

AMENDMENT TO THE MARCH 2013 AGREEMENT  
BY AND BETWEEN  
Hometown Bank of the Hudson Valley  
Walden, New York  
and  
The Comptroller of the Currency

Hometown Bank of the Hudson Valley, Walden, New York ("Bank") and the Comptroller of the Currency of the United States ("Comptroller") wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his authorized representative, and the Bank, by and through its duly elected and acting Board of Directors, executed a formal agreement on March 7, 2013 ("2013 Agreement"). The 2013 Agreement remains in full force and effect, except as otherwise set forth herein.

The Comptroller, through his national bank examiners and other staff of the Office of the Comptroller of the Currency ("OCC"), has conducted an examination of the Bank and has found unsafe or unsound banking practices relating to asset quality, earnings, and capital levels.

The Comptroller, through his authorized representative, and the Bank, by and through its duly elected and acting Board of Directors, mutually agree that an amendment to the 2013 Agreement is warranted. This amendment to the 2013 Agreement ("Amendment") supplements, but does not replace the 2013 Agreement. Specifically, Articles II, III, IV, VI, VII, VIII, IX, X, XI, XII, XIII, and XIV of the 2013 Agreement shall remain in effect without modification; and Articles I, V, and XV of the 2013 Agreement shall be replaced with Articles I, V, and XV of this Amendment, respectively, which are incorporated into the 2013 Agreement as if fully set forth

therein.

In consideration of the above premises, it is agreed between the Bank, by and through its duly elected and acting Board of Directors ("Board"), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of the 2013 Agreement and this Amendment.

## ARTICLE I JURISDICTION

(1) The Bank is a federal savings association examined by the OCC pursuant to the Home Owners' Loan Act of 1933, as amended, 12 U.S.C. § 1461 et seq., and is a "Federal savings association" within the meaning of 12 U.S.C. § 1813(b) and an "insured depository institution" within the meaning of 12 U.S.C. §§ 1813(c) and 1818(b)(1).

(2) The Comptroller is "the appropriate Federal banking agency" regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and within the meaning of 1818(b).

(3) The 2013 Agreement and this Amendment shall each be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. § 1818(b)(1).

(4) The 2013 Agreement and this Amendment shall each be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(5) The 2013 Agreement and this Amendment shall each be construed to be a "formal written agreement" within the meaning of 12 C.F.R. § 5.3(g)(5) or 12 C.F.R. § 5.51(c)(7), unless the OCC informs the Bank otherwise.<sup>1</sup>

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<sup>1</sup> Effective July 1, 2015, the OCC issued a final rule that integrates its rules for national banks and federal savings associations (FSAs) relating to policies and procedures for corporate activities and transactions (licensing rules). Specifically, the final rule consolidates most licensing provisions for FSAs into the existing national bank rule in part 5 and eliminates parts 116, 146, 152, 159, 174 and the corresponding provision in parts 143, 144, 145, 150, 160,

(6) The 2013 Agreement and this Amendment shall each be construed to be a "written agreement" within the meaning of 12 U.S.C. § 1818(u)(1)(A).

ARTICLE V  
CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by June 30, 2016 and thereafter maintain the following capital ratios as defined in 12 C.F.R. Part 3:

- (a) A common equity tier 1 capital ratio at least equal to nine percent (9%);
- (b) A total capital ratio at least equal to thirteen percent (13%);
- (c) A tier 1 capital ratio at least equal to eleven percent (11%); and
- (d) A leverage ratio at least equal to nine percent (9%).<sup>2</sup>

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 18310 and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4(c)(1)(v).<sup>3</sup>

(3) Within thirty (30) days of the date of this Agreement, the Board shall develop and implement an effective internal capital planning process to assess the Bank's capital adequacy in relation to its overall risks and to ensure maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph one (1) of this Article. The capital planning process shall be consistent with OCC Bulletin 2012-16 (Guidance for Evaluating Capital Planning and Adequacy) (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the initial

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and 163. *See* 80 Fed. Reg. 28346 (May 18, 2015).

<sup>2</sup> Beginning on January 1, 2015, Federal savings associations must calculate and maintain minimum capital ratios in accordance with subparts A, B, and C of 12 C.F.R. Part 3. *See* 12 C.F.R. § 3.1(iii).

<sup>3</sup> The Bank may not solicit, accept, renew, or roll over any brokered deposit (as defined in 12 C.F.R. § 337.6(a)(2)) except in compliance with the applicable restrictions of 12 U.S.C. § 1831f and 12 C.F.R. § 337.6.

capital planning process and thereafter review and document the capital planning process at least annually or more frequently if requested by the Assistant Deputy Comptroller in writing.

(4) Within sixty (60) days of the date of this Agreement, the Board shall forward to the Assistant Deputy Comptroller for his review, pursuant to paragraph six (6) of this Article, a written Capital Plan for the Bank, consistent with the Profit Plan pursuant to Article XII covering at least a three-year period. The written Capital Plan shall, at a minimum:

- (a) include specific plans for the maintenance of adequate capital, which shall in no event be less than the requirements of paragraph one (1) of this Article;
- (b) identify and evaluate all material risks;
- (c) determine the Bank's capital needs in relation to material risks and strategic direction;
- (d) identify and establish a strategy to strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;
- (e) include detailed quarterly financial projections; and
- (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Agreement that will have an impact on the Bank's capital.

(5) The Bank may declare or pay a dividend or make a capital distribution only:

- (a) when the Bank is in compliance with its approved written Capital Plan and would remain in compliance with its approved written Capital Plan

immediately following the declaration or payment of any dividend or the capital distribution; and

(b) following the approval of the Assistant Deputy Comptroller pursuant to 12 C.F.R. § 5.55.

(6) Prior to adoption by the Board, a copy of the Bank's written Capital Plan shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually and more frequently if required by the Assistant Deputy Comptroller in writing. Revisions to the Bank's written Capital Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.

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

#### ARTICLE XV CLOSING

(1) Although the Bank is by the 2013 Agreement and this Amendment required to submit certain proposed plans, actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of the 2013 Agreement and this Amendment.

(3) In each instance in the 2013 Agreement and this Amendment in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of the 2013 Agreement and this Amendment;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of the 2013 Agreement and this Amendment;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(4) In the event any regulation or guidance currently applicable to Federal savings associations referenced in the 2013 Agreement or this Amendment is rescinded and/or amended, revised, replaced or superseded because the OCC determines to make other regulations or guidance applicable to Federal savings associations as part of the OCC's regulatory integration process, or otherwise, the Bank shall comply with such successor regulations and/or subsequent guidance.

(5) The provisions of the 2013 Agreement became effective upon its execution and

this Amendment is effective upon its execution by the Comptroller, through his authorized representative whose hand appears below, and the Board, and both the 2013 Agreement and this Amendment shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of the 2013 Agreement or this Amendment shall have been amended, suspended, waived, or terminated in writing by the Comptroller, through his authorized representative.

(6) Except as otherwise expressly provided herein, any time limitations imposed by Articles II, III, IV, VI, VII, VIII, IX, X, XI, XII, XIII, and XIV of the 2013 Agreement continue to run from the effective date of the 2013 Agreement, and any time limitations imposed by this Amendment shall begin to run from the effective date of this Amendment.

(7) If the Bank requires a waiver or suspension of any provision or an extension of any timeframe within the 2013 Agreement or this Amendment, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any written request submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the waiver or suspension of any of any provision or an extension of a timeframe within the 2013 Agreement or this Amendment.

(8) The 2013 Agreement and this Amendment are each intended to be, and shall be construed to be, a "written agreement entered into with the agency" within the meaning of 12 U.S.C. § 1818(b)(1), and expressly do not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(9) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in the 2013 Agreement or

this Amendment shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(10) The terms of the 2013 Agreement and this Amendment, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

(11) All reports, programs or plans that the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to the 2013 Agreement and this Amendment shall be forwarded, by overnight mail or via email, to the following:

Assistant Deputy Comptroller  
Comptroller of the Currency  
New York Field Office  
340 Madison Avenue, Fourth Floor  
New York, New York 10173

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

**/S/**

**2/22/16**

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Edward Dowling  
Assistant Deputy Comptroller

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Date



IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/S/

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Ian Green

2/22/16

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Date

/S/

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Steven Howell

2/22/16

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Date

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Stephen Sabine

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Kenneth Schliphack

2/22/16

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Curt Schoeberl

2/22/16

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Date