Susquehanna

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February 24, 2009

Mr. Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky,

I would like to thank you for this opportunity to provide information about how Susquehanna Bancshares, Inc. is using capital provided through the Capital Purchase Program (CPP) to support lending to businesses and consumers in our Mid-Atlantic market region.

Our intention is to use the $300 million received through the CPP for loan growth. As stated in our quarterly conference call for analysts and investors on January 29, 2009, we currently project net loan growth of 8% in 2009. (I have enclosed the transcript for this conference call, as supplemental information). With a loan portfolio of $9.65 billion at year-end 2008, this projection would mean loan growth of approximately $750 million in the current year. This increase would follow the 10% net increase in loans (or approximately $900 million) that we achieved in 2008. Susquehanna has a history of sound asset quality, and we were able to generate this level of loan growth while maintaining credit quality ratios superior to the majority of our peer group. While these projections represent our present intentions, we must reserve the right to react to unforeseen regulatory, legislative or economic changes.

The capital received through the CPP has not been segregated, because Susquehanna manages its capital in aggregate. We believe that looking at overall lending provides the best insight into how a bank is operating as an engine of economic growth in local communities. Through January 31, 2009, we have made use of TARP capital to fund $148 million in loan growth, leaving $152 million available to fund additional loan growth this year. As you can see from our projection above, we expect our overall loan growth in 2009 to more than double the amount of capital we received via TARP. Our original intention when we applied to the program was to use the money to support loan growth, and that is still our intention for the unused portion. Given our strong record of loan growth and the demand that we experienced in 2008, we determined it was in the best interest of our customers, shareholders and communities to apply to this program to keep our momentum going.

I would like to provide an example of a significant loan we made in the fourth quarter of 2008, which demonstrates the role that community banks like Susquehanna can play in local economies. We were the lead bank in a consortium that provided a $46 million bridge loan to a group of investors who bought the assets of the Boscov's department store chain out of bankruptcy. Boscov's operates 39 stores in many of the same markets where our bank does business, and the chain employs as many as 9,000 people during peak shopping seasons. The lead investor is the son of the chain's founder, who came out of retirement to rescue the company from possible dissolution. The bridge loan – with Susquehanna providing $21 million – was a key piece of the financing package, providing temporary funding until government-guaranteed loans can be finalized. We have enclosed several newspaper articles that reported our role in the Boscov's bridge loan as supplemental information. With access to capital through TARP, we are better able to make additional loans like this one, which we hope will enable the borrowers to retain and create jobs in the current volatile economy.

Susquehanna has been busy implementing the October 14, 2008 Treasury Department requirements applicable to executive compensation and corporate governance for the period the Treasury holds an equity position in Susquehanna under the CPP as set forth in section 111(b)(1) of the Emergency Economic Stabilization Act of 2008 (EESA).

Identified Senior Executive Officers (SEOs), as defined in Subsection 111(b)(3) of the EESA and the regulations issued thereunder, signed the Treasury Letter Agreement as part of our CPP settlement, and the Compensation Committee of our Board of Directors has been briefed and updated three times on the requirements under the CPP.

The Compensation Committee has authorized our Senior Risk Officer to review all incentive compensation arrangements in which our SEOs participate and issue a report to the Compensation Committee by February 27, 2009. Further, an annual review by the Compensation Committee has been scheduled and the Compensation Committee will certify the review within 90 days after the December 12, 2008 CPP settlement as required.

Each SEO has agreed in the Treasury Letter Agreement to the required "clawback" provisions and to the prohibition on golden parachute payments. Similarly, we have implemented procedures in order to comply with the 302 limitation on tax deductions for covered compensation paid to SEOs in excess of $500,000.

Susquehanna continues to monitor the many proposed changes from the administration, Congress and Treasury. To date we have followed the rules in effect under EESA, and we understand that further changes to the executive compensation rules are part of the Economic Stimulus legislation. We will continue to monitor these changes and implement the rules accordingly.

With more than a century of experience in community banking in the Mid-Atlantic region, Susquehanna has built a strong track record of growth and service to consumers and businesses.

We are pleased to be able to support the U.S. Treasury's efforts to restore confidence and the flow of funds in the capital and financial markets.

Subject to the requirements and penalties set forth in Title 18, United States Code Section 1001, I hereby certify that I am a duly authorized senior executive officer of Susquehanna Bancshares, Inc., and that, to the best of my knowledge, all statements, representations and supporting information (other than information in the third-party news articles enclosed herewith) provided hereby are accurate.

Sincerely,

Drew K. Hostetter

Drew K. Hostetter
Executive Vice President
Chief Financial Officer

Fourth Quarter '08 Conference Call Script – January 29, 2009

[ABE]

Thank you. Good morning and welcome. I am Abe Koser, Vice President, Investor Relations at Susquehanna Bancshares.

By now, you should all have received a copy of the press release about our fourth quarter and year-end 2008 financial results, which we made available yesterday. If anyone still needs a copy, please call us at 717-625-6311, and we'll fax it to you. Our financial releases are also posted in the investor relations section of our Web site at www.susquehanna.net.

Certain statements made during this conference call may be considered to be "forward-looking statements." In particular, certain statements made on this call may include forward-looking statements relating to: our ability to manage credit quality; our forecast regarding pre-tax income for our auto leasing subsidiary; our financial goals for 2009; and our strategic focus for 2009.

Such statements are not guarantees of future performance and are subject to certain risks and uncertainties. The factors that may affect these statements and our financial performance, include, but are not limited to:

- continued levels of our loan and lease quality and origination volume;
- changes in consumer confidence, spending and savings habits;
- continued relationships with major customers;
- compliance with applicable laws and regulations;
- competition from other financial institutions in originating loans and attracting deposits;
- the ability to hedge certain risks economically;
- adverse changes in the automobile industry;
- adverse changes in the economy generally and, in particular, adverse changes relating to the risks set forth in our SEC filings, including our most recent Annual Report on Form 10-K;
- and our success in managing the risks involved in the foregoing.

Forward-looking statements speak only as of the date they are made. We do not intend to update publicly any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events except as required by law.

I will now turn the meeting over to your host, William J. Reuter, Chairman and Chief Executive Officer.

[BILL]

Thank you, Abe, and good morning everyone. Thank you for joining us for our review of fourth-quarter and year-end results for 2008. Also participating in today's call will be Drew K. Hostetter, Executive Vice President and Chief Financial Officer, and Michael M. Quick, Executive Vice President and Chief Corporate Credit Officer.

I'd like to begin with a look at the financial results that we released yesterday.

Net income available to common shareholders for 2008 was $81.8 million, or 95 cents per diluted share, compared to $69.1 million, or $1.23 per diluted share, earned in 2007. Net income available to common shareholders for the fourth quarter of 2008 was $18.2 million, or 21 cents per diluted share, compared to $18.7 million, or 27 cents per diluted share, in fourth-quarter 2007.

Net loans and leases grew 10% from December 31, 2007. In particular, we saw strong growth in commercial loans, which were up 22%. Commercial real estate loans increased 8%, and residential real estate loans were up 7%.

I'd like to provide a little more detail about our mortgage lending activity in 2008. At a time when a number of mortgage lenders have exited the market or are reporting a drop in volume, our mortgage division saw strong results. With the addition of Community Banks mortgage operations, which we acquired in November 2007, we had more than 1,800 loans settle in 2008. This translated into total lending of more than $335 million, up 68% from the prior year, which did not include Community Banks volume.

In reviewing our 2008 mortgage loans, 33% were due to refinancing, and 67% were due to purchase and new construction. Of our mortgage volume last year, we retained 40% in our portfolio and sold 60% into the secondary market.

Fourth-quarter mortgage lending volume was still strong, with 445 settlements for a total of more than $84 million during that period. In the fourth quarter, 26% of loans were refinances, compared to 74% for purchase or new construction. We believe these results illustrate the resilience of many of the geographical markets where we operate, even in these challenging economic times.

Our deposit results reflect the competitive market and pricing pressures that all banks are facing. Total deposits increased 1% from December 31, 2007, while non-interest bearing demand deposits decreased 7%. Net interest margin for the year decreased 5 basis points to 3.62%. For the fourth quarter, net interest margin decreased 17 basis points to 3.52%, compared to 3.69% for the fourth quarter of 2007.

The deterioration in economic conditions has impacted our credit quality, as reflected by the results reported yesterday. Net charge-offs as a percentage of average loans and leases for 2008 were 42 basis points, compared to 25 basis points for 2007. For the fourth quarter, net charge-offs were 60 basis points, compared to 26 basis points during the same period in 2007. Non-performing assets as a percentage of loans, leases and other real estate owned were 1.22% for 2008, compared to 81 basis points for 2007.

Given the pressures facing our customers and loan portfolio, we increased our provision for loan and lease losses to $63.8 million for the year, compared to $21.8 million for 2007.

Credit quality will continue to be a primary focus of Susquehanna in 2009. Although our individual research indicates that the Middle Atlantic States have experienced less depreciation in real estate values than other parts of the country, it is apparent from our numbers that we continue to experience ratios that are higher than our previous experiences in a recession.

Our major concern within our present footprint is the I-95 corridor from Dover, Delaware to Washington, D.C. Approximately 35% and 28%, respectively, of our non-accruals and delinquencies are centered in this corridor. (It should be noted that these numbers represent only .3% and .5%, respectively, of the total outstanding balances of our loan portfolio.) LAD lending represents approximately 52% and 36%, respectively, of our total non-accruals and delinquencies.

We have devoted considerable time in 2008 to prepare our company to recognize and resolve troubled credits by doing the following:

First, all credits with an aggregate exposure of $5.0 million dollars, and loans of $2.5 million or greater in the categories of Commercial Real Estate, Commercial Construction Real Estate and Residential Real Estate, are reviewed the third month of each quarter to determine the status of their global cash flow. This review includes a stress test for an increase of 100 basis points in the interest rate.

Second, during the second month of each quarter, we hold credit quality meetings for all criticized and classified loans that include review of global cash flow and stress testing for an increase of 100 basis points in interest rate.

Third, 15 month rolling projections of potential non-accruals, charge-offs, OREO properties, 90 day loans still accruing, total delinquencies, Trouble Debt Restructured Loans, Specific Reserves and Recoveries over $500M are completed the third month of every quarter and are reviewed and discussed by executive management.

Fourth, we hold monthly meetings with all work-out officers to review their portfolio and strategy to either upgrade or exit particular credits. During the 4th quarter, we were successful in removing about $11.0MM in non-accruals due to our efforts to find buyers for these credits.

Fifth, our Consumer Lending area has instituted an ongoing review of all HELOCs to determine property values and refresh FICO scores.

We have a curtailment process in place for those credits that have been affected to reduce our risk.

Sixth, risk-based pricing has been established to reflect the cost of classified and criticized loans.

Finally, we have completed a review of all charge-offs, migration of credit cost and any other cost for a troubled credit by officer. This has been distributed to all managers to review with their staff and ensure that activities are modified accordingly.

The provision for the fourth quarter was $22.5 million dollars due to charge- offs of $14.4 million dollars (R/E was 39% and C&I was 35%), with the balance due to migration of credit and new loans.

We believe that 2009 will be a challenging year, with the effects of the recession and rising unemployment negatively affecting the economy. However, we also believe that we have the proper monitoring systems in place to recognize issues in an appropriate time frame and to minimize the effect on our earnings.

Turning to our wealth management business, our assets under management and administration decreased 10% to $5.4 billion at year-end 2008, compared to $6.0 billion at the end of the prior year. However, wealth management fee income increased 26% for the year, rising to $40.6 million, from $32.1 million during 2007. For the fourth quarter, wealth management fee income was up 12% to $9.6 million, compared to $8.6 million during fourth-quarter 2007.

I will now turn the call over to Drew for a review of our results on a quarter-to-quarter basis.

[DREW]

Thank you, Bill –

In my presentation, I want to focus on fourth quarter results for 2008 and our 2009 financial goals. Net interest income decreased $1.5 million, or 1%, from the third quarter due primarily to a decline in our net interest margin of 8 basis points.

The decline in margin resulted from our slightly asset sensitive position on our balance sheet in a declining interest rate environment.

Non-interest income increased $18.9 million, or 105%, from the third quarter due primarily to the $17.5 million impairment charge recorded in the third quarter.

Non-interest expense decreased $6.6 million, or 7%, from the third quarter due primarily to small reductions in various expenses as well as special charges in the third quarter of $4.6 million related to consolidation of the banks and The Reserve's Primary Fund.

Our auto leasing business was budgeted to have a pre-tax profit of $4.5 million in 2008. This business realized a $1.6 million pre-tax profit in 2008 as back-end costs were higher than expected due to a higher turn-in ratio. For 2009, we are forecasting pre-tax income to be break-even as back-end costs are expected to rise.

Next, I want to present our financial goals for 2009:

• FTE margin	3.70%
• Loan growth	8.0%
• Deposit growth	1.0%
• Non-interest income growth	6.0%
• Non-interest expense growth	(1.0%)

• Tax rate	32.0%
• Preferred dividend	$16.7

These financial goals include no securitization activity in 2009.

I will now turn the conference call back to Bill for his closing remarks.

[BILL]

Thank you, Drew.

As we discussed in a number of our calls last year, the economic turmoil has created a challenging operating environment for banks. Our management team has identified a series of strategic focus areas for 2009 that are geared to help us manage the ongoing challenges as well as take advantage of the opportunities that will arise.

First and foremost, we will continue our diligent management of credit quality, as I discussed earlier in our presentation. This is vital for a number of reasons.

In a competitive market, deposits become a scarce commodity, and we will work to deploy our resources through sound loan underwriting. We certainly have a legacy of making responsible, manageable loans to customers in markets that we know, and now more than ever we intend to follow that philosophy. Maintaining a high degree of credit quality will also provide a level of assurance for customers about the soundness and stability of Susquehanna Bank. We believe that in the current environment, trust and customer confidence are among the most valuable commodities for a bank.

A second strategic focus area is managing capital and liquidity, and one resource that we tapped to further strengthen our well-capitalized status was the U.S. Treasury Department's Capital Purchase Program. We applied for and received $300 million through the program, and the government's purchase of preferred shares was completed on December 12, 2008. This initiative raised our capital ratios to the following levels, as of year-end 2008:

Leverage ratio:	9.92%
Tier 1 risk-based capital:	11.17%
Total risk-based capital:	13.52%

To put it another way, given our risk-based capital ratios at year-end, we would have excess capital of $391 million before falling below any benchmark necessary to be ranked as well-capitalized.

I would also like to point out that at year-end 2008, our holding company, Susquehanna Bancshares, had $406 million in liquidity, with no debt coming due in the next three years.

Participating in the Capital Purchase Program is in the best interests of our shareholders, customers and the communities we serve. This funding gives us a foundation to generate additional lending to our customers, and it also builds our capital reserves for additional security against the uncertain nature of the economy.

In return for the capital infusion, the U.S. Treasury received $300 million in preferred shares with an initial annual dividend rate of 5%.

In addition, the Treasury received warrants to purchase approximately 3 million shares of Susquehanna common stock, at an exercise price of $14.86 per share.

This capital infusion brings with it a responsibility to make credit available in our local communities, and we have every intention of continuing our record of strong loan growth.

We will seek out opportunities to make sound loans in order to be an active participant in the economic stability and growth of our markets. I'd like to mention a few highlights of our work in this area during 2008. For example, we made 48 community development loans last year, for a total of approximately $88 million. We also did $30 million in SBA lending during the year. Through Susquehanna Bank's Homestart Mortgage Loan program, we provided approximately 350 mortgage loans to low- and moderate-income first-time home buyers, for a total of $37 million. We also provided additional mortgages to low- and moderate-income buyers through more traditional products, such as FHA and VA programs. These results point to the strong track record that we have in making loans to advance responsible home ownership and economic growth in our communities. We plan to build on this foundation going into 2009, with overall loan growth projected at 8%, as Drew noted in his presentation.

We believe this level of loan growth is achievable and responsible in the current climate, which requires us to carefully balance our support of economic growth with the need to manage credit quality in our portfolio.

Another focus area for 2009 is the funding necessary to support lending. We anticipate that this year will continue the trend of competitiveness in deposit generation and pricing. We believe there is some potential in a few targeted market segments where we will concentrate our efforts, including seniors, small businesses, private banking clients, workplace banking programs and non-profit organizations. Our efforts at retaining and growing deposits will be enhanced with new customer relationship management tools that should improve front-line capability to identify gaps in relationships and cross-sell accordingly.

Our final focus area in 2009 is to continue to build recognition and value for the Susquehanna brand. As you know, last fall we consolidated our three bank subsidiaries into a single Susquehanna Bank and established a standard set of products.

This allows us to develop a consistent customer experience throughout our network of more than 230 branches, increasing efficiency and streamlining our marketing and sales efforts. We believe that further development of a consistent Susquehanna brand identity and experience will make us an even stronger competitor.

In conclusion, during 2008 we put in place the structure that we believe will enable Susquehanna to navigate the economic turbulence and build on our role as one of the nation's top regional financial service companies. Our focus in 2009 will be on the successful management of our loan portfolio, profitable deployment of deposits through sound lending, diligent management of liquidity and capital, and delivering superior customer service to increase market share and cross-selling of our additional financial products and services. Each of our 3,400 team members is focused on these initiatives, and I look forward to the results that we can achieve together.

Winston Churchill once said, "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."
At Susquehanna, we are optimists about America's future and our own.

At this point, I'd like to open the call for your questions and comments.

(Operator will give instructions, conduct Q&A)

When there are no more questions, operator will say…

If there are no further questions at this time, please continue with any final remarks:

[BILL]

I would like to remind you that our conference call to review first-quarter 2009 results will be held on Thursday, April 23, 2009, at 11 a.m. Eastern Time. Thank you for your time today, and for your continued interest in Susquehanna Bancshares.

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Posted on Wed, Dec. 10, 2008

PhillyDeals: PhillyDeals: Whole network of lenders rescued Boscov's

By Joseph N. DiStefano

The rescue of the **Boscov's** department store chain from bankruptcy last week was financed by a multistate network of investors, banks and government funds.

> The extended family of patriarch **Al Boscov** raised $20 million. Two prominent mall developers that have been landlords to Boscov stores put up an additional $30 million: Philadelphian **Ronald Rubin's Pennsylvania Real Estate Investment Trust** committed a $10 million unsecured loan, and **Cathco Diversified Fund L.P.**, which is owned by members of the family that runs **Cafaro & Co.**, Youngstown, Ohio, put up an additional $20 million in equity, according to people familiar with the deal.

> Both Rubin and the Cafaros have been prominent real estate investors, political campaign contributors and charitable donors in their respective communities.

> "We're glad to support the community," said PREIT spokesman **Shawn Southard.** Cafaro family members were unavailable for comment at their Youngstown office. Cathco's board includes Cafaro chief executive officer **Anthony Cafaro Sr.** and his sons **Anthony Jr.** and **William**.

> The State of Pennsylvania added $35 million in loans financed by federal Housing and Urban Development Section 108 economic-development funds, and a total of $11.7 million in additional HUD money was committed by the cities of Vineland and Atlantic City, N.J., and Scranton and Wilkes-Barre, said **John Blake**, acting secretary of Pennsylvania's **Department of Community and Economic Development.**

> Those loans will be secured by Boscov's stores and store inventories, Blake said. Other financing wasn't available, he said. "If we didn't step up, the consequences would have been lasting," with cities like Scranton, Wilkes-Barre, Johnstown and Altoona losing jobs, property taxes, and property value if stores closed, he said. Boscov's employs 9,000, including about 5,500 in Pennsylvania.

> But the government money won't be ready until April (and terms are still being negotiated), so a consortium of banks stepped in with a $46.7 million bridge loan until then.

> The group is led, not by **PNC**, **Wachovia**, or other large regional lenders, but by **Susquehanna Bank**, of Lititz, Lancaster County.

> Other bridge lenders included **Harleysville National Bank; National Penn Bank**, of Boyertown; **Fulton Bank**, of Lancaster; **Vist Financial**, of Leesport; and **WSFS Corp.**, of Wilmington, said **Joseph Harenza**, chief executive of **Griffin Financial Group**, of Reading and King of Prussia, which assembled the bankers.

> The deal also depended on a $210 million line of credit from Boscov's previous lenders - **Bank of America Corp., Wells Fargo & Co.**, and **GE Capital** - plus **CIT Group Inc.**, which joined Boscov's lenders for the first time, said **J. Scott Victor**, senior managing director at **National City Investment Banking's Special Situations Group**, in West Conshohocken, which represented members of the Boscov family.

AMERICAN BANKER
On Focus and In Depth

A Pennsylvania Save, Funded by Tarp

"It was the smaller banks that stood tall"

American Banker | Friday, December 12, 2008

By Robert Barba and Bonnie McGeer

A handful of community banks in Pennsylvania are using capital they received from the Treasury Department to save 9,000 local jobs threatened by a department store's bankruptcy filing.

William J. Reuter, the chairman and chief executive of Susquehanna Bancshares Inc. in Lititz, said the funding from the Treasury's Capital Purchase Program made it easier for the banks to act quickly to rescue Boscov's Inc.

"Having this money recommits community banks to doing what they do best," Mr. Reuter said. "Often in a tough economic environment, community banks provide the financing that allows for job creation and, in this case, job retention."

State and local governments agreed to extend a $46.7 million loan to help Al Boscov buy his namesake store out of bankruptcy and preserve thousands of jobs. But much of that money will not be available for at least 120 days, and Mr. Boscov needed the money immediately.

Griffin Financial Group LLC, a King of Prussia investment banking firm, helped Mr. Boscov secure the bridge loan. Joseph M. Harenza, Griffin's CEO, said he turned to the community banks for the bridge financing after being shut out by money center and regional banks.

"The big guys turned him down," Mr. Harenza said. "It was the smaller banks that stood tall and did this for the community, and they did it fast. Had that not happened, it would have been devastating."

Six of the seven banking companies participating in the loan are based in Pennsylvania. The seventh, WSFS Financial Inc., is based in Delaware. Five of the Pennsylvania companies have announced that they have either applied for or received Treasury capital injections.

Paul Geraghty, the president and CEO of Harleysville National Corp., said the Treasury funds specifically helped, because the loan was not traditional.

The store chain's receivables and inventory already serve as the collateral for a $200 million line of credit led by Bank of America Corp., and the bridge loan is meant to fill in the gap until the state money comes through.

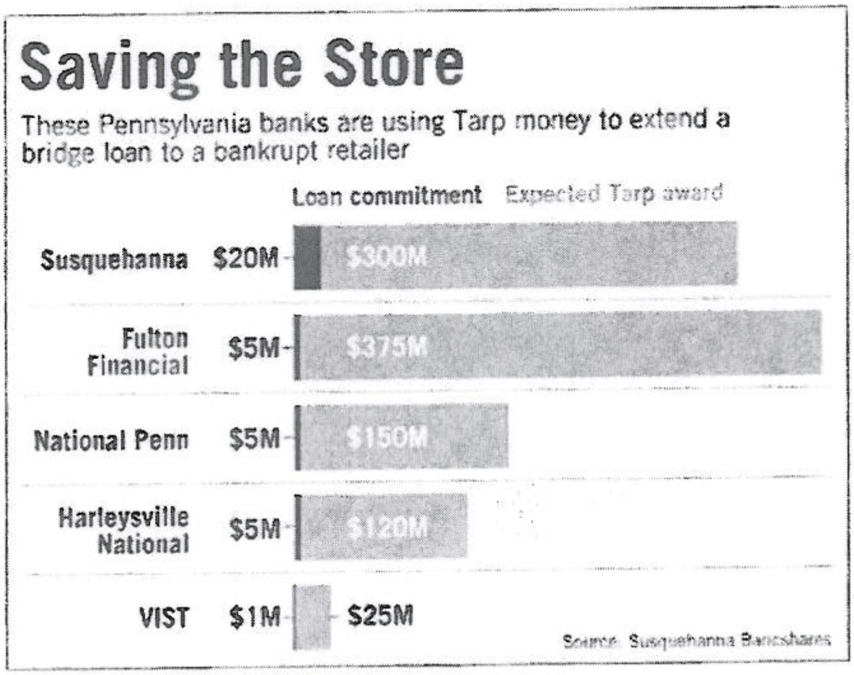
That does not mean the loan is a high-risk one, Mr. Geraghty said, but it does have a lower rating and requires a more significant allocation of capital. "You have to be in a very strong capital position to take make this kind of loan," he said. "Without the Tarp money," — the acronym for the Treasury's Troubled Asset Relief Program — "it would have been harder to step up and participate."

Boscov's, America's largest family-owned independent department store, is an anchor tenant at dozens of Pennsylvania malls. (It also has stores in Delaware, Maryland, New Jersey, and New York.) The company filed for bankruptcy protection in August, prompting Mr. Boscov, 79, to come out of retirement six weeks ago to save the store chain he sold to a nephew three years ago.

Mr. Boscov said in an interview that the company ran into trouble because it tried to expand too quickly. He said he came out of retirement because 9,000 jobs were at risk, and because he wanted to continue the business founded by his father, a Ukrainian immigrant who was a peddler before opening his first store.

The Treasury has taken heat for failing to monitor how bankers are using bailout money. This week members of the House Financial Services Committee grilled Neel Kashkari, the interim Treasury assistant secretary for financial stability, on that question. Large banking companies are being criticized for not doing enough to help ease tough economic conditions (See related story).

Susquehanna is kicking in $20 million of the bridge loan to Mr. Boscov. "The more you are able to lend to small businesses, the more you are able to lend to the consumer, the sooner we are going to see the bottom of this economy," Mr. Reuter said. "Knowing that the proceeds are going to save jobs, this became an easier decision."


Saving the Store
These Pennsylvania banks are using Tarp money to extend a bridge loan to a bankrupt retailer
Loan commitment
Expected Tarp award
Susquehanna
$20M
$300M
Fulton Financial
$5M
$375M
National Penn
$5M
$150M
Harleysville National
$5M
$120M
VIST
$1M
$25M
Source: Susquehanna Bancshares

Banks help Boscov's build bridge from bankruptcy

Reading-based retailer said it sought loans from big banks first, was turned down.

Lancaster New Era
Published: Dec 15, 2008

By TIM MEKEEL, Staff Writer

Last week, when William J. Reuter was at a Park City restaurant for dinner, he thought he'd buy some Christmas gifts at the mall too.

So the local banker, who isn't a big fan of shopping, decided to visit the Boscov's department store there — for the first time in his life.

But he didn't make that selection at random.

Reuter's institution, Susquehanna Bank, had just become the lead lender in a consortium providing a $46.7 million bridge loan to help Al Boscov buy back the retail chain.

That transaction, consummated days earlier, made him understandably curious to see one of his new customer's stores.

"I made a beeline to Boscov's," he said.

Reuter, Susquehanna's chairman, was impressed by what he found, especially the "very friendly" sales clerks. He spent "a couple hundred dollars" on gifts for his wife, their son and their grandson.

"I'll go back, even after I'm paid back," he said.

Susquehanna is contributing $21 million to the bridge package, which is providing a temporary but key piece of the funding puzzle for Al Boscov until April.

That's when the interim package is due to be replaced by $46.7 million in economic-development long-term loans from the U.S. Department of Housing and Urban Development, including $35 million committed by the state of Pennsylvania.

Boscov, 79, the chain's former chairman, as well as former president Edwin Lakin, 85, head the group that bought back the company in the midst of its bankruptcy proceedings.

The deal, completed last month, had to be finalized quickly to keep the Reading-based chain from being liquidated and its 9,000 workers from losing their jobs.

In total, the Boscov group paid about $300 million for the 39-store chain. The purchase was funded by equity (including $20 million from the Boscov family) and by loans from landlords, banks and, come April, government.

To get from now until then, Al Boscov tapped eight regional banks that serve the same markets as his chain does. (Luzerne County also is contributing to the bridge package.)

Besides Lititz-based Susquehanna, the syndicate has one other institution that's based here, Fulton Financial, which contributed a $5 million loan, and two more that have branches here.

They are Commerce Bank/Harrisburg and Boyertown-based National Penn Bank (owner of HomeTowne Heritage Bank).

Helping Al Boscov put together the bridge package was Griffin Financial Group, an investment banking firm also based in Reading.

Griffin's chief executive officer, Joseph M. Harenza, acknowledged that the regional banks were not the first place they looked for bridge financing.

"Albert and we talked to the big banks but the big banks were not too interested in helping," he said.

That made them turn to the regional banks in Boscov's markets.

At those banks, they got the opposite reception, because those banks could envision the "carnage" in their own communities if their local Boscov's stores went dark, Harenza said.

Harenza praised Susquehanna for putting together the complicated bridge deal in a mere two weeks, saying such a transaction typically takes months to arrange.

"Susquehanna saw the urgency and jumped right on it. Bill Reuter and his guys stood tall," Harenza said.

Reuter agreed that Susquehanna was motivated by a desire to help preserve a major employer in its communities.

"It was well worth the time and the effort, because this is what we do best. We're here to lend money into local markets, which stimulates the economy and job growth ...," he said.

Reuter said the fact that Susquehanna knew it was getting $300 million from the U.S. Treasury's Capital Purchase Program played a role in the bank electing to take part.

"We could have done it anyway, but this made our decision a lot easier, because of the additional liquidity and capital that the government has injected, which is the purpose of the program," he said.

The Capital Purchase Program, part of the Treasury's Troubled Asset Relief Program enacted this fall, is designed to encourage healthy banks to make more loans, to spur the economy. Reuter noted that Susquehanna's loan volume is up 17 percent this year already, without the CPP dollars.

Fulton Bank is getting $375 million from the CPP, but that fresh capital played no role in the bank's decision to take part in the Boscov bridge loan, said Craig Roda.

Roda, the bank's president and chief executive officer, noted that the bank had not yet obtained Treasury's approval for the CPP dollars when it elected to join the bridge loan syndicate.

Rather, Fulton Bank got involved because it wanted to support Boscov in his effort to save a firm that's a leader in several key markets served by the bank.

"We just felt this was very important, as a community bank, to be part of a community solution for a vital employer... It's critical for them to be open," he said.