

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 21ST day of APRIL, 1992 (the "Effective Date"), by and between Main Line Federal Savings Bank (the "Association"), a federally-chartered mutual association, having its main office located in Villanova, Pennsylvania, and the Office of Thrift Supervision ("OTS"), an office within the Department of the Treasury, a department in the Executive Branch of the United States Government, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C.

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

WHEREAS, the OTS, represented by the Regional Director for the Northeast Region ("Regional Director") is of the opinion that the Association has engaged in acts and practices in operating the business of the Association that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS has determined that the Association is: (i) an association "requiring more than normal supervision" as those terms are used in OTS Regulatory Bulletin 3a-1 and (ii) in a "troubled condition" as those terms are used in Section 32 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1831i and OTS Thrift Bulletin 45 ("TB 45");

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Association will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Board of Directors of the Association (the "Board"), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with the OTS and to demonstrate that they have the intent and ability to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, and other good and sufficient consideration, the parties hereto agree as follows:

I. COMPLIANCE WITH LAWS AND REGULATIONS

1.1. The Association shall comply with the following Federal laws and regulations:

A. Section 5(v) of the Home Owners' Loan Act, 12 U.S.C. §1464(v) and Section 563.180(a) of the OTS Regulations 12 C.F.R. §563.180(a) (regarding periodic reports of condition);

B. Section 563.93 of the OTS Regulations, 12 C.F.R. §563.93 (regarding lending limitations);

C. Sections 563.160 and 571.26 of the OTS Regulations, 12 C.F.R. §§563.160 and 571.26 (regarding self-classification of assets and establishment of prudent allowances);

D. Section 563.161 of the OTS Regulations, 12 C.F.R. §563.161 (regarding management and financial policies);

E. Section 563.170(c) of the OTS Regulations, 12 C.F.R. §563.170(c) (regarding establishment and maintenance of records);

F. Section 563.172 of the OTS Regulations, 12 C.F.R. §563.172 (regarding re-evaluation of assets; adjustment of book value; adjustment charges); and

G. Section 563.233(b) of the OTS Regulations, 12 C.F.R. §563.233 (regarding accounting principles and procedures; books and records supporting financial statements).

II. CORRECTIVE PROVISIONS

2.1. Full-Time President and Chief Executive Officer

The Association shall hire a full-time President and Chief Executive Officer as soon as possible, but in no event later than June 30, 1992. As required by Section 32 of the FDIA and TB 45, the Association shall provide at least 30 days prior notice to the OTS before the employment becomes effective.

2.2. Internal Audit.

A. Policy. No later than 90 days of the Effective Date, the Board shall adopt and implement an internal audit policy. Approval of the policy by the Board shall be documented in the Board minutes. The policy shall, at a minimum:

(1) provide an Internal Audit Program that requires periodic review and testing regarding physical and accounting controls with respect to: (a) those items listed in FHLBB Bulletin IA-5 (attached), (b) data and information gathering with respect to the Thrift Financial Reports ("TFR"), (c) wire transfers and (d) escheated accounts;

(2) provide that the internal auditor report only to an Audit Committee consisting solely of outside directors;

(3) provide that the Audit Committee meet no less than monthly and that minutes (including documents submitted to the Audit Committee for its consideration) of those meetings shall be kept.

B. Quarterly Reports. The internal auditor shall, on a quarterly basis, prepare a report for the Board which shall, at a minimum, document the results of the testing and review conducted during the preceding three months.

C. Review by the Board. The Board shall review the quarterly report specified in Section 2.2(B) and such review shall be documented in the Board minutes.

D. Staffing. No later than June 30, 1992, the Audit Committee shall assess and report to the Board on whether the internal audit department is staffed sufficiently to carry out its responsibilities under the Internal Audit Program. Such assessment and report shall be documented in writing and shall be attached to the minutes of the Board meeting at which it is considered by the Board.

2.3. Ensuring the Accuracy of the Thrift Financial Reports.

A. Special Review By Internal Audit Department. No later than May 10, 1992, the internal audit department shall perform a complete review of the Association's information and data gathering system surrounding the TFR's.

B. Preparation of TFR. The TFR's shall be prepared by and under the direction of the Association's Accounting Manager. The Accounting Manager shall be listed as the report preparer on the TFR.

C. Reconciliation of Audited Financial Statements To TFR. Beginning with the fiscal year ended December 31, 1991, the Association shall cause its independent auditors to reconcile the audited financial statements to the Association's TFR each year in connection with its independent audit. The reconciliation schedule shall be conspicuously set forth in the independent audit report.

2.4. Reports Of Mortgage Banking Activity.

The Association shall improve the management of its mortgage banking activities by the preparation and periodic review of the following reports: (i) Pipeline Position Report (which shall provide, inter alia, for stratification of the "pipeline" position into interest rate bands), (ii) Warehouse Inventory Reports (which shall provide, inter alia, for an aging of the mortgage warehouse) (iii) Loan Production Reports and (iv) Loan Tracking Reports.

2.5. Establishment of Allowances.

A. Portfolio Evaluation Program. Within 30 days after the Effective Date, the Association shall adopt/modify and implement a comprehensive portfolio evaluation program ("Program") that ensures: (i) the proper reporting of assets criticized as "Loss", "Doubtful", "Substandard" or "Special Mention (collectively "Criticized Assets") and (ii) the establishment of appropriate valuation allowances to reflect credit risk in its portfolio (including contingencies). The Program shall, inter alia, name a management official responsible for carrying out the program that: (i) is independent of the lending function and (ii) reports directly to the Board of Directors.

B. Board of Directors Resolution. Within 20 days after the end of each calendar quarter, the Board of Directors shall adopt a corporate resolution certifying that the Board has reviewed and determined that the level of general valuation allowances ("GVA's") and specific valuation allowances ("SVA's") reported on Schedule VA of the quarterly TFR appropriately reflect the level of current and anticipated credit exposure in the Association's portfolio. The Board shall consider and attach to the corporate resolution:

(1) a listing of all Criticized Assets in the most recent OTS Report of Examination and/or identified internally as a Criticized Asset and reported on Schedule TA of the TFR, including for each asset: (a) the loan or other identification number, (b) the borrower or title of the asset, (c) the association's recorded investment (i.e. principal balance, plus accrued interest, plus or minus related discounts or premiums), (d) the amount classified as special mention, substandard, doubtful or loss, (e) specific valuation allowances established against the asset and (f) the carrying amount of the asset (recorded investment minus loss allowances) and

(2) an analysis of the adequacy of the Association's GVA's prepared by management.

2.6. Asset Workout Policies/Asset Action Plans.

A. Within 30 days after the Effective Date, the Board of Directors shall adopt and implement a comprehensive asset workout policy. The workout policy shall provide for, at a minimum:

(1) establishment of an asset workout group whose responsibilities shall be: (a) to develop and implement asset action plans with respect to each asset referred to the workout group, and (b) to report to the Association's Board of Directors on the status of workout efforts on a monthly basis,

(2) the identification of all assets that will be referred to the asset workout group, which shall include, at a minimum, all assets over \$500,000 that are reported as: (a) Criticized Assets in the most recent OTS Report of Examination and/or (b) identified internally as a Criticized Asset,

(3) a comprehensive analysis of all loan documents and related correspondence,

(4) a realistic analysis of: (a) the available cash flow to service the debt, (b) the value of any collateral and (c) the ability to enforce any guarantees,

(5) an assessment of potential legal issues relating to the workout, and

(6) based on the above, the development of an asset action plan for the workout of each asset referred to the workout group, including a proposed timetable for each suggested action.

B. Each asset action plan shall, inter alia, identify the amount (if any) of any additional disbursements planned or contemplated for each asset, and contain a description of any contemplated modifications, extensions or renewals in connection with the asset.

2.7. Business Plan.

A. Revision of Business Plan. No later than ninety days following the engagement of a chief executive officer, the Association shall adopt a revised business plan.

B. Contents. The business plan shall identify the major areas in, and means by which the Board will seek to improve the Association's operating performance. At a minimum, the business plan shall address/incorporate:

(i) the Association's objectives, operating strategy and business philosophy (including time frames in which management is expected to accomplish the stated objectives and provisions for monitoring progress)

(ii) the Association's present financial condition and risk profile (i.e. capital, earnings, credit risk, interest rate risk and liquidity risk);

(iii) limitations, as a percentage of Total Assets or in the aggregate, on the Association's investment in high risk lending (e.g. land loans, land acquisition and development loans, non-residential loans, service corporation loans etc.)

(iv) budget and budget review procedures that compare actual results with prior projections;

(v) profit composition;

(vi) market penetration; and

(vii) deposit solicitation practices.

C. Review by Board. The business plan and its implementation by management shall be reviewed by the Board at least once during every calendar quarter and such review shall be documented in the Board minutes. The Board shall in addition to such quarterly reviews, review the business plan annually to determine if revisions are required and shall revise the business plan accordingly.

2.8. Loans To One Borrower.

The Association shall immediately develop a plan to correct the loans to one borrower violation addressed on Page 11 of the Report of Examination dated September 30, 1991 ("ROE").

2.9. Miscellaneous Revisions To Policies.

To the extent that it has not already done so, no later than April 30, 1992, the Association shall amend its policies to address the deficiencies cited on Pages 12 through 14 of the ROE.

2.10. Asset Growth.

Without the prior written approval of the Regional Director, the Association 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.

2.11. Service Corporation Loans/Nonaccrual Status.

To the extent that it has not already done so, the Association shall place all secured and unsecured loans to its service corporations that were classified in the report on nonaccrual status.

III. MISCELLANEOUS

3.1. Compliance with Agreement.

A. The Board of Directors and the executive officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.

B. The Board, on a monthly basis, shall adopt a Board Resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption issued by the Regional Director that were outstanding as of the date of its adoption.

C. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each Director voting in favor of its adoption; and (ii) the identity of each Director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such Director's reasoning for opposing or abstaining.

D. No later than the 25th Business Day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolutions adopted at the Board meeting of each month in such calendar quarter. The Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Association.

3.2. Director Responsibility.

Notwithstanding the requirements of this Agreement that the Board of Directors submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty.

3.3. Definitions:

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the terms used in this Agreement have the meanings assigned to them in this Section 3.3 and include the plural as well as the singular; (b) all accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, except that if such terms are defined in the Rules and Regulations of the OTS, such regulatory definitions shall be controlling; (c) all terms not otherwise defined herein that are defined in the HOLA, the FDIA, FIRREA, the Rules and Regulations of the OTS or its publicly available Bulletins and Advisory Memoranda shall have the meanings assigned to them in such statutes, Rules and Regulations, Bulletins, and Advisory Memoranda; and (d) all technical words or terms not subject to a definition in this Agreement shall have the meanings that accord with the best custom and usage in the thrift and banking industries.

"Advisory Memoranda" refers to inter alia, R Memoranda and T Memoranda issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Board Resolution" or "Resolution" means a resolution duly adopted by the Board of Directors at a duly called and held meeting of the Board (or a Committee thereof) at which a quorum was present.

"Bulletins" refers to, inter alia, Regulatory Bulletins, Thrift Bulletins, and PA Bulletins, issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Business Day" means any weekday excluding Federal holidays.

"FDIA" means the Federal Deposit Insurance Act, as amended.

"HOLA" means the Home Owners' Loan Act, as amended, 12 U.S.C. §§ 1461 et seq.

"OTS" refers to the Office of Thrift Supervision, United States Department of the Treasury, or its successor.

"Regional Director" or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, and refers to the Regional Director of the Northeast region of OTS. All references to the Regional Director shall include the Regional Director and/or his designee(s).

"Savings Association" shall have the meaning set forth in Section 2(4) of the HOLA, 12 U.S.C. § 1462(4).

"Total Assets" shall have the meaning set forth in Section 567.1(ff) of OTS Regulations, 12 C.F.R. § 567.1(ff).

3.4. Successor Statutes, Regulations, Guidance, Amendments.

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.

3.5. Notices.

A. 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:

(1) the OTS by the Association, 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, 10 Exchange Place, Jersey City, New Jersey 07302 or telecopied to (201) 413-7543 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

(2) the Association 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, in each case addressed to the Association at Route 320 & Lancaster Avenue, Villanova, Pennsylvania 19085 or telecopied to (215) 526-6227 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. 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.

3.6. Duration, Termination or Suspension of Agreement.

A. This Agreement shall 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).

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

3.7. Effect of Headings.

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

3.8. Separability Clause.

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.

3.9. No Violations of Law, Rule, Regulation or Policy Statement Authorized.

Nothing in this Agreement shall be construed as allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject.

3.10. Successors in Interest/Benefit.

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.

3.11. Signature of Directors.

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

3.12. Enforceability of Agreement.

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Association, 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

By:

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Name: Robert C. Albanese
Title: Deputy Regional Director

THE ASSOCIATION

By:

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Name: JOHN R. EPPINGER
~~Chief Executive Officer~~ Chairman

DIRECTORS OF THE ASSOCIATION

Director

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Director

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Director

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Director

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Director

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Director

Director

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Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Main Line Federal Savings Bank (the "Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on APRIL 21, 1992

2. At said meeting a quorum was present and voting throughout;

3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that said Board and the Association have the intent and ability to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices;

WHEREAS the Directors of the Association have read and considered the proposed Supervisory Agreement ("Agreement") which shall be attached to the minutes of this meeting; and

WHEREAS after due consideration, the Directors of the Association have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Association be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting. (except N/A) and all members of the Board of Directors (except N/A) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 21ST day of APRIL, 1992.

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Name: ROBERT A. PUCCI
Title: SECRETARY

(SEAL)