

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

NORTHEAST PENNSYLVANIA FINANCIAL CORP

CIK: **1050996** | IRS No.: **061504091** | State of Incorporation: **DE** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **001-13793** | Film No.: **02645931**
SIC: **6036** Savings institutions, not federally chartered

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-13793

NORTHEAST PENNSYLVANIA FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

DELAWARE 06-1504091
(State or other jurisdiction of incorporation or organization)(I.R.S. Employer Identification No.)

12 E. BROAD STREET, HAZLETON, PENNSYLVANIA 18201
(Address of principal executive offices) (Zip Code)

(570) 459-3700
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changes since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The Registrant had 4,423,530 shares of Common Stock outstanding as of May 14, 2002.

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Northeast Pennsylvania Financial Corp.
Consolidated Statements of Financial Condition (unaudited)
March 31, 2002 and September 30, 2001
(in thousands)

	March 31, 2002 ----	September 30, 2001 ----
Assets		
Cash and cash equivalents	\$21,802	\$9,060
Securities available-for-sale	287,419	243,648
Securities held-to-maturity (estimated fair value of \$3,474 at March 2002 and \$17,819 at September 2001)	3,652	17,842
Loans (less allowance for loan losses of \$5,037 for March 2002 and \$4,497 for September 2001)	498,987	498,151
Accrued interest receivable	7,211	6,892
Assets acquired through foreclosure	448	390
Property and equipment, net	12,755	12,165
Goodwill	3,657	3,032
Intangible Assets	9,299	9,280
Other assets	6,708	8,370
	-----	-----
Total assets	\$851,938 =====	\$808,830 =====
Liabilities and Equity		
Deposits	\$564,752	\$ 515,735
Federal Home Loan Bank advances	208,431	204,441
Other borrowings	6,640	5,990
Advances from borrowers for taxes and insurance	1,015	646
Accrued interest payable	1,854	2,130
Other liabilities	1,988	4,051
	-----	-----
Total liabilities	\$784,680 -----	\$732,993 -----
Preferred stock (\$.01 par value; 2,000,000 authorized shares; 0 shares issued)	-	-
Common stock (\$.01 par value; 16,000,000 authorized shares; 6,427,350 shares issued)	64	64
Additional paid-in capital	61,957	62,142
Common stock acquired by stock benefit plans	(4,677)	(5,213)
Retained earnings - substantially restricted	37,669	36,136
Accumulated other comprehensive income (loss)	(1,432)	894
Treasury stock, at cost (2,003,820 shares for March 2002 and 1,533,945 shares for September 2001)	(26,323)	(18,186)

Total equity	\$67,258	\$75,837
Total liabilities and equity	\$851,938	\$808,830

Northeast Pennsylvania Financial Corp.
Consolidated Statements of Operations (unaudited)
For the Three Months Ended March 31, 2002 and 2001
(in thousands, except per share data)

	For the Three months ended March 31,	
	2002	2001
	----	----
Interest Income:		
Loans	\$9,912	\$9,748
Mortgage-related securities	2,172	1,590
Investment securities:		
Taxable	1,491	1,746
Non-taxable	233	456
	---	---
Total interest income	13,808	13,540
Interest Expense:		
Deposits	4,250	5,136
Federal Home Loan Bank advances and other	2,938	2,900
	----	----
Total interest expense	7,188	8,036
Net interest income	6,620	5,504
Provision for loan losses	290	264
	---	---
Net interest income after provision for loan losses	6,330	5,240
Non-interest Income:		
Service charges and other fees	494	403
Insurance premium income	724	488
Trust fee income	195	132
Other income (expense)	105	(7)
Gain (loss) on sale of:		
Real estate owned	(11)	9
Loans	87	19
Available-for-sale securities	23	132
	--	---
Total non-interest income	1,617	1,176
Non-interest Expense:		
Salaries and net employee benefits	3,086	2,575
Occupancy costs	752	694
Amortization of intangibles	234	343
Data processing	167	175
Professional fees	306	162
Federal Home Loan Bank and other service charges	245	197
Other	1,169	951
	----	---
Total non-interest expense	5,959	5,097
Income before income taxes	1,988	1,319
Income taxes	758	296
	---	---
Net income	\$1,230	\$1,023
	=====	=====
Earnings per share - basic	\$0.31	\$0.21
	=====	=====

Earnings per share - diluted

\$0.29

\$0.21

=====

=====

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Northeast Pennsylvania Financial Corp.
 Consolidated Statements of Comprehensive Income (Loss) (unaudited)
 For the Three Months Ended March 31, 2002 and 2001
 (in thousands, except per share data)

	For the Three Months Ended	
	March 31,	
	2002	2001
	----	----
Net Income	\$1,230	\$1,023
Other comprehensive income (loss), net of tax		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	\$(1,552)	\$1,999
Less: Reclassification adjustment for gains included in net income	15	87
	-----	-----
Other comprehensive income (loss)	\$ (1,567)	\$1,912
	-----	-----
Comprehensive income (loss)	\$ (337)	\$2,935
	=====	=====

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Northeast Pennsylvania Financial Corp.
 Consolidated Statements of Operations (unaudited)
 For the Six Months Ended March 31, 2002 and 2001
 (in thousands, except per share data)

	For the Six Months Ended	
	March 31,	
	2002	2001
	----	----
Interest Income:		
Loans	\$19,950	\$19,304
Mortgage-related securities	4,029	2,601
Investment securities:		
Taxable	3,058	3,678
Non-Taxable	475	918
	---	---
Total interest income	27,512	26,501
Interest Expense:		
Deposits	8,654	10,359
Federal Home Loan Bank advances and other	5,845	5,419
	-----	-----
Total interest expense	14,499	15,778
Net interest income	13,013	10,723
Provision for loan losses	677	264
	---	---
Net interest income after provision for loan losses	12,336	10,459
Non-interest Income:		
Service charges and other fees	1,003	768
Insurance premium income	1,443	565
Trust fee income	348	270
Other income (expense)	186	(95)

Gain (loss) on the sale of:		
Real estate owned	(21)	5
Loans	239	497
Available-for-sale securities	(11)	(51)
	----	----
Total non-interest income	3,187	1,959
Non-interest Expense:		
Salaries and net employee benefits	6,070	4,686
Occupancy costs	1,417	1,272
Amortization of intangibles	513	535
Data processing	332	345
Professional fees	571	360
Federal Home Loan Bank and other service charges	483	378
Other	2,277	1,709
	----	----
Total non-interest expense	11,663	9,285
Income before income taxes	3,860	3,133
Income taxes	1,352	818
	----	---
Net income	\$2,508	\$2,315
	=====	=====
Earnings per share - basic	\$0.59	\$0.49
	=====	=====
Earnings per share - diluted	\$0.56	\$0.47
	=====	=====

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Northeast Pennsylvania Financial Corp.
Consolidated Statement of Comprehensive Income (Loss) (unaudited)
For the Six Months Ended March 31, 2002 and 2001
(in thousands)

	For the Six Months Ended March 31,	
	2002	2001
	----	----
Net Income	\$2,508	\$2,315
	=====	=====
Other comprehensive income (loss), net of tax		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	\$ (2,333)	\$ 3,627
Less: Reclassification adjustment for losses included in net income	(7)	(34)
	-----	-----
Other comprehensive income (loss)	\$ (2,326)	\$ 3,661
	-----	-----
Comprehensive income	\$182	\$5,976
	=====	=====

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Northeast Pennsylvania Financial Corp.
Consolidated Statements of Changes in Equity (unaudited)
For the Three Years Ended September 30, 2001, 2000 and 1999
and the Six Months Ended March 31, 2002
(in thousands)

	Common	Additional Paid	Common Stock Acquired by Stock benefit	Retained	Accumulated Other Comprehensive	Treasury	Total
--	--------	--------------------	--	----------	---------------------------------------	----------	-------

	Stock	In Capital	Plans	Earnings	Income (loss)	Stock	Equity
	-----	-----	-----	-----	-----	-----	-----
Balance, September 30, 1998	\$ 64	\$ 62,083	\$ (4,799)	\$ 27,208	\$ 2,878	\$ -	\$ 87,434
Unearned stock awards			(3,312)				(3,312)
ESOP shares committed to be released		77	557				634
Stock awards		(41)	488				447
Net changes in gains (losses) on securities available for sale, net of tax					(5,752)		(5,752)
Treasury stock at cost, (626,667 shares)						(7,585)	(7,585)
Cash dividend paid				(955)			(955)
Net income				4,565			4,565
Balance, September 30, 1999	\$ 64	\$ 62,119	\$ (7,066)	\$ 30,818	\$ (2,874)	\$ (7,585)	\$ 75,476
ESOP shares committed to be released		89	328				417
Stock awards		(44)	517				473
Net changes in gains (losses) on securities available for sale, net of tax					(837)		(837)
Treasury stock at cost, (507,534 shares)						(4,943)	(4,943)
Cash dividend paid				(1,547)			(1,547)
Net income				3,936			3,936
Balance, September 30, 2000	\$ 64	\$ 62,164	\$ (6,221)	\$ 33,207	\$ (3,711)	\$ (12,528)	\$ 72,975
ESOP shares committed to be released		105	443				548
Stock awards		(49)	565				516
Stock options exercised (32,808 shares)		(204)				391	187
Net changes in gains on securities available for sale, net of tax					4,605		4,605
Treasury stock at cost (647,604 shares)						(8,423)	(8,423)
Acquisition of Higgins Insurance Agency (215,052 shares)		126				2,374	2,500
Cash dividend paid				(1,878)			(1,878)
Net income				4,807			4,807
Balance, September 30, 2001	\$ 64	\$ 62,142	\$ (5,213)	\$ 36,136	\$ 894	\$ (18,186)	\$ 75,837
ESOP shares committed to be released		199	257				456
Stock awards		(24)	279				255
Stock options exercised (29,114 shares)		(360)				710	350
Treasury stock reissuance (6,568 shares)						85	85
Net changes in gains on securities available for sale, net of tax					(2,326)		(2,326)
Treasury stock at cost (505,557 shares)						(8,932)	(8,932)
Cash dividend paid				(975)			(975)
Net income				2,508			2,508
Balance, March 31, 2002	\$ 64	\$ 61,957	\$ (4,677)	\$ 37,669	\$ (1,432)	\$ (26,323)	\$ 67,258

Northeast Pennsylvania Financial Corp.
Consolidated Statements of Cash Flows (unaudited)
For the Six Months Ended March 31, 2002 and 2001
(in thousands)

	For the Six Months Ended March 31,	
	2002	2001
	----	----
Operating Activities:		
Net Income	\$2,508	\$ 2,315
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for REO loss	581	203
Provision for loan losses	677	264
Depreciation	718	687
Amortization of intangibles	513	535
Deferred income tax provision	3,105	2,828
ESOP expense	456	301
Stock award expense	255	208
Amortization and accretion on:		

Held-to-maturity securities	(9)	(3)
Available-for-sale securities	281	(358)
Amortization of deferred loan fees	(301)	(204)
(Gain) loss on sale of:		
Assets acquired through foreclosure	21	(5)
Loans	(239)	(497)
Available-for-sale securities	11	51
Changes in assets and liabilities:		
Increase in accrued interest receivable	(319)	(1,103)
Increase in other assets	(1,293)	(14,972)
Decrease in accrued interest payable	(276)	(904)
Decrease in accrued income taxes payable	(2,089)	(807)
Increase in other liabilities	26	2,064
	-----	-----
Net cash provided by (used in) operating activities	\$4,626	\$ (9,397)
Investing Activities:		
Net increase in loans	\$ (13,179)	\$ (73,660)
Net proceeds received from acquisition of Schuylkill Savings and Loan Association	161	
Proceeds from sale of:		
Available-for-sale securities	16,787	48,811
Held to maturity securities	-	3,983
Assets acquired through foreclosure	522	158
Loans	11,024	1,916
Proceeds from repayments of held-to-maturity securities	14,199	-
Proceeds from repayments of available-for-sale securities	36,759	8,445
Purchase of:		
Held-to-maturity securities	-	(6,454)
Available-for-sale securities	(101,153)	(93,929)
Office properties and equipment	(1,308)	(2,608)
Federal Home Loan Bank stock	(250)	(11,000)
	-----	-----
Net cash used in investing activities	\$ (36,438)	\$ (124,338)
Financing Activities:		
Net increase in deposit accounts	\$49,017	\$ 61,665
Net increase (decrease) in Federal Home Loan Bank short-term advances	(6,000)	4,500
Borrowings of Federal Home Loan Bank long-term advances	10,000	110,000
Repayments of Federal Home Loan Bank long-term advances	(10)	(41,010)
Net increase in advances from borrowers for taxes and insurance	369	513

Northeast Pennsylvania Financial Corp.
Consolidated Statements of Cash Flows (unaudited)
For the Six Months Ended March 31, 2002 and 2001
(in thousands)

	For the Six Months Ended March 31,	
	2002	2001
	----	----
Net increase in other borrowings	650	3,622
Purchase of treasury stock	(8,932)	(2,569)
Stock issued for the purchase of Higgins Insurance Associates, Inc.	85	2,500
Stock options exercised	350	187
Cash dividend on common stock	(975)	(903)
	-----	-----
Net cash provided by financing activities	\$44,554	\$138,505
Increase in cash and cash equivalents	12,742	4,770
Cash and cash equivalents, beginning of year	9,060	6,295
	-----	-----
Cash and cash equivalents, end of year	\$21,802	\$11,065
	=====	=====

Supplemental disclosures of cash flow information:
Cash paid during the period for:

Interest	\$14,775	\$16,682
	=====	=====
Income taxes	\$324	\$535
	=====	=====
Supplemental disclosure - non-cash and financing information:		
Transfer from loans to real estate owned	\$1,181	\$827
	=====	=====
Net change in unrealized losses on securities available-for-sale, net of tax	\$2,326	\$5,967
	=====	=====

Northeast Pennsylvania Financial Corp.
Notes to Consolidated Financial Statements (unaudited)

1. Summary of Significant Accounting Policies

Basis of Financial Statements Presentation

The accompanying consolidated financial statements were prepared in accordance with instructions to Form 10-Q, and therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. However, all normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the financial statements, have been included. These financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report for the period ended September 30, 2001. The results for the three and six months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended September 30, 2002.

Principles of Consolidation and Presentation

The accompanying financial statements of the Company include the accounts of First Federal Bank (the "Bank"), Northeast Pennsylvania Trust Co. ("Trust Co."), Abstractors, Inc., Higgins Insurance Agency ("Higgins") and FIDACO, Inc. The Bank, the Trust Co., Abstractors, and Higgins are wholly-owned subsidiaries of the Company. The Trust Co. offers trust, estate and asset management services and products. Abstractors, Inc. is a title insurance agency. Higgins provides insurance and investment products to individuals and businesses. FIDACO, Inc. is an inactive subsidiary of First Federal Bank and its only major asset is an investment in Hazleton Community Development Corporation. All material inter-company balances and transactions have been eliminated in consolidation. Prior period amounts are reclassified, when necessary, to conform with the current year's presentation.

The Company follows accounting principles and reporting practices which are in accordance with generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to determination of the allowance for loan losses, the evaluation of deferred taxes and the evaluation of other than temporary impairment for certain investments.

Business

The Company is the holding company for the Bank, the Trust Co., Abstractors, Inc., and Higgins. The Company through its subsidiaries serves Northeastern and Central Pennsylvania through nineteen full service community banking office locations, three financial centers and a loan production office. The Company provides a wide range of financial services to individual, small business and corporate customers.

The Company and all subsidiaries are subject to competition from other financial institutions and companies that provide financial services. The Company, the Bank, the Trust Co. and Higgins are subject to the regulations of federal and state agencies and undergo periodic examinations by those regulatory authorities.

Earnings per Share

The following table presents the reconciliation of the numerators and denominators of the basic and diluted EPS computations.

	Three months ended March 31,		Six months ended March 31,	
	2002	2001	2002	2001
	----	----	----	----
	(unaudited)			
	(Dollars in thousands, except per share data)			
Basic:				
Net Income	\$1,230	\$1,023	\$2,508	\$2,315
	=====	=====	=====	=====
Weighted average shares outstanding				

Plus: ESOP shares released or committed to be released	3,811,299	4,648,655	4,016,884	4,587,369
	212,105	160,684	205,678	154,257
	-----	-----	-----	-----
Basic weighted-average shares outstanding	4,023,404	4,809,339	4,222,562	4,741,626
	=====	=====	=====	=====
Earnings per share - basic	\$0.31	\$0.21	\$0.59	\$0.49
	=====	=====	=====	=====

Three months ended
 March 31,
 2002 2001 2002 2001
 ---- ---- ---- ----
 (unaudited)
 (Dollars in thousands, except per share data)

Diluted: (1)				
Net Income	\$1,230	\$1,023	\$2,508	\$2,315
	=====	=====	=====	=====
Basic weighted shares outstanding	4,023,404	4,809,339	4,222,562	4,741,626
Dilutive Instruments:				
Dilutive effect of outstanding stock options	211,577	25,798	199,043	5,213
Dilutive effect of stock awards	26,114	132,289	26,430	142,871
	-----	-----	-----	-----
Dilutive Shares Outstanding	4,261,095	4,967,426	4,448,035	4,889,710
	=====	=====	=====	=====
Earnings per share - diluted	\$0.29	\$0.21	\$0.56	\$0.47
	=====	=====	=====	=====

(1) Diluted earnings per share include the dilutive effect of the Company's weighted average stock options/awards outstanding using the Treasury Stock method.

The Company had 293,062 and 406,006 anti-dilutive common stock options outstanding as of March 31, 2002 and 2001, respectively. These options are not included in the calculations of diluted earnings per share for the periods presented.

2. Conversion to Stock Form of Ownership

The Company is a business corporation formed at the direction of the Bank under the laws of Delaware on December 16, 1997 in connection with the Bank's conversion from the mutual to stock form of ownership (the "Conversion"). On March 31, 1998, the Company issued its common stock, par value \$.01 per share (the "Common Stock").

The Bank established a liquidation account at the time of the Conversion in an amount equal to the equity of the Bank as of September 30, 1997. In the unlikely event of a complete liquidation of the Bank, (and only in such an event), eligible depositors who continue to maintain accounts at the Bank shall be entitled to receive a distribution from the liquidation account. The amount of the liquidation account decreases to the extent the balances of eligible deposits decrease. The liquidation account approximated \$8.0 million at September 30, 2001.

The Company may not declare or pay dividends on its stock if such declaration and payment would violate statutory or regulatory requirements, including reducing the Bank's regulatory capital below the amount in the liquidation account.

In addition to the 16,000,000 authorized shares of Common Stock, the Company authorized 2,000,000 shares of preferred stock with a par value of \$.01 per share (the "Preferred Stock"). The Board of Directors is authorized, subject to any limitations by law, to provide for the issuance of the shares of Preferred Stock in series, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. As of March 31, 2002, there were no shares of Preferred Stock issued.

3. Goodwill and Intangible Asset-Adoption of Statement 142

In connection with Statement of Financial Accounting Standards ("SFAS") No. 142's (the "Statement") transitional goodwill impairment evaluation, the Statement will require the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No.141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss would be recognized as the cumulative effect of a change in accounting principle in the Company's statement of earnings. The Company had completed its evaluation and, based on the evaluation of the Bank's operations by an independent third party, there was no indication of transitional impairment losses as of the date of adoption.

As of the date of adoption, the Company had unamortized goodwill in the amount of \$3.1 million, which will be subject to the transition provisions of SFAS No.141 and No.142. Amortization expense related to goodwill was \$0 and \$71,000 for the three months ended March 31, 2002 and 2001, and \$0 and \$84,000 for the six months ended March 31, 2002 and 2001, respectively.

The following tables represent the effect on net income and earnings per share had goodwill not been amortized:

For the Three Months Ended
March 31,
2002 2001
---- ----
(unaudited)
(Dollars in thousands, except per share data)

Goodwill amortization (net of tax)	-	\$(44)
Net income	\$1,230	\$1,023

For the Three Months Ended
March 31,
2002 2001
---- ----
(unaudited)
(Dollars in thousands, except per share data)

Net Income	\$1,230	\$1,023
	=====	=====
Addback: Goodwill amortization (net of tax)	-	44
		--
Adjusted net income	\$1,230	\$1,067
	=====	=====
Basic earnings per share:		
Net income	\$0.31	\$0.21
Goodwill amortization	-	0.01
	-	----
Adjusted net income	\$0.31	\$0.22
	=====	=====
Diluted earnings per share:		
Net income	\$0.29	\$0.21
Goodwill amortization	-	-
	-	-
Adjusted net income	\$0.29	\$0.21
	=====	=====

For the Six Months Ended
March 31,
2002 2001
---- ----
(unaudited)
(Dollars in thousands, except per share data)

Goodwill amortization (net of tax)	-	\$(51)
Net income	\$2,508	\$2,315

For the Six Months Ended
March 31,
2002 2001
---- ----
(unaudited)

Net Income	\$2,508	\$2,315
	=====	=====
Addback: Goodwill amortization (net of tax)	-	51
		--
Adjusted net income	\$2,508	\$2,366
	=====	=====
Basic earnings per share:		
Net income	\$0.59	\$0.49
Goodwill amortization	-	0.01
	-	----
Adjusted net income	\$0.59	\$0.50
	=====	=====
Diluted earnings per share:		
Net income	\$0.56	\$0.47
Goodwill amortization	-	0.01
	-	----
Adjusted net income	\$0.56	\$0.48
	=====	=====

During the quarter, the Company acquired amortizable intangible assets with a value of \$520,000. These intangible assets will be amortized over a period of 9.1 years. The Company also acquired nonamortizable intangible assets worth \$123,000.

	As of March 31, 2002		As of September 30, 2001	
	(in thousands)			
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	-----	-----	-----	-----
Amortizing intangible assets	\$9,800	\$ (501)	\$13,864	\$ (1,627)
Nonamortizing intangible assets	\$3,657	-	\$75	-
Aggregate Amortization Expense:				

For the six months ended March 31, 2002	\$513	-		-
For the year ended September 30, 2002			\$1,151	
Estimated Amortization Expense:				

For the year ended September 30, 2002	\$1,105		\$969	
For the year ended September 30, 2003	\$950		\$840	
For the year ended September 30, 2004	\$830		\$743	
For the year ended September 30, 2005	\$663		\$630	
For the year ended September 30, 2006	\$586		\$569	

4. Securities

Securities are summarized as follows (unaudited):

	MARCH 31, 2002			

	(in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	-----	-----	-----	-----
Available-for-sale securities:				
Municipal securities	\$16,247	\$-	\$ (663)	\$15,584
Obligations of U.S. Government agencies	28,812	33	(351)	28,494
Mortgage-related securities	177,504	1,172	(1,057)	177,619
Trust Preferred securities	13,687	-	(1,922)	11,765
Corporate Bonds	38,676	685	(188)	39,173
	-----	-----	-----	-----
Total debt securities	274,926	1,890	(4,181)	272,635

FHLB Stock	10,471	-	-	10,471
Freddie Mac Stock	1,939	12	(40)	1,911
Fannie Mae Stock	2,000	10	(95)	1,915
Other equity securities	416	71	-	487
Total equity securities	14,826	93	(135)	14,784

Total	\$289,752	\$1,983	\$(4,316)	\$287,419
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Held-to-maturity securities:

Municipal securities	\$3,553	\$-	\$(178)	\$3,375
Certificates of Deposit	99	-	-	99

Total	\$3,652	\$-	\$(178)	\$3,474
-------	---------	-----	---------	---------

SEPTEMBER 30, 2001

(in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
--	-------------------	------------------------------	-------------------------------	---------------

Available-for-sale securities:

Municipal securities	\$23,030	\$42	\$(532)	\$22,540
Obligations of U.S. Government agencies	14,471	134	-	14,605
Mortgage-related securities	136,257	2,294	(84)	138,467
Trust Preferred securities	13,701	-	(1,723)	11,978
Corporate Bonds	40,688	1,337	(31)	41,994

Total debt securities	228,147	3,807	(2,370)	229,584
-----------------------	---------	-------	---------	---------

FHLB Stock	10,222	-	-	10,222
Freddie Mac Stock	1,613	37	(58)	1,592
Fannie Mae Stock	2,000	4	(5)	1,999
Other equity securities	206	50	(5)	251

Total equity securities	14,041	91	(68)	14,064
-------------------------	--------	----	------	--------

Total	\$242,188	\$3,898	\$(2,438)	\$243,648
-------	-----------	---------	-----------	-----------

Held-to-maturity securities:

Municipal securities	\$3,552	\$-	\$(127)	\$3,425
Obligations of U.S. government agencies	13,992	106	(2)	14,096
Certificates of Deposit	298	-	-	298

Total	\$17,842	\$106	\$(129)	\$17,819
-------	----------	-------	---------	----------

5. Loans

Loans are summarized as follows (unaudited):

	March 31, 2002	September 30, 2001
	(in thousands)	
Real Estate loans:		
Residential	\$209,856	\$223,159
Commercial	77,037	62,732
Construction	6,259	13,690
Total real estate loans	\$293,152	\$299,581

Consumer Loans:		
Home equity loans and lines of credit	\$77,821	\$79,840
Automobile	96,495	78,307
Education	17	2,846
Unsecured lines of credit	1,935	1,884
Other	10,426	10,288
	-----	-----
Total consumer loans	\$186,694	\$173,165
	-----	-----
Commercial loans	\$25,785	\$31,588
	-----	-----
Total loans	\$505,631	\$504,334
Less:		
Allowances for loan losses	(5,037)	(4,497)
Deferred loan origination fees	(1,607)	(1,686)
	-----	-----
Total loans, net	\$498,987	\$498,151
	=====	=====

An allowance is maintained to absorb known and inherent losses in the loan portfolio. The adequacy of the allowance is periodically evaluated by management to maintain the allowance at an appropriate level. The Company charges current earnings with a provision for loan losses to maintain the allowance for loan losses at a level deemed appropriate by management. The allowance for loan losses is also increased by balances acquired through acquisitions and recoveries decreased by charge-offs. In determining the provision, management considers both specifically identified problem loans as well as credit risks not specifically identified in the loan portfolio.

The Company's determination as to the adequacy of the allowance is based on management's evaluation of past loan loss experience, known and inherent risks in the loan portfolio, adverse situations that have occurred that may affect a borrower's ability to repay, the estimated value of underlying collateral, economic conditions and other relevant factors. Management assesses the adequacy of the allowance through a formula allowance, specific allowances for identified problem loans and an unallocated allowance.

The formula allowance element gives consideration to historical losses and the current composition of the portfolios. The formula allowance is determined by applying loss factors against all non-impaired loans.

Specific allowances are established against individual residential 1-4 mortgage, consumer, commercial, and commercial and multi-family real estate loans for which management has performed analyses and concluded that, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement.

An unallocated allowance is established for losses which may not have been identified through the formula and specific portions of the allowance. The unallocated portion is more subjective and requires a high degree of management judgment and experience.

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The activity in the allowance for loan losses is as follows (in thousands) (unaudited):

	For the six months ended March 31, 2002	For the year ended September 30, 2001	For the six months ended March 31, 2001
	-----	-----	-----
Balance, beginning of period	\$4,497	\$4,162	\$4,162
Additional allowance from acquisition		817	817
Charge-offs	(220)	(1,857)	(116)
Recoveries	83	24	8
Provision for loan losses	677	1,351	264
	---	---	---
Balance, end of period	\$5,037	\$4,497	\$5,135
	=====	=====	=====

6. Deposits

Deposits consist of the following major classifications (in thousands) (unaudited):

	March 31, 2002		September 30, 2001	
	Amount	Percent of Total	Amount	Percent of Total
	-----	-----	-----	-----
Savings accounts (passbook, statement, clubs)	\$94,909	16.80%	\$89,936	17.44%
Money market accounts	53,192	9.42%	40,185	7.79%
Certificates of deposit less than \$100,000	237,815	42.11%	218,811	42.42%
Certificates of deposit greater than \$100,000 (1)	74,335	13.16%	83,682	16.23%
NOW Accounts	75,261	13.33%	58,829	11.41%

Non-interest bearing deposits	29,240	5.18%	24,292	4.71%
	-----	-----	-----	-----
Total deposits at end of period	\$564,752	100.00%	\$515,735	100.00%
	=====	=====	=====	=====

(1) Deposit balances in excess of \$100,000 are not federally insured.

Item 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical information, this 10-Q includes certain forward-looking statements based on current management expectations. The Company intends such forward-looking statements to be covered by the safe harbor provisions of the Private Securities Reform Act of 1995 and is including this statement for purposes of such safe harbor provisions. The Company's actual results could differ materially from those management expectations. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality or composition of the Bank's loan and investment portfolios, changes in accounting principles, policies or guidelines, and other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices. These factors should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further description of the risks and uncertainties to the business are included in detail in Section B, Management Strategy; and Section D, Liquidity and Capital Resources.

A. General

The Company transacts business primarily through the Bank and to a lesser extent its other subsidiaries. The Bank's results of operations are dependent primarily on net interest income, which is the difference between the income earned on its loan and investment portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by the Bank's provision for loan losses, loan and security sales, service charges and other fee income, and non-interest expense. The Bank's non-interest expense principally consists of compensation and employee benefits, office occupancy and equipment expense, professional fees, data processing, and advertising and business promotion expenses. Results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities.

On November 10, 2000, the Company acquired Security of Pennsylvania Financial Corp., the holding company for Security Savings Association of Hazleton, a local financial institution. On December 31 2000, the Company acquired Higgins Insurance Agency, a Pottsville based insurance agency, which has been serving customers throughout Schuylkill and Luzerne Counties since 1946. Higgins offers personal, health and commercial insurance.

On January 2, 2002, the Company purchased three banking offices from Schuylkill Savings and Loan Association of Schuylkill Haven, Pa. The Company purchased \$11.4 million of loans and assumed \$12.8 million of deposits from these offices.

On January 8, 2002, Higgins acquired the DeAndrea Agency which specializes in personal and commercial insurance.

B. Management Strategy

The Bank's operating strategy is that of a community-based financial institution, offering a wide variety of financial products to its retail and business customers. The Bank, while maintaining its focus on residential lending has been concentrating on increasing its consumer, small business and commercial lending. In order to promote long-term financial strength and profitability, the Bank's operating strategy has focused on: (i) meeting the financial needs of its customers through expanded product offerings, improved delivery systems and by taking advantage of technological advances, including the internet; (ii) increasing profitability by emphasizing higher-yielding consumer and commercial loans; (iii) maintaining a strong regulatory capital position; (iv) managing its interest rate risk by emphasizing consumer and commercial loans, in addition to shorter term, adjustable rate, one-to four-family loans, soliciting longer-term deposits and utilizing longer-term advances from the Federal Home Loan Bank of Pittsburgh (the "FHLB"); and (v) maintaining strong asset quality by utilizing strong underwriting guidelines.

C. Non-Performing Assets and Impaired Loans

The following table presents information regarding the Bank's non-performing loans, real estate owned and other repossessed assets at the dates indicated (dollars in thousands) (unaudited):

	March 31, 2002 ---	September 30, 2001 ---
Non-performing loans:		
Non-accrual loans plus other impaired loans	\$4,945	\$4,723
Real estate owned and other repossessed assets	448	390
	---	---
Total non-performing assets	\$5,393	\$5,113
	=====	=====
Troubled debt restructurings	\$57	\$60
Troubled debt restructurings and total non-performing assets	\$5,450	\$5,173
	=====	=====
Total non-performing loans as a percentage of total loans	0.98%	0.95%

The increase in non-performing assets was primarily the result of additional delinquencies associated with one- to four family mortgage loans due in part to the Schuylkill Savings acquisition.

D. Liquidity and Capital Resources

The Bank's primary sources of funds on a long-term and short-term basis are deposits, principal and interest payments on loans, mortgage-backed and investment securities, and FHLB advances. The Bank uses the funds generated to support its lending and investment activities as well as any other demands for liquidity such as deposit outflows. While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows, mortgage prepayments and the exercise of call features are greatly influenced by general interest rates, economic conditions and competition.

The Bank's most liquid assets are cash and cash equivalents and its investment and mortgage-related securities available-for-sale. The levels of these assets are dependent on the Bank's operating, financing, lending and investing activities during any given period. At March 31, 2002, cash and cash equivalents and investment and mortgage-related securities available-for-sale totaled \$309.2 million, or 36.3% of total assets.

The Bank has other sources of liquidity if a need for additional funds arises, including FHLB advances. At March 31, 2002, the Bank had \$208.4 million in advances outstanding from the FHLB, and had an overall borrowing capacity from the FHLB of \$289.4 million. Depending on market conditions, the pricing of deposit products and FHLB advances, the Bank may continue to rely on FHLB borrowings to fund asset growth.

At March 31, 2002, the Bank had commitments to originate and purchase loans and unused outstanding lines of credit and undisbursed proceeds of construction mortgages totaling \$84.0 million. The Bank anticipates that it will have sufficient funds available to meet these commitments. Certificate accounts, including Individual Retirement Account ("IRA") and KEOGH accounts, which are scheduled to mature in less than one year from March 31, 2002, totaled \$198.4 million. Based on past experience, the Bank expects that substantially all of these maturing certificate accounts, with the exception of jumbo certificates of deposit, will be retained by the Bank at maturity. At March 31, 2002, the Bank had \$48.6 million in jumbo certificates, the majority of which are deposits from local school districts and municipalities.

The primary source of funding for the Company is dividend payments from the Bank, sales and maturities of investment securities and, to a lesser extent, earnings on investments and deposits of the Company. Dividend payments by the Bank have primarily been used to fund the Company's repurchase of its stock and payment of cash dividends. The Bank's ability to pay dividends and other capital distributions to the Company is generally limited by the regulations of the Office of Thrift Supervision.

At March 31, 2002, the Bank exceeded all of its regulatory capital requirements with a tangible capital level of \$48.5 million, or 5.8% of total adjusted assets, which is above the required level of \$12.6 million, or 1.5%; a core capital level of \$48.5 million, or 5.8% of total adjusted assets, which is above the required level of \$25.3 million, or 3.0%; and a risk-based capital of \$53.6 million, or 10.9% of risk-weighted assets, which is above the required level of \$39.5 million, or 8.0%.

At March 31, 2002, the Bank had total equity, determined in accordance with generally accepted accounting principles, of \$57.6 million, or 6.8%, of total assets, which approximated the Bank's regulatory tangible capital at that date of 5.8% of assets. An institution with a ratio of tangible capital to total assets of greater than or equal to 5% is considered to be "well-capitalized" pursuant to OTS regulations.

E. Comparison of Financial Condition at March 31, 2002 and September 30, 2001

Total assets increased \$43.1 million from \$808.8 million at September 30, 2001 to \$851.9 million at March 31, 2002. The growth was in securities available-for-sale and cash and cash equivalents, offset by a decrease in securities held-to-maturity.

Securities classified as available-for-sale increased \$43.8 million, from \$243.6 million at September 30, 2001 to \$287.4 million at March 31, 2002. The increase was primarily attributable to the purchase of mortgage backed securities funded by deposit growth and utilizing proceeds from the sale of fixed rate mortgage loans. Securities classified as held to maturity decreased \$14.2 million due to securities being called.

Net loans increased \$836,000 to \$499.0 million at March 31, 2002, primarily due to a \$18.2 million increase in automobile loans as a result of more participating automobile dealers in our indirect auto lending programs, as well as, continued growth in originations. Commercial real estate loans increased \$14.3 million due to increased originations as a result of marketing efforts. Offsetting these increases was a \$13.3 million decrease in residential real estate loans due to the \$7.5 million

sale of these loans. Construction loans decreased \$7.4 million due to repayment and construction loans which have matured. Commercial loans decreased \$5.8 million primarily as a result of a large loan payoff. Education loans decreased \$2.8 million due to the sale of such loans.

Deposits increased \$49.0 million from \$515.7 million as of September 30, 2001 to \$564.7 million at March 31, 2002. The largest increase was in checking accounts, specifically NOW and money market accounts due to continued marketing efforts of such accounts. Contributing to the increase in deposits was a \$9.7 million increase in certificates of deposit largely due to the acquisition of deposits from Schuylkill Savings and Loan.

Total equity decreased \$8.6 million to \$67.3 million at March 31, 2002. This decrease in equity resulted primarily from the purchase of 505,557 shares of the Company's common stock at a cost of \$8.9 million. Also contributing to the decline in equity was a \$2.3 million decrease in accumulated other comprehensive income as a result of an increase in unrealized losses on securities during the quarter. Offsetting these decreases was the retention of earnings for the quarter.

F. Comparison of Operating Results for the Three Months Ended March 31, 2002 and March 31, 2001

General. The Company had net income of \$1.2 million for the three months ended March 31, 2002 and \$1.0 million for the three months ended March 31, 2001.

Interest Income. Total interest income increased \$268,000 to \$13.8 million for the three months ended March 31, 2002. This was primarily due to a \$77.2 million, or 10.6%, increase in the average balance of interest earning assets. Specifically, interest income on loans increased \$164,000 from \$9.7 million for the period ending March 31, 2001 to \$9.9 million. This was due mainly to a \$28.6 million increase in the average balance of consumer loans. Interest income on mortgage related securities increased \$582,000 to \$2.2 million for the three months ended March 31, 2002 primarily due to a \$71.2 million increase in the average balance of such securities. Interest income on investment securities decreased \$478,000 due to a \$7.6 million decrease in the average balance as well as a 105 basis point decline in the yield on taxable investment securities, due to the lower interest rate environment.

Interest Expense. Interest expense decreased \$848,000, or 10.6%, from \$8.0 million for the three months ended March 31, 2001 to \$7.2 million for the three months ended March 31, 2002, due primarily to an \$886,000 decrease of certificates of deposit interest expense due to a 131 basis point reduction in the rate paid on these accounts. Offsetting this decrease was a \$38,000 increase in interest expense on FHLB advances and other borrowings, due to a higher outstanding balance.

Provision for Loan Losses. The Company's provision for loan losses for the three months ended March 31, 2002 was \$290,000 compared to \$264,000 for the three months ended March 31, 2001. The increase in the provision for loan loss is attributable to increased concentration in commercial and consumer lending. The allowance is maintained at a level that represents management's best estimate of known and inherent estimated losses based upon an evaluation of the loan portfolio. Loan losses, other than those incurred on loans held for sale, are charged directly against the allowance and recoveries on previously charged-off loans are added to the allowance. Management's evaluation is based upon, among other things, delinquency trends, the volume of non-performing loans, prior loss experience of the portfolio, current economic conditions, and other relevant factors. Although management believes it has used the best information available to it in making such determinations, and that the allowance for loan losses is adequate, future adjustments

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to the allowance may be necessary, and net income may be adversely affected if circumstances differ substantially from the assumptions used in determining the level of the allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses on loans. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Non-interest Income. Non-interest income increased \$441,000, from \$1.2 million to \$1.6 million, for the three months ended March 31, 2002. The increase in non-interest income was primarily due to a \$236,000 increase in insurance premium income from insurance related services. Other income increased \$112,000 due to losses recognized in fiscal 2001 from the Company's investment in Builders First Holdings, Inc. and no comparable losses recognized in fiscal 2002. Service charges and other fee income increased \$91,000 as a result of higher outstanding balances on deposits and an increase in the volume of transactions. Gain on loans increased \$68,000 due to the sale of \$3.6 million in mortgage loans during the quarter. Trust fee income increased \$63,000 as a result of a larger asset base under management combined with the receipt of estate income. Offsetting these increases was a \$109,000 decrease in gain on sale of available-for-sale securities.

Non-interest Expense. Total non-interest expense increased from \$5.1 million for the three months ended March 31, 2001 to \$6.0 million for the three months ended March 31, 2002. Salaries and employee benefits increased \$511,000 as a result of additional employees to staff new lines of business. Other non-interest expense increased \$218,000, primarily due to increases in expense for assets acquired through foreclosure and repossession, as well as general increases in operating expenses such as supplies and postage. Professional fees increased \$144,000 due to consulting fees associated with a project to create a unifying brand for the Company. Occupancy expense increased \$58,000 as a result of company expansion. Amortization expense decreased \$109,000 due to the adoption of SFAS No. 142, which discontinues the amortization of goodwill.

Income Taxes. The Company had an income tax provision of \$758,000 for the three months ended March 31, 2002, compared to a provision of \$296,000 for the three months ended March 31, 2001 reflecting an effective tax rate of 38.1%, and 22.4%, respectively, for those periods. The increase in the effective tax rate is attributable to the decrease in nontaxable income combined with a \$60,000 increase in the valuation allowance relating to a deferred tax asset.

G. Comparison of Operating Results for the Six Months ended March 31, 2002 and March 31, 2001.

General. The Company had net income of \$2.5 million for the six months ended March 31, 2002 and \$2.3 million for the six months ended March 31, 2001.

Interest Income. Total interest income increased \$1.0 million, or 3.8%, from \$26.5 million for the six months ended March 31, 2001 to \$27.5 million for the six months ended March 31, 2002, primarily due to a \$90.2 million, or 12.9%, increase in the average balance of interest earning assets. Specifically, interest income on mortgage related securities increased \$1.4 million, or 54.9%, due to a \$75.4 million increase in the average balance of these securities. Interest income on loans increased \$646,000, due to a \$28.8 million increase in the average balance of consumer loans, and a \$4.6 million increase in the average balance of commercial loans, offset by a \$11.0 million decrease in real estate loans. Interest income on investment securities decreased \$1.1 million primarily due to a \$7.6 million increase in the average balance of such securities.

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Interest Expense. Interest expense decreased \$1.3 million, or 8.1%, from \$15.8 million for the six months ended March 31, 2001 to \$14.5 million for the six months ended March 31, 2002, primarily due to a \$1.3 million decrease in certificates of deposit interest expense. Interest expense on savings declined \$452,000. The decrease in interest expense on deposits was a direct reflection of lower interest rates. Interest expense on FHLB advances and other borrowings increased \$429,000 due to a \$28.8 million increase in the average balance, offset by a 42 basis point decrease in the average rate.

Provision for Loan Losses. The provision for loan losses increases the allowance for loan losses. The Bank's provision for loan losses for the six months ended March 31, 2002 increased \$413,000 compared to the comparable 2001 period. The increase in the provision at March 31, 2002 reflects the Bank's increased concentration in commercial real estate and consumer lending which carries an increased degree of risk compared to one- to four-family lending, as well as an increase in non performing loans and charge offs.

Non-interest Income. The Company experienced a \$1.2 million increase in non-interest income from \$2.0 million for the six months ended March 31, 2001 to \$3.2 million for the six months ended March 31, 2002. The primary reason for this increase was an \$878,000 increase in insurance premium income from insurance related services. Other income increased \$281,000 due to losses incurred in fiscal 2001 from the Company's investment in Buildersfirst with no comparable losses recognized in fiscal 2002. Service charges and other fees increased \$235,000 due to additional branches and a larger customer base.

Non-interest Expense. Total non-interest expense increased \$2.4 million, or 25.6%, from \$9.3 million to \$11.7 million for the six months ended March 31, 2002. The largest increase, \$1.4 million, was in salary and net employee benefits expense as a result of new staff and increased hospitalization expense. Other non-interest expense increased \$568,000 mainly due to the expenses associated with the repossession and foreclosure of assets and general operating expenses such as supplies and postage. Professional fees increased \$211,000 primarily due to consulting fees associated with a project to create a unifying brand for the Company. Occupancy expense increased \$145,000 as a result of increases in depreciation, maintenance and rental expenses.

Income Taxes. The Company had income tax expense of \$1.4 million for the six months ended March 31, 2002, compared to expense of \$818,000 for the six months ended March 31, 2001, reflecting effective tax rates of 35.0%, and 26.1%, respectively. The increase in the effective tax rate was the result of a combination of the decrease in nontaxable income and a \$60,000 increase in the valuation allowance relating to a deferred tax asset.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2002, there have been no material changes to the quantitative and qualitative disclosures about market risks presented in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to the Company's financial condition or results of operation.

Item 2. Changes in Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of the Stockholders of the Company was held on January 30, 2002. The results of the vote were as follows:

1. The following individuals were elected as directors, each for a three-year term:

	VOTES FOR -----	VOTES WITHHELD -----
Barbara M. Ecker	4,300,255	27,140
R. Peter Haentjens, Jr.	4,298,541	28,854
Joseph Schlitzer	4,298,854	28,541
William Spear	4,298,445	28,950

2. The appointment of KPMG LLP as independent auditors of Northeast Pennsylvania Financial Corp. for the fiscal year ended September 30, 2002 was ratified by the stockholders by the following vote:

FOR	AGAINST	ABSTAIN

4,253,744	48,078	25,572

Item 5. Other information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

- 3.1 Certificate of Incorporation of Northeast Pennsylvania Financial Corp.*

- 3.2 Bylaws (as amended effective December 29, 2000) of Northeast Pennsylvania Financial Corp.*
- 4.0 Form of Stock Certificate of Northeast Pennsylvania Financial Corp.*
- 10.1 Standstill Agreement, dated as of November 26, 2001, by and between Northeast Pennsylvania Financial Corp., Jewelcor Management, Inc. and Seymour Holtzman***
- 10.2 Registration Rights Agreement, dated as of December 31, 2000, by and among Northeast Pennsylvania Financial Corp., James Clark, James McCann, Joseph Schlitzer and John W. Sink
- 11.0 Statement regarding Computation of Per Share Earnings (See Notes to Consolidated Financial Statements)

* Incorporated herein by reference into this document from the Exhibits to Form S-1, Registration Statement, and any amendments thereto, Registration No. 333-43281.

** Incorporated herein by reference into this document from the Exhibits to the Form 10-Q as filed on February 14, 2001

(B) Reports on Form 8-K
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHEAST PENNSYLVANIA
FINANCIAL CORP.

Date: May 14, 2002

By: /s/ E. Lee Beard

E. Lee Beard
President and Chief Executive
Officer

Date: May 14, 2002

By: /s/ Patrick J. Owens, Jr.

Patrick J. Owens, Jr.
Treasurer and Chief Financial Officer

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and effective as of December 7, 2000, by and among Northeast Pennsylvania Financial Corp, a Delaware corporation (the "Company") and James Clark, James McCann, Joseph Schlitzer and John W. Sink (the "Stockholders" and each a "Stockholder").

WHEREAS, subject to the terms and conditions of the Agreement, dated as of December 7, 2000, by and among the Company and the Stockholders and Higgins Insurance Associates, Inc. ("HIA") (the "Acquisition Agreement"), the Company has issued shares of its Common Stock (the "Shares"); and

WHEREAS, subject to the terms and conditions set forth herein, the Company has agreed to grant certain registration rights to the Stockholders with respect to the Shares;

NOW, THEREFORE, in consideration of the forgoing and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

Section 1. Definitions.

As used herein, the terms below shall have the following meanings. Any such term, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

"**Affiliate**" shall have the meaning provided in the Exchange Act.

"**Agreement**" shall mean this Registration Rights Agreement.

"**Acquisition Agreement**" shall mean the Acquisition Agreement, dated December 7, 2000 between the Company and the Stockholders and HIA

"**Common Stock**" shall mean shares of common stock, par value \$0.01 per share, of the Company.

"**Company**" shall mean Northeast Pennsylvania Financial Corp., a Delaware corporation.

"**Demand Registration**" shall mean a registration effected pursuant to Section 2(a) hereof.

"**Eligible Period**" shall mean the period commencing on the first anniversary of the date of this Agreement and terminating on the 5th anniversary of the date of this Agreement.

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"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations issued pursuant to that Act.

"**Form S-3 Registration**" shall mean a registration of securities under the Securities Act effected on a Form S-3 Registration Statement adopted by the SEC, or any successor form.

"**HIA**" shall mean Higgins Insurance Associates, Inc., a Pennsylvania corporation.

"**Maximum Offering Size**" shall have the meaning assigned to such term in Section 4 of this Agreement.

"**Maximum Registrable Shares**" for each Stockholder shall mean:

Prior to the second anniversary date of this Agreement Stockholder	25% of the Shares attributable to such
Between the second anniversary and prior to the third anniversary of this Agreement	50% of the Shares attributable to such Stockholder
Between the third anniversary and prior to the fourth anniversary of this Agreement	75% of the Shares attributable to such Stockholder
On and after the fourth anniversary of this Agreement	100% of the Shares attributable to such Stockholder

provided, however, that Maximum Registrable Shares for each Stockholder at any time shall be reduced by any Shares previously sold to such Stockholder.

"**Person**" shall mean an individual, partnership, limited liability company, joint venture, corporation, trust or unincorporated organization or any other similar entity.

"**Register**", "**registered**" and "**registration**" shall refer to a registration effected by preparing and filing with the SEC a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document by the SEC.

"Registrable Shares" shall mean the Shares and any securities of the Company issued as a dividend or distribution with respect to, or in exchange for or replacement of such Shares; *provided, however*, that Shares shall be treated as Registrable Shares only if and so long as (i) all of such Shares proposed to be sold may not be sold, at the time of such proposed sale, without compliance with the registration requirements of the

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Securities Act in reliance upon Rule 144, including Rule 144(k), under the Securities Act, or any successor rule; (ii) such Shares have not been sold by the Stockholder pursuant to an effective Registration Statement under the Securities Act; or (iii) such Shares have not been publicly sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act pursuant to Rule 144 under the Securities Act (or any similar provision).

"Registration Statement" shall mean a registration statement filed with the SEC to register an offering of securities in compliance with the Securities Act, filed on any form available to the Company.

"SEC" shall mean the United States Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations issued pursuant to that Act.

"Shares" shall mean any shares of Common Stock issued by the Company pursuant to the Acquisition Agreement.

"Stockholders" shall mean James Clark, James McCann, Joseph Schlitzer and John W. Sink.

"Violation" shall mean those actions described in Section 9(a) of this Agreement.

Section 2. Registration Rights.

(a) Demand Registration. If the Company shall receive, at any time during the Eligible Period, a written request from one or more Stockholders that the Company file a Registration Statement under the Securities Act covering the registration of at least one hundred (100) Registrable Shares (adjusted for all stock splits or similar transactions), and the Company is entitled to register such offering of Registrable Shares on a Form S-3 Registration Statement, then the Company shall, subject to the limitations of Section 4 and to the extent required under Section 6 of this Agreement, use all commercially reasonable efforts to effect, as soon as practicable, the registration under the Securities Act of such Registrable Shares for resale; provided, however, that the Company shall not be required to cover in any such Registration Statement for any Stockholder more than the Maximum Registrable Shares then applicable.

(b) Limit on Demand Registrations. In no event shall the Company be required to effect more than four registrations pursuant to Section 2(a). For purposes of this Section 2(b), no such registration shall be deemed a Demand Registration unless and until the Registration Statement filed pursuant thereto has been declared effective by the SEC and sales of the securities have been permitted consistent with the plan of distribution described in the Registration Statement.

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(c) Underwritten Offering. If the Stockholder or Stockholders requesting the registration under Section 2(a) intends to distribute the Registrable Shares covered by its request by means of an underwritten offering, it shall so advise the Company as a part of its request made pursuant to Section 2(a), and the Company shall include in the applicable Registration Statement such information with respect to the underwriting and the Stockholder as may be set forth in such written request. The selection of the managing underwriter of any underwritten offering under Section 2 shall be made by the Stockholder, with the consent of the Company (such consent not to be unreasonably withheld). The Stockholder proposing to distribute its securities through such underwritten offering shall (together with the Company as provided in Section 6(e)) enter into an underwriting agreement with customary terms with the underwriter or underwriters selected for such underwritten offering.

Section 3. Piggy-Back Registrations.

(a) General. If at any time during the Eligible Period, the Company proposes to register any shares of its Common Stock under the Securities Act in connection with the public offering of such securities (other than a registration on Form S-4 or Form S-8 or any successor forms or filed by the Company to satisfy demand registration rights), the Company shall, at such time, promptly give the Stockholders written notice of such registration. Upon the written request of a Stockholder given within fifteen (15) days after mailing of such notice by the Company in accordance with Section 18 hereof, the Company shall cause to be registered under the Securities Act all of the Registrable Shares up to the then applicable Maximum Registrable Shares that such Stockholder has requested to be registered, subject to the limitations set forth in Section 4 hereof.

(b) Underwriting Requirements. In connection with any underwritten offering, the Company shall not be required under this Section 3 to include any of the Stockholder's Registrable Shares in such underwriting unless the Stockholder accepts the terms of the underwriting as agreed upon between the Company and the underwriters, and then only in such quantity as determined in accordance with Section 4 hereof.

Section 4. Limitations on Registration.

(a) Underwriters Cut-back in the Case of a Piggy-Back Registration. If, in the case of a registration, the managing underwriter advises the Company in writing that the number of Registrable Shares requested to be included in the registration by all Persons (including the Company) exceeds the number of Registrable Shares which can be sold in such offering without having an adverse effect on such offering, including without limitation, the price at which such securities can be sold (the "Maximum Offering Size"), the Company shall be obligated to include in such registration only that number of securities, including Registrable Shares, which the underwriters determine in their sole discretion will not jeopardize the success of the offering. In such event, the Company will be obligated to include in such registration:

(i) any and all shares offered for sale by the Company; and to the extent of any remaining shares which may be sold in such offering without exceeding the Maximum Offering Size, any shares included in such registration by any stockholder, including the Stockholder (pro rata based on the total number of shares, covered by piggy back registration rights with the Company held by such stockholders exercising registration rights in the registration).

(b) Deferral of Filing. The Company may delay the filing (but not the preparation) of a registration statement required by Section 2 until a date not later than 120 days after a registration statement is required to be filed if:

(i) the Company or any of its subsidiaries is engaged in confidential negotiations or other confidential business activities, disclosure of which would be required in such registration statement (but would not be required if such registration statement were not filed), and the Board of Directors of the Company determines in good faith that such disclosure would be materially detrimental to the Company or its stockholders or would have a material adverse effect on any such confidential negotiations or other confidential business activities, or

(ii) the Board of Directors of the Company, at time of the receipt of a request for registration, has been considering a registered underwritten public offering of the Company's securities for the Company's account and the Company takes substantial steps (including, but not limited to, selecting a managing underwriter for such offering) and proceeds with reasonable diligence to effect such offering.

A deferral of the filing of a registration statement pursuant to this Section 4(b) shall be lifted, and the requested registration statement shall be filed forthwith, if, in the case of a deferral pursuant to clause (i) of the preceding paragraph, the negotiations or other activities are terminated or the transaction contemplated by such negotiations or other activities is consummated, or, in the case of a deferral pursuant to clause (ii) of the preceding paragraph, the proposed registration for the Company's account is abandoned. In order to defer the filing of a registration statement pursuant to this Section 4(b), the Company shall promptly (but in any event within 10 days), upon determining to seek such deferral, deliver to the Stockholder a certificate signed by an executive officer of the Company stating that the Company is deferring such filing pursuant to this Section 4(b) and a general statement of the reason for such deferral and an approximation of the anticipated delay. Within twenty (20) days after receiving such certificate, the Stockholder may withdraw its request by giving notice to the Company. If withdrawn, the such request shall be deemed not to have been made for all purposes of this Agreement.

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Section 5. Expenses of Registrations.

The Company shall bear and pay all expenses incurred in connection with registering the sale of Registrable Shares on behalf of the Stockholder pursuant to Section 2; provided, however, that if any securities other than the Registrable Shares are included in such registration, any person on whose behalf such other securities have been included may be required to pay that percentage of the total expenses which equals the percentage of the total proceeds received by such person.

Section 6. Obligations of the Company.

Whenever required under this Agreement to effect the registration of any Registrable Shares, the Company shall, as expeditiously as reasonably possible, use commercially reasonable efforts to do the following:

(a) SEC Filing. Prepare and file with the SEC a registration statement with respect to such Registrable Shares and to cause such registration statement to become effective, and, upon the request of the Stockholder, keep such registration statement effective for up to 180 days or until all of the Shares registered thereunder are sold, whichever occurs sooner.

(b) Amendments. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement, and furnish such copies thereof to the Stockholder and any underwriters as they may reasonably request.

(c) Prospectus. Furnish to the Stockholder and any underwriters such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as it may reasonably request in order to facilitate the disposition of Registrable Shares owned by it, and cause all related filings to be made with the SEC as required by Rule 424 under the Securities Act.

(d) Blue Sky Qualification. Register and qualify the Registrable Shares covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Stockholder and any underwriters; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(e) Underwriting Agreement. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering, including, without limitation, delivering opinions of counsel and "comfort letters" of accountants; provided, however, that such managing underwriter has been selected consistent with the provisions of Section 2(c). The Stockholder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

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(f) Prospectus Delivery. Promptly notify the Stockholder of Registrable Shares covered by the registration statement at any time when the Company becomes aware of the happening of any event as a result of which the registration statement or the prospectus included in such registration statement or any supplement to the prospectus (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of the prospectus, in light of the circumstances under which they were made) not misleading or, if for any other reason it shall be necessary during such time period to amend or supplement the registration statement or the prospectus in order to comply with the Securities Act, whereupon, in either case, the Stockholder shall immediately cease to use such registration statement or prospectus for any purpose and, as promptly as practicable thereafter, the Company shall prepare and file with the SEC, and furnish without charge to the Stockholder and managing underwriters, if any, a supplement or amendment to such registration statement or prospectus which will correct such statement or omission or effect such compliance and provide such copies thereof as the Stockholder and any underwriters may reasonably request.

(g) Prospectus Supplement; Post-Effective Amendments. If requested by the managing underwriter or any seller, promptly incorporate in a prospectus supplement or post-effective amendment such information regarding the seller and the offering as the managing underwriter or any seller reasonably requests in writing to be included therein, including, without limitation, with respect to the Registrable Shares being sold by such seller, the purchase price being paid therefor by the underwriters and with respect to any other terms of the underwritten offering of the Registrable Shares to be sold in such offering, and promptly make all required filings of such prospectus supplement or post-effective amendment.

(h) Delivery of Filings. As promptly as practicable after filing with the SEC of any document which is incorporated by reference into a registration statement, deliver a copy of each such document (in the form in which it was incorporated) to each seller.

(i) Securities Certificates. Cooperate with the sellers and the managing underwriter to facilitate the timely preparation and delivery of certificates (which shall not bear any restrictive legends unless required under applicable law) representing securities sold under any registration statement, to enable such securities to be in such denominations and registered in such names as the managing underwriter or such sellers may request and to make available to the Company's transfer agent prior to the effectiveness of such registration statement a satisfactory supply of such certificates.

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(j) Opinions of Counsel; Accountants' Comfort Letters. Furnish to each seller and underwriter a signed counterpart of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters as are customarily covered by such opinions or comfort letters, as the case may be, as the sellers or managing underwriter reasonably requests.

(k) Listing of Shares. Cause the Registrable Shares included in any registration statement to be (i) listed on each securities exchange, if any, on which similar securities issued by the Company are then listed, or (ii) authorized to be quoted and/or listed (to the extent applicable) on the National Association of Securities Dealers, Inc. Automated Quotation ("Nasdaq") or the National Market System of Nasdaq if the Registrable Shares so qualify;

(l) CUSIP Number. Provide a CUSIP number for the Registrable Shares included in any registration statement not later than the effective date of such registration statement.

(m) NASD Filings. Cooperate with the seller and the underwriter participating in the disposition of such Registrable Shares and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc.

(n) Prompt Filing under the Exchange Act. During the period when a prospectus is required to be delivered under the Securities Act, promptly file all documents required to be filed with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act.

(o) Amendments or Supplements in Connection with Distribution. Prepare and file with the SEC promptly any amendments or supplements to such registration statement or prospectus which, in the opinion of counsel for the Company, is required in connection with the distribution of the Registrable Shares.

(p) Underwriting Agreements. Enter into such agreements (including underwriting agreements in the managing underwriter's customary form) as are customary in connection with an underwritten offering.

(q) SEC Enforcement Actions. Advise the seller of such Registrable Shares, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order issued by the SEC suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for such purpose and promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal at the earliest possible moment if such stop order should be issued.

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Section 7. Furnish Information.

It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to the Registrable Shares of the Stockholder that such Stockholder shall furnish to the Company such information regarding the intended method of disposition of such securities as shall be required to effect the registration of the Stockholder's Registrable Shares.

Section 8. Delay of Registration.

The Stockholder shall not have any right to obtain or seek an injunction restraining or otherwise delaying any registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Agreement.

Section 9. Indemnification.

In the event any Registrable Shares are included in a registration statement under this Agreement or any other shares of Common Stock held by the Stockholder are included in any registration statement:

(a) Indemnification by the Company. To the fullest extent permitted by law, the Company will indemnify and hold harmless the Stockholder, each of its directors, officers, partners, employees, advisors, agents and representatives, and each person, if any, who controls such Stockholder within the meaning of the Securities Act or the Exchange Act and any agent or investment advisor thereof, against any and all losses, claims, damages, expenses (including, without limitation, attorneys' fees and disbursements) and liabilities (joint or several) to which they may become subject, insofar as such losses, claims, damages, expenses (including, without limitation, attorneys' fees and disbursements) and liabilities (or actions in respect thereof) arise out of, relate to, result from or are based upon any of the following (each a "Violation"):

- (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein, or any amendments or supplements thereto;
- (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or
- (iii) any violation or alleged violation by the Company of the Securities Act, the

Exchange Act, or any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law, subject to Section 9(c) hereof and the Company will pay to the Stockholder or other person, as incurred, any legal or other expenses reasonably incurred by such Stockholder for the services of one law firm retained by all of the indemnified parties, plus appropriate local counsel, in connection with investigating or defending any such loss, claim, damage, expense, liability, or action;

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provided, however, that the indemnity agreement contained in this Section 9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, expense, liability, or action if such settlement is effected without the consent of the Company (which shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, expense, liability, or action to which the Stockholder or other indemnifiable person may become subject to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by the Stockholder or other indemnifiable person. This right to indemnification shall remain in full force and effect notwithstanding any investigation made by or on behalf of such Stockholder or other indemnifiable person and shall survive the transfer of such securities by such Stockholder.

(b) Indemnification by Stockholder. To the fullest extent permitted by law, the Stockholder will indemnify and hold harmless the Company, each of its directors, each of its officers, partners, employees, advisors, agents and representatives, who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, and any agent or investment advisor thereof, any other Stockholder selling securities registered in such registration statement and any controlling person of any such underwriter or other Stockholder against any and all losses, claims, damages, expenses (including, without limitation, attorney's fees and disbursements) and liabilities (joint or several) to which any of the foregoing persons may become subject, insofar as such losses, claims, damages, expenses (including, without limitation, attorney's fees and disbursements) and liabilities (or actions in respect thereto) arise out of, relate to, result from or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Stockholder expressly for use in connection with such registration; provided, however, that the indemnity agreement contained in this Section 9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Stockholder; provided, further, that in no event shall any indemnity under this Section 9(b) exceed the net proceeds from the offering received by the Stockholder.

(c) Procedures. Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 9, deliver to the indemnifying party a written notice of the commencement thereof in accordance with Section 18 hereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that the indemnified party shall have the right to retain one separate counsel (plus appropriate local counsel), with the reasonable fees and expenses to be paid by the indemnifying party, if an indemnified party shall have one or more defenses

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available to it which is not available to the Company or representation of the indemnified parties by the counsel retained by the indemnifying party otherwise would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial in any material respect to its ability to defend such action, shall to the extent prejudicial relieve such indemnifying party of any liability to the indemnified party under this Section 9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 9.

(d) Contribution. If the indemnification provided for in this Section 9 from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount

paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified parties on the other in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or related to information supplied by, such indemnifying party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action; provided, however, that in no event shall the liability of the Stockholder hereunder be greater in amount than the difference between the dollar amount of the proceeds received by the Stockholder upon the sale of the Registrable Shares giving rise to such contribution obligation and all amounts previously contributed by such Stockholder with respect to such losses, claims, damages, liabilities and expenses. The amount paid or payable to a party as a result of the losses, claims damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 9(d) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Survival. The obligations of the Company and Stockholder under this Section 9 shall survive the completion of any offering of Registrable Shares in a registration statement under this Agreement, and otherwise.

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Section 10. Reports Under Exchange Act.

With a view to making available to the Stockholder the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit the Stockholder to sell securities of the Company to the public without registration, the Company agrees to use commercially reasonable efforts to:

- (a) make and keep public information available, as those terms are defined in Rule 144; and
- (b) file with the SEC in a timely manner all reports and other documents required to be filed by the Company under the Securities Act and the Exchange Act;

Section 11. "Market Stand-Off" Agreement.

The Stockholders hereby agree that for a period of seven (7) days prior to and 180 days, or such shorter period required by the underwriters, following the effective date of any registration effected pursuant to Sections 2 or 3 hereof the Stockholders if requested by the managing underwriter, shall not, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of any securities of the Company held by them at any time during such period, except shares of Common Stock included in such registration. The requirements of this Section 11 shall not apply to a Stockholder that (together with its Affiliates), at the time of receipt of the referenced notice from the Company, (i) beneficially owns less than 5% of the outstanding shares of common stock; (ii) is not an Affiliate or an employee of the Company; and (iii) waives any further benefits of this Agreement for it or any subsequent assignee or transferee of its Registrable Shares.

In order to enforce the foregoing covenant, the Company may impose stop transfer instructions with respect to the Registrable Shares of the Stockholder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

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Section 12. Amendment.

This Agreement may be amended and the observance of any provision of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and any Stockholder adversely affected by the amendment or waiver. Any amendment or waiver effected in accordance with this Section 12 shall be binding upon the Stockholder, each transferee thereof and the Company.

Section 13. Termination.

The rights provided in this Agreement shall terminate five (5) years after the date of this Agreement.

Section 14. Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED, INTERPRETED AND THE RIGHTS OF THE PARTIES DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF).

Section 15. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 16. Titles and Subtitles.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 17. Negotiation of Agreement.

Each of the parties acknowledges that it has been represented by counsel of its choice throughout all negotiations that have preceded the execution of this Agreement and that it has executed the same with consent and upon the advice of said counsel. Each party and its counsel cooperated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto shall be deemed the work product of the parties and may not be construed against any party by reason of its preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against the party that drafted it is of no application and is hereby expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intentions of the parties and this Agreement.

Section 18. Notices.

Any notice or other communication provided for in, or given under, this Agreement shall be in writing and shall be deemed to be received when delivered in person or when sent by facsimile transmission or five (5) days after mailing by registered or certified mail, return receipt requested, addressed as follows:

If to a Stockholder:
Joseph P. Schlitzer
John W. Sink
James Clark
James McCann
21 Cottage Hill West
Pottsville, PA 17901

With copies to:
Richard Thornburg, Esq.
Lipkin, Marshall, Bohorad & Thornburg, PC
One Norwegian Plaza, Suite 200
P.O. Box 1280
Pottsville, PA 17901

If to the Company:
Northeast Pennsylvania Financial Corp.
12 East Broad Street
Hazleton, PA 18201

With copies to:
Kennedy and Lucadamo, PC
200 West Chapel Street
Hazleton, PA 18201

Section 19. Severability.

If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms to the fullest extent permitted by law.

Section 20. Further Assurances.

The parties shall, without further consideration, execute and deliver such additional documents and take such other action as the other parties, or any of them, may reasonably request to carry out the intent of this Agreement and the transactions contemplated hereby.

Section 21. Successors and Assigns.

This Agreement shall be binding upon, and all rights hereto shall inure to the benefit of, the parties hereto, and their respective successors and permitted assigns. The rights and obligations of the Stockholder under this Agreement may not be assigned to any person without consent of the Company.

Section 22. Entire Agreement.

This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the actions and transactions contemplated by this Agreement. There are no restrictions promises, inducements, representations, warranties, covenants or undertakings with regard to the registration of the Company's capital stock pursuant to the Securities Act, other than those expressly set forth or referred to in this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the date first above written.

NORTHEAST PENNSYLVANIA FINANCIAL CORP.

By: _____

SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT

NORTHEAST PENNSYLVANIA FINANCIAL CORP.

BYLAWS

ARTICLE I - STOCKHOLDERS

Section 1. Annual Meeting.

An annual meeting of the stockholders, for the election of Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen (13) months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 2. Special Meetings.

Subject to the rights of the holders of any class or series of preferred stock of the Corporation, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of Directors which the Corporation would have if there were no vacancies on the Board of Directors (hereinafter the "Whole Board").

Section 3. Notice of Meetings.

Written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; *provided, however*, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4. Quorum.

At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy (after giving effect to the provisions of Article FOURTH of the Corporation's Certificate of Incorporation), shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Where a separate vote by a class or classes is required, a majority of the

shares of such class or classes present in person or represented by proxy (after giving effect to the provisions of Article FOURTH of the Corporation's Certificate of Incorporation) shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present in person or by proxy constituting a quorum, then except as otherwise required by law, those present in person or by proxy at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

Section 5. Organization.

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chairman of the Board of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 6. Conduct of Business.

(a) The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

(b) At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting: (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who is entitled to vote with respect thereto and who complies with the notice procedures set forth in this Section 6(b). For business to be properly brought before an annual meeting by a stockholder, the business must relate to a proper subject matter for stockholder action and the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered or mailed to and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the date of the annual meeting; *provided, however*, that in the event that less than one hundred (100) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter such stockholder

proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business; (iii) the class and number of shares of

the Corporation's capital stock that are beneficially owned by such stockholder; and (iv) any material interest of such stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be brought before or conducted at an annual meeting except in accordance with the provisions of this Section 6(b). The Officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 6(b) and, if he should so determine, he shall so declare to the meeting and any such business so determined to be not properly brought before the meeting shall not be transacted.

At any special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors.

(c) Only persons who are qualified under Article II, Section 1 of these Bylaws and nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders at which directors are to be elected only: (i) by or at the direction of the Board of Directors; or (ii) by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Section 6(c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made by timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered or mailed to and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the date of the meeting; provided, however, that in the event that less than one hundred (100) days' notice or prior disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth: (i) as to each person whom such stockholder proposes to nominate for election or re-election as a Director, all information relating to such person that would indicate such person's qualification under Article II, Section 1, including an affidavit that such person would not be disqualified under the provisions of Section 1(d), and such information that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to the stockholder giving the notice (x) the name and address, as they appear on the Corporation's books, of such stockholder and (y) the class and number of shares of the Corporation's capital stock that are beneficially owned by such stockholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the Corporation that information required to establish his or her qualifications and to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance

with the provisions of this Section 6(c) and Section 1 of Article II. The Officer of the Corporation or other person presiding at the meeting shall, if the facts so warrant, determine that a nomination was not made in accordance with such provisions and, if he or she shall so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Section 7. Proxies and Voting.

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed in accordance with the procedure established for the meeting. Any facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, including on the election of Directors but excepting where otherwise required by law or by the governing documents of the Corporation, may be made by a voice vote; *provided, however*, that upon demand therefor by a stockholder entitled to vote or his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballot, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedures established for the meeting. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law or the Certificate of Incorporation, all other matters shall be determined by a majority of the votes cast.

Section 8. Stock List.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Section 9. Consent of Stockholders in Lieu of Meeting.

Subject to the rights of the holders of any class or series of preferred stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

ARTICLE II - BOARD OF DIRECTORS

Section 1. General Powers, Number, Term of Office and Qualifications.

(a) General Powers. The business and affairs of the Corporation shall be under the direction of its Board of Directors. The Board of Directors shall annually elect a Chairman of the Board from among its members who shall, when present, preside at its meetings.

(b) Number. The number of Directors who shall constitute the Whole Board shall be such number as the Board of Directors shall from time to time have designated, except that in the absence of such designation shall be eleven (11).

Except for the initial members of the Board of Directors as of the effective date of these Bylaws, no person shall be eligible for initial election as a Director who is 68 years of age or more. No person may be elected, appointed, nominated or otherwise serve as a Director of the Corporation after December 31 of the year in which such person attains the age of 70. Vacancies on the Board of Directors created by operation of this provision may be filled in accordance with these Bylaws.

(c) Term of Office. The Directors, other than those who may be elected by the holders of any class or series of Preferred Stock, shall be divided, with respect to the time for which they severally hold office, into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders, the term of office of the second class to expire at the annual meeting of stockholders one year thereafter and the term of office of the third class to expire at the annual meeting of stockholders two years thereafter, with each Director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, Directors elected to succeed those Directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each Director to hold office until his or her successor shall have been duly elected and qualified.

(d) No person shall be eligible for election or appointment to the Board of Directors: (i) if such person has, within the previous 10 years, been the subject of supervisory action by a financial regulatory agency that resulted in a cease and desist order or an agreement or other

written statement subject to public disclosure under 12 U.S.C. 1818(u), or any successor provision; (ii) if such person has been convicted of a crime involving dishonesty or breach of trust which is punishable by imprisonment for a term exceeding one year under state or federal law; (iii) if such person is currently charged in any information, indictment, or other complaint with the commission of or participation in such a crime; and (iv) unless such person has been, for a period of at least one year prior to his or her election, nomination or appointment, a resident of a county in which the Corporation or its subsidiaries maintains a banking office or of a county contiguous to any such county or had significant business ties to such counties. No person may serve on the Board of Directors and at the same time be a director or officer of another co-operative bank, credit union, savings bank, savings and loan association, trust company, bank holding company or banking association (in each case whether chartered by a state, the federal government or any other jurisdiction) that engages in business activities in the same market area as the Corporation or any of its subsidiaries. No person shall be eligible for election to the Board of Directors if such person is the representative or agent of a person or acting in concert (as that term is used to describe relationships involved in either presumptive or actual concerted action under 12 C.F.R. Section 574.4(d)) with respect to the Corporation or its subsidiaries, with a person who is ineligible for election to the Board of Directors under this Subsection 1(d). No nomination of any individual who would not be qualified to be elected or appointed to or serve as a member of the Board of Directors under this Article II, Section 1(d) shall be valid, accepted or voted upon. The Board of Directors shall have the power to construe and apply the provisions of this Section 1(d) and to make all determinations necessary to implement such

provisions, including but not limited to determinations as to whether any persons are a group acting in concert, as defined by this Section 1(d). The Board may request from a nominee information it deems relevant to assessing a nominee's satisfaction of the requirements of this Section 1(d).

Section 2. Vacancies and Newly Created Directorships.

Subject to the rights of the holders of any class or series of Preferred Stock, and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the Directors then in office, though less than a quorum, and Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such Director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Board shall shorten the term of any incumbent Director.

Section 3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all Directors. A notice of each regular meeting shall not be required.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by one-third (1/3) of the Directors then in office (rounded up to the nearest whole number), by the Chairman of the Board or the President or, in the event that the Chairman of the Board or President are incapacitated or otherwise unable to call such meeting, by the Secretary, and shall be held at such place, on such date, and at such time as they, or he or she, shall fix. Notice of the place, date, and time of each such special meeting shall be given each Director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by telegraphing or telexing or by facsimile transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 5. Quorum.

At any meeting of the Board of Directors, a majority of the Whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference Telephone.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the Directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 8. Powers.

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (1) To declare dividends from time to time in accordance with law;
- (2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;
- (3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;
- (4) To remove any Officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any Officer upon any other person for the time being;
- (5) To confer upon any Officer of the Corporation the power to appoint, remove and suspend subordinate Officers, employees and agents;
- (6) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for Directors, Officers, employees and agents of the Corporation and its subsidiaries as it may determine;
- (7) To adopt from time to time such insurance, retirement, and other benefit plans for Directors, Officers, employees and agents of the Corporation and its subsidiaries as it may determine;
- (8) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs; and
- (9) To fix the Compensation of officers and employees of the Corporation and its subsidiaries as it may determine.

Section 9. Compensation of Directors.

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as Directors, including, without limitation, their services as members of committees of the Board of Directors.

ARTICLE III - COMMITTEES

Section 1. Committees of the Board of Directors.

The Board of Directors, by a vote of a majority of the Board of Directors, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for these committees and any others provided for herein, elect a Director or Directors to serve as the member or members, designating, if it desires, other Directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings. The quorum requirements for each such committee shall be a majority of the members of such committee unless otherwise determined by the Board of Directors by a majority vote of the Board of Directors which such quorum determined by a majority of the Board may be one-third of such members and all matters considered by such committees shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

Section 3. Nominating Committee.

The Board of Directors shall appoint a Nominating Committee of the Board, consisting of not less than three (3) members. The Nominating Committee shall have authority: (a) to review any nominations for election to the Board of Directors made by a stockholder of the Corporation pursuant to Section 6(c)(ii) of Article I of these Bylaws in order to determine compliance with such Bylaw; and (b) to recommend to the Whole Board nominees for election to the Board of Directors to replace those Directors whose terms expire at the annual meeting of stockholders next ensuing.

ARTICLE IV - OFFICERS

Section 1. Generally.

(a) The Board of Directors as soon as may be practicable after the annual meeting of stockholders shall choose a Chairman of the Board, Chief Executive Officer, a President, one or more Vice Presidents, a Secretary and a Treasurer and from time to time may choose such other officers as it may deem proper. The Chairman of the Board shall be chosen from among the Directors. Any number of offices may be held by the same person.

(b) The term of office of all Officers shall be until the next annual election of Officers and until their respective successors are chosen but any Officer may be removed from office at any time by the affirmative vote of a majority of the authorized number of Directors then constituting the Board of Directors.

(c) All Officers chosen by the Board of Directors shall have such powers and duties as generally pertain to their respective Offices, subject to the specific provisions of this ARTICLE IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

Section 2. Chairman of the Board of Directors.

The Chairman of the Board, subject to the provisions of these Bylaws and to the direction of the Board of Directors, when present shall preside at all meetings of the stockholders of the Corporation. The Chairman of the Board shall perform such duties designated to him by the Board of Directors and which are delegated to him or her by the Board of Directors by resolution of the Board of Directors.

Section 3. President and Chief Executive Officer.

The President and Chief Executive Officer shall have general responsibility for the management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of President and Chief Executive Officer or which are delegated to him or her by the Board of Directors. Subject to the direction of the Board of Directors, the President and Chief Executive Officer shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision of all of the other Officers (other than the Chairman of the Board), employees and agents of the Corporation.

Section 4. Vice President.

The Vice President or Vice Presidents shall perform the duties of the President in his absence or during his inability to act. In addition, the Vice Presidents shall perform the duties and exercise the powers usually incident to their respective offices and/or such other duties and powers as may be properly assigned to them by the Board of Directors, the Chairman of the Board or the President. A Vice President or Vice Presidents may be designated as Executive Vice President or Senior Vice President.

Section 5. Secretary.

The Secretary or Assistant Secretary shall issue notices of meetings, shall keep their minutes, shall have charge of the seal and the corporate books, shall perform such other duties and exercise such other powers as are usually incident to such office and/or such other duties and powers as are properly assigned thereto by the Board of Directors, the Chairman of the Board or the President. Subject to the direction of the Board of Directors, the Secretary shall have the power to sign all stock certificates.

Section 6. Treasurer.

The Treasurer shall be the Comptroller of the Corporation and shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board of Directors may from time to time prescribe. Subject to the direction of the Board of Directors, the Treasurer shall have the power to sign all stock certificates.

Section 7. Assistant Secretaries and Other Officers.

The Board of Directors may appoint one or more Assistant Secretaries and such other Officers who shall have such powers and shall perform such duties as are provided in these Bylaws or as may be assigned to them by the Board of Directors, the Chairman of the Board or the President.

Section 8. Action with Respect to Securities of Other Corporations.

Unless otherwise directed by the Board of Directors, the President or any Officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE V - STOCK

Section 1. Certificates of Stock.

Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chairman of the Board or the President, and by the Secretary or an Assistant Secretary, or any Treasurer or Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

Section 3. Record Date.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any

meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; *provided, however*, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the next day preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment or rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Regulations.

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI - NOTICES

Section 1. Notices.

Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, Director, Officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram or other courier. Any such notice shall be addressed to such stockholder, Director, Officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by telegram or mailgram or other courier, shall be the time of the giving of the notice.

Section 2. Waivers.

A written waiver of any notice, signed by a stockholder, Director, Officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, Director, Officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VII - MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal.

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or an assistant to the Treasurer.

Section 3. Reliance Upon Books, Reports and Records.

Each Director, each member of any committee designated by the Board of Directors, and each Officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its Officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such Director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 4. Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5. Time Periods.

In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE VIII - AMENDMENTS

The Board of Directors may amend, alter or repeal these Bylaws at any meeting of the Board, provided notice of the proposed change was given not less than two (2) days prior to the meeting. The stockholders shall also have power to amend, alter or repeal these Bylaws at any meeting of stockholders provided notice of the proposed change was given in the notice of the meeting; *provided, however*, that, notwithstanding any other provisions of the Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock required by law, the Certificate of Incorporation, any Preferred Stock Designation or these Bylaws, the affirmative votes of the holders of at least 80% of the voting power of all the then-outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal any provisions of these Bylaws.

The above Bylaws are effective as of January 22, 2002.