

OFFICE OF THRIFT SUPERVISION

Approval of Organization and Acquisition of a Federal De Novo Stock Savings Bank, and Application Under the Bank Merger Act

Order No. 98-99

Date: September 14, 1998

Nittany Financial Corp. (the "Holding Company"), has applied to the Office of Thrift Supervision ("OTS") to organize and acquire a federal de novo stock savings bank to be known as Nittany Bank, State College, Pennsylvania (the "Institution"), pursuant to Sections 5(e) and 10(e) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. Sections 1464(e) and 1467a(e) and 12 C.F.R. Sections 552.2-1 and 574.3.

In addition, the Institution has applied under 12 U.S.C. Sections 1828(c) and 1815(d)(3) and 12 C.F.R. Section 563.22 to acquire two branch offices from First Commonwealth Bank (the "Seller"), a state chartered commercial bank located in Indiana, Pennsylvania. The branches are located at 116 East College Avenue and 1276 North Atherton Street, State College, Pennsylvania.

The OTS has considered the Applications under the standards set forth at 12 U.S.C. Sections 1464(e), 1467a(e), 1815(d)(3) and 1828(c), and at 12 C.F.R. Sections 543.3, 552.2-1, 563.22 and 574.7, and other applicable statutes and regulations. Also, the OTS has considered the proposed transactions under the Community Reinvestment Act ("CRA"), 12 U.S.C. Section 2901 et seq., and the OTS regulations thereunder at 12 C.F.R. Part 563e. In addition, the OTS has considered the digests prepared by the Northeast Regional Office and Corporate Activities, and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda").

For the reasons set forth in the Staff Memoranda, the OTS has concluded that the organization of the Institution, the acquisition of the Institution by the Holding Company and the acquisition of the Seller's two branches by the Institution would be in compliance with all applicable statutes and regulations provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved subject to the following conditions:

1. The Holding Company and the Institution must receive all required regulatory approvals prior to the establishment of the Institution with copies of all such approvals supplied to the Northeast Regional Office;
2. On the business day prior to opening for business, the Holding Company must advise the Regional Director, in writing, that there have been no material adverse changes with respect to the information currently before the OTS, including but not limited to directors, proposed shareholders or the business plan; and that no additional information having a material adverse bearing on any feature of the Applications exists;
3. The proposed transaction must not be consummated earlier than 15 days after the date of this approval order, and must not be consummated more than 120 days after the date of this approval order unless an extension is granted for good cause by the Regional Director;

4. At least 10 calendar days before opening, the Holding Company must provide the Northeast Regional office with a list of its shareholders, including names, addresses, number of shares purchased and percentage of total shares. Any individuals presumed to be acting in concert pursuant to 12 C.F.R. Section 574.4 must also be listed and all relationships disclosed;
5. No later than 5 days after opening for business, the Chief Financial Officer must provide the Northeast Regional Office with a reconciliation of capital for both the Institution and the Holding Company;
6. No later than 10 calendar days from the later of receipt of insurance of accounts or opening for business, the officers, organizers and directors must file with the Regional Director a certification by legal counsel stating the effective date of the completion of the organization of the Institution, and that completion of the organization of the Institution has been consummated in accordance with the provisions of all applicable laws and regulations (including state and federal securities law requirements), the Applications, and this Order;
7. The Institution must submit independent audit reports to the Northeast Regional Office for its first three fiscal years. These reports must be in compliance with the audit rules set forth in 12 C.F.R. Section 562.4;
8. The Institution must operate within the parameters of the submitted business plan. Any proposed major deviations or material changes from the submitted plan must receive the prior written approval of the Regional Director. The request for approval must be submitted a minimum of 30 days before the proposed change is anticipated. In the event of a proposed contractual change involving service providers, a revised plan must be submitted a minimum of 15 days prior to entering into the contract;
9. Any changes that the Institution initiates to its CRA plan within the three year period following approval of the application must be subject to the approval of the Regional Director;
10. Messrs. Musso, Richards, Arrington and Barrickman, and the unnamed board members must obtain written approval from the Northeast Regional Director prior to their permanent appointment or employment by the Institution or Holding Company; and
11. The Savings Bank's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC") including the May 5, 1997 *FFIEC Year 2000 Project Management Awareness* statement, the December 17, 1997 *FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk*, the March 17, 1998 *FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness*, the March 17, 1998 *FFIEC Guidance Concerning the year 2000 Impact on Customers*, the April 10, 1998 *Guidance Concerning Testing for Year 2000 Readiness*, the May 13, 1998 *Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness*, the May 13, 1998 *Guidance on Year 2000 Customer Awareness Programs* and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or her designee, effective
September 14, 1998.


Richard M. Riccobono
Deputy Director