

AGREEMENT BY AND BETWEEN
COMMUNITY FIRST BANK, N.A.
REYNOLDSVILLE, PA
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

Community First Bank, N.A., Reynoldsville, 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 April 19, 2004 (“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, which supercedes any and all previous agreements between said parties, except as otherwise provided herein.

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
Corporate One Office Park, Suite 300
4075 Monroeville Boulevard
Monroeville, PA 15146

ARTICLE II

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's credit risk management processes and to ensure steadfast compliance with this Agreement, particularly with Article VII herein, Interest Rate Risk Management. The plan shall specify how the Board will implement the plan, set forth a timetable for the implementation of the plan, list the person(s) responsible for actionable items within the plan, and establish appropriate procedures for the implementation of the plan.

(2) Upon completion of the plan, the Board shall submit the plan to the Assistant Deputy Comptroller for review.

(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 III

STRATEGIC PLAN

(1) Within one-hundred twenty (120) days, the Board shall review, and if necessary amend, its existing written strategic plan to determine whether the plan continues to meet the objectives of the Board in light of the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives.

(2) If the Board amends the strategic plan, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection. After the Assistant Deputy Comptroller has advised the Bank that it does not take supervisory objection to the strategic plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the strategic plan.

(3) 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

LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within ninety (90) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management.

The program shall include, but not be limited to:

- (a) procedures to ensure satisfactory and perfected collateral documentation;
- (b) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (c) procedures to ensure conformance with loan approval requirements;
- (d) a system to track and analyze exceptions;
- (e) procedures to ensure conformance with Call Report instructions;
- (f) procedures to ensure the accuracy of internal management information systems;
- (g) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters; and
- (h) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be forwarded 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 program.

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

ARTICLE V

PROFIT PLAN

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three-year written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at 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;
- (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (c) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (d) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The budgets and related documents required in paragraph one above shall be submitted to the Assistant Deputy Comptroller every year upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph 1(b) above

for each year this Formal Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

(4) 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 VI

CAPITAL PLAN

(1) Within thirty (30) days of the adoption of the profit plan required by Article V of this agreement, the Bank shall develop, implement, and maintain a three-year rolling capital plan. The Capital plan, which should be consistent with the profit plan, shall include, at a minimum:

- (a) specific plans for the maintenance of adequate capital;
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank may strengthen its capital structure to meet the Bank's needs;

- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital plan;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60, and
 - (iii) with prior determination of no supervisory objection by the Assistant Deputy Comptroller.

(2) Upon completion of the plan, the 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 Board shall implement and ensure the Bank's adherence to each plan. The Board shall review and update the Bank's capital plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

(3) The capital plan shall be implemented pursuant to the time frames set forth in 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 program developed pursuant to this Article.

ARTICLE VII

INTEREST RATE RISK MANAGEMENT

- (1) Within thirty (30) days, the Board shall retain a qualified external consultant to provide an interest rate risk measurement system to quantify the Bank's level of interest rate risk.
- (2) The Board shall ensure that written contingency plans for interest rate risk scenarios with trigger points for specific actions are implemented and adhered to.
- (3) The Board shall ensure that its interest rate risk management program is maintained and adhered to.
- (4) When revisions to the program are made, a copy of the written description of this program and a copy of the interest rate risk policy and procedures shall be promptly submitted to the Assistant Deputy Comptroller for review.
- (5) 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 VIII

INTERNAL LOAN REVIEW

- (1) The Board shall, within thirty (30) days, retain a qualified external consultant to review the Bank's commercial loan portfolio of credits of \$100,000 and over. The appointment of the consultant shall be subject to review by the Assistant Deputy Comptroller, who shall have veto authority over the appointment.
- (2) Upon receipt of no supervisory objection to the appointment, the consultant shall, within sixty (60) days, report to the Board on the following:
 - (a) the identification, type, rating, and amount of problem loans;

- (b) reasonableness of action plans to resolve basis of concerns on problem credits and timeliness of plan execution and/or collections;
- (c) loans not in conformance with the Bank's lending policies and the volume trends and quality of these non-conforming loans;
- (d) credit and collateral documentation exceptions found and timeframe that the exception has existed;
- (e) loans and the credit quality of loans to executive officers, directors, and principal shareholders (and their related interests) of the Bank;
- (f) the identification and status of credit related violations of law, rule or regulation;
- (g) compliance with generally accepted accounting standards and regulatory guidance;
- (h) the quality of the consumer, indirect auto dealer, and credit card portfolios; and
- (i) effectiveness of management identification, reporting, and management of existing concentrations.

(3) Within thirty (30) days of receipt of the external consultant's review, the Board shall develop an action plan to address all issues found in the review. Upon completion, the Bank shall forward the consultant's report and Board's action plan to the Assistant Deputy Comptroller for review. The Office of the Comptroller of the Currency retains authority to assess the sufficiency of the Board's action plan.

(4) Within one-hundred fifty days (150) days and with the aid of the consultant required by paragraph (1) of this Article, the Board shall develop, implement, and thereafter ensure Bank adherence to a program which provides for:

- (a) timely and comprehensive ongoing financial analysis of borrowers and guarantors to assure accurate risk rating of commercial loan;
- (b) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
- (c) adequacy of credit and collateral documentation; and
- (d) identification and management of concentrations of credit.

(5) Management shall, thereafter, on a quarterly basis, provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans;
- (b) the identification and amount of delinquent loans;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule, or regulation;
- (e) an analysis of concentrations of credit;
- (f) the identification and amount of loans to executive officers, directors, and principal shareholders, and their related interests; and
- (g) the identification of loans not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending policies.

(6) Within one hundred eighty (180) days, the Board shall ensure that the bank's loan review function is effective and ensures the timely and independent identification of problem

loans, and the adoption of appropriate action plans to resolve the basis of criticism in identified problem assets.

(7) The loan review function shall provide written status reports to the Board after each review. Such reports shall, at a minimum, include conclusions regarding the items noted in paragraph 2 of this Article and at least annually, the overall quality of the loan portfolio and credit administration.

(8) The Board shall evaluate the internal loan and lease review report and shall ensure that immediate, adequate, and continuing remedial action is taken to address deficiencies noted in the report.

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

(10) 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 IX

CREDIT AND COLLATERAL EXCEPTIONS

Within one hundred twenty (120) days the Board shall obtain current and satisfactory credit information on all loans 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.

ARTICLE X

COLLECTION PROCEDURES

(1) Within thirty (30) days, the Bank shall develop, implement and thereafter adhere to a written program designed to improve and strengthen collection efforts. The program shall include specific plans to:

- (a) reduce delinquent loans; and
- (b) improve recovery of charged-off assets.

(2) Upon completion, that Board shall submit a copy of the program 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 program developed pursuant to this Article.

ARTICLE XI

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 timeframe 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 timeframe 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 XII

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) 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 M. Calhoun

James M. Calhoun
Assistant Deputy Comptroller
Pittsburgh Field Office

12/16/2004

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.

/s/ Eugene E. Deible, III	12/16/2004 Date
/s/ Henry H. Deible	12/16/2004 Date
/s/ Robert M. Hanak	12/16/2004 Date
/s/ Harry E. Kunselman	12/16/2004 Date
/s/ William L. Mauthe	12/16/2004 Date
/s/ Eugene V. Zanot	12/16/2004 Date
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