). There may be some overlap of New Shareholders and Existing Shareholders.

The proposed tiers of priority pursuant to which stock in the proposed transaction would be offered are as follows.

1. Eligible Account Holders, defined as depositors at Bank with \$ or more on deposit as of .
2. Bank Employee Stock Ownership Plan ("ESOP"), a tax qualified ESOP, which after the proposed transaction will be known as ESOP.
3. Supplemental Eligible Account Holders, defined as depositors at Bank with \$ on deposit as of a date yet to be specified but subsequent to the , eligibility record date stated in the first tier, which supplemental eligibility record date shall comply with 12 CFR 563b.3(c)(4).
4. Direct Community Offering to members of the general public, with priority being given (i) first to persons who are not Eligible Account Holders or Supplemental Eligible Account Holders but were depositors eligible to and who did acquire Bank stock in the original reorganization to MHC form; and then (ii) to natural persons and trusts of natural persons residing in the local community.
5. Syndicated Community Offering which would be held in the event that conversion shares (meaning shares of Bank held by the former MHC) were not sold in the Subscription

Offering (Tiers 1, 2, and 3) and the Direct Community Offering (Tier 4).

Legal Authority for Proposed Transaction and Conditions of Approval

Overall Legal Authority: MHC may cease to exist and be replaced by the stock holding company to be called SHC, thereby completing the conversion of Bank from mutual to stock form, pursuant to sections 115.1(d)(vi) and 1609(a)(vii) of the Banking Code of 1965 ("Banking Code").

Voting Requirements: The board of trustees of MHC must approve the proposed conversion of MHC to a Pennsylvania state-chartered stock savings bank called Interim A consistent with the voting requirements in section 1609(b)(ii)(A) of the Banking Code and the general authority in section 115.1(d)(vi) of the Banking Code. The voting requirements in section 1609(b)(ii)(B) of the Banking Code must be met as a condition of both Merger A and Merger B.

Department Review Finds Proposed Transaction Generally Conforms to Office of Thrift Supervision ("OTS") Technical Rules Applicable to Terms of Mutual to Stock Conversions: The Department has reviewed the proposed transaction not only for compliance with the Banking Code but also pursuant to OTS regulations at 12 CFR Parts 563b (Conversions from Mutual to Stock Form) and 575 (Mutual Holding Companies). As stated above, the application is approved, based in relevant part on such review of OTS regulations, consistent with section 115.1(f) of the Banking Code.

Preemptive Rights to Subscribe for Shares: As a condition of Department approval, Bank depositors shall be provided preemptive rights to purchase stock of Bank through direct purchase of SHC stock in an aggregate amount representing % ownership of Bank, which corresponds to present ownership of MHC in Bank. The Department recognizes that the preemptive right to purchase all Bank stock held by MHC (meaning the % presently held by MHC) belongs to the depositors in Bank. This is because MHC's majority holding of Bank stock represents the ongoing mutual interest of existing depositors in the Bank. Section 1609(j) of the Banking Code provides that in the event of conversion of a mutual savings bank to a stock savings bank, "all depositors shall be given a preemptive right to purchase stock. The preemptive right to depositors shall be nonassignable."

The eligibility record date and supplemental eligibility record date provided for Eligible Account Holders and Supplemental Eligible Account Holders must comply with requirements stated in 12 CFR 563b.3(c)(4) in order for the Department to conclude that preemptive rights for Bank depositors to subscribe to conversion stock are met consistent with section 1609(j) of the Banking Code.

Management Recognition Plan ("MRP") and Stock Option Plan: The Department approves the proposed MRP and Stock Option Plan proposal to acquire respectively % and % of the stock issued in this transaction, provided the timing and other requirements in 12 CFR 563b.3(g)(4) are met.

Compliance With Federal Law Required: The Department requires that all legal requirements of the Federal Deposit Insurance Corporation ("FDIC"), and the Board of Governors of the Federal Reserve System ("Federal Reserve") regarding SHC's involvement in the proposed transaction, be met by Bank, SHC, Interim A, and Interim B (the "parties"). By this condition, the Department is requiring compliance with "all applicable [including federal] laws" by the parties regarding elimination of MHC, and creation and establishment of SHC as parent to Bank, consistent with section 1609(e)(i)(D) of the Banking Code. As evidence of compliance with federal law, the parties shall provide the Department with a copy of any approval or nonobjection letters respectively received from the FDIC and the Federal Reserve regarding the proposed transaction.

Adequately Protected Interests of Depositors, Other Creditors, and Shareholders: The Department finds that the Plan of Conversion From Mutual Holding Company to Stock Holding Company and Agreement and Plan of Reorganization "adequately protect[s] the interest of depositors, other creditors and shareholders, if any, of a savings bank which is a party to the plan" consistent with section 1609(e)(i)(C) of the Banking Code. The Department finds that preemptive rights of depositors are adequately protected by the conditions and conclusions of the Department stated herein, consistent with section 1609(j) of the Banking Code. Present shareholders of Bank will retain the percentage ownership in Bank through their indirect ownership of Bank accomplished by exchanging their % of Bank shares for % of SHC shares prior to issuance of stock by SHC to the proposed tiers of persons listed above. Therefore, shareholders' rights are adequately protected in the proposed transaction. Creditors' rights are not affected and, therefore, are adequately protected in the proposed transaction.

Adequate and Sound Banking Transaction: The Department finds that the proposed transaction would be consistent with adequate and sound banking and in the public interest as required by section 1609(e)(i)(E) of the Banking Code on the basis of the financial history and conditions of the parties to the plan, their prospects, the character of their management, the potential effect of the proposed transaction on competition, and the convenience and needs of the area primarily to be served by the resulting corporation, provided the conditions stated herein are met by the parties.

No Voluntary Liquidation for Ten Years: Bank, as the resulting savings bank after completion of Merger A and Merger B, may not be voluntarily liquidated for a period of ten years from the date of the elimination of MHC and establishment of SHC as parent of Bank, pursuant to 7 P.S. § 1609(j).

Conditional Approval of Transaction

Subject to the conditions stated herein, the application is approved by the Department pursuant to sections 103, 115.1, and Chapter 16 of the Banking Code. Bank, SHC, Interim A, and Interim B must confirm in writing, through their counsel or directly, that the conditions stated herein have been met, and that the requirements and conditions stated herein regarding preemptive rights to purchase

stock shall be adhered to by the parties.

The Department's analysis is based upon the facts and conditions as stated in this letter. Any change in the facts could result in a reversal or amendment of the Department's conditional approval of the proposed transaction.

Sincerely,

cc: Patricia DeZelar
Richard DeMartino
Michael Dougherty
John Black
Joseph Moretz
Reginald Evans, Esq.