

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

IN THE MATTER OF :
 :
 DAVID VAN DAM : OTS AP 91-27
 Former Independent Contractor, :
 (General Counsel), and Person : OTS AP 93-28
 Participating in the Conduct of :
 the Affairs of Polifly Savings :
 and Loan Association, :
 :
 Respondent. :
 _____ :

STIPULATION AND CONSENT TO ISSUANCE OF CEASE & DESIST
ORDER, ORDER OF PROHIBITION, ORDER FOR RESTITUTION AND ORDER
PURSUANT TO 12 C.F.R. §513

The Office of Thrift Supervision ("OTS"), and David Van Dam
("Van Dam") stipulate and agree as follows:

1. Consideration. The OTS, has initiated an
administrative proceeding against Van Dam pursuant to the Federal
Deposit Insurance Act, §§ 8(b) and (e), 12 U.S.C.A. § 1818(b) and
(e) (West 1989). Van Dam desires to cooperate with the OTS and
to avoid the time and expense of such administrative litigation
and, without either admitting or denying that such grounds exist,
for the purposes of these proceedings only, hereby stipulates and
agrees to the following terms in consideration of the termination
by the OTS of the pending administrative litigation against Van
Dam with respect to the matters covered in the accompanying Cease
and Desist Order, Order of Prohibition and Order Pursuant to 12

C.F.R. §513 (the "Order") which is incorporated herein by reference and made a part hereof. OTS hereby forever remises, releases and discharges Van Dam of and from all debts, obligations, liabilities, reckonings, bonds, specialities, controversies, suits, actions, causes of action, claims or demands with respect to any matter (i) reported in the OTS Reports of Examination of Polifly for the years 1982 up to and including that Examination Report commencing on December 18, 1989, and concluding on April 27, 1990, or (ii) discovered by the OTS as a result of its investigative proceeding commenced pursuant to Resolution NY-90-18, dated July 13, 1990, which led to the issuance of the Notice of Charges AP 91-27.

2. Jurisdiction.

(a) Polifly Savings and Loan Association is a "savings association" and an "insured depository institution" as defined by 12 U.S.C.A. §§ 1462 and 1813 (West 1989).

(b) Van Dam, for the purpose of this proceeding, is an institution-affiliated party as defined by 12 U.S.C.A. §§ 1813(u) (West 1989).

(c) The Director of the OTS is the "appropriate Federal Banking agency" to maintain administrative proceedings against Van Dam pursuant to 12 U.S.C.A. §§ 1818(b)(e) (West 1989).

3. Consent. Van Dam consents to the issuance by the OTS of the Order. They further agree to comply with the terms of the Order upon issuance and stipulate that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C.A. §§

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CEASE AND DESIST ORDER, ORDER OF PROHIBITION, ORDER OF
RESTITUTION AND ORDER PURSUANT TO 12 CFR §513

WHEREAS, the Office of Thrift Supervision ("OTS") has issued a Notice of Charges against Respondent David Van Dam ("Van Dam") pursuant to the Federal Deposit Insurance Act, 12 U.S.C. §1818 (the "FDIA"), charging him with repeated violations of laws and regulations governing the operation of savings associations, including 12 CFR §§563.43 and 563.180, and has initiated administrative proceedings against Respondent seeking, among other relief, an order of restitution under 12 U.S.C. §1818(b)(6), and an order of prohibition under 12 U.S.C. §1818(e).

WHEREAS, Van Dam has entered into a Stipulation and Consent to Issuance of a Cease & Desist Order, Order of Prohibition, Order of Restitution and Order Pursuant to 12 CFR §513 (the "Stipulation") that is accepted and approved by OTS and

is incorporated herein by reference; and

WHEREAS, Van Dam, in the Stipulation, without admitting or denying any of the allegations of OTS, has consented and agreed to the issuance of this Cease & Desist Order, Order of Prohibition and Order Pursuant to 12 CFR §513 (the "Order") under the FDIA and has agreed to be bound by the terms hereof.

NOW, THEREFORE, IT IS ORDERED that:

1. Respondent is hereby permanently prohibited from holding any office in, or any further participation, in any manner, in the conduct of the affairs of any insured depository institution pursuant to 12 U.S.C. §1818(e).

2. Respondent is hereby permanently denied the privilege of practicing before OTS pursuant to 12 CFR §513.4.

3. Van Dam is hereby ordered to pay that sum of money and fulfill all other obligations as set forth in that (i) Settlement Agreement dated May 12, 1992, by and among Van Dam, Polifly Financial Corporation and Polifly Savings and Loan Association, a copy of which is attached hereto as Exhibit A (the "Settlement Agreement"), and (ii) Modification to the Settlement Agreement dated August 11, 1992, between and among Van Dam, Polifly Financial Corporation and Polifly Savings and Loan Association, a copy of which is attached as Exhibit B (the "Modification to the Settlement Agreement").

4. Van Dam acknowledges and agrees that his consent to the entry of this Order is for the purpose of resolving only those matters (i) reported in the OTS Reports of Examination of Polifly for the years 1982 up to that Examination Report

commencing on December 18, 1989, and concluding on April 27, 1990, or (ii) discovered by the OTS as a result of its investigative proceeding commenced pursuant to Resolution NY-90-18, dated July 13, 1990, which led to the issuance of the Notice of Charges AP 91-27, subject to paragraph 6 of the Stipulation.

5. OTS' decision to enter into the Stipulation has been predicated in part upon representations made by Van Dam concerning the nature and value of the assets owned by Van Dam (the "Van Dam Assets"). It is understood that Van Dam has made a good faith estimate of the current value of the Van Dam Assets, and Van Dam understands that should OTS discover or learn from any source that the representations made by him about the nature and value of the Van Dam Assets were wrong, including but not limited to the failure to identify and/or value any material asset, OTS reserves the right at its sole option to void the settlement reached between OTS and Van Dam, including the Stipulation and this Order, and reinstitute the administrative proceeding against Van Dam or take any other legal action.

OTS acknowledges that all financial information submitted by Van Dam was prepared by Van Dam based upon his knowledge of his investments and was not prepared by an accountant, nor based upon the review of any accountant. Further, there were no appraisals performed on any of the properties. Van Dam asserts that all information supplied by him to OTS was done in good faith and based upon his best knowledge and belief.

6. Van Dam acknowledges that OTS in its sole discretion

shall make public and use for any purpose, consistent with applicable law, the (i) Order, (ii) Stipulation, (iii) Settlement Agreement and/or (iv) Modification to the Settlement Agreement.

7. This Order shall be effective from the date of its execution.

Date: 4/12/93

/S/

~~Jonathan Fiechter~~
Acting Director

SETTLEMENT AGREEMENT

This Settlement Agreement made this 12th day of May, 1992 by and among David Van Dam, an individual having an office address at Two Sears Drive, P.O. Box 1188, Paramus, New Jersey 07653 ("Van Dam"), Polifly Financial Corporation, a New Jersey corporation having an address at 730 River Road, New Milford, New Jersey 07646 ("PFC") and Polifly Savings and Loan Association, a New Jersey savings and loan association having an address at 730 River Road, New Milford, New Jersey, 07646 (the "Association").

BACKGROUND

On or about June, 1991, PFC and the Association instituted proceedings against David Van Dam in the United States District Court for the District of New Jersey, captioned Polifly Financial Corporation and Polifly Savings and Loan Association v. Robert K. Hartmann, Gregg B. Van Dam, et al, U.S.D.C., D. N.J., C.A. No. 91-2774 (NHP) (hereinafter referred to as the "RICO Litigation"). On or about August 23, 1991, PFC and the Association instituted a legal action in the Superior Court for Bergen County, New Jersey styled Polifly Financial Corporation and Polifly Savings and Loan Association v. Winne, Banta, Basralian, et al (No. BER-L-11147-91) (the "State Litigation"). On or about April 9, 1992, PFC and the Association agreed with Van Dam to dismiss, without prejudice, Van Dam from the RICO Litigation and Van Dam was joined as a defendant in the State Litigation. On or about June 12, 1991 the Office of

Thrift Supervision ("OTS") filed Notice of Charges seeking various forms of relief against Van Dam (the "Administrative Proceeding") designated as OTS AP 91-27. The parties have now agreed to settle certain aspects of the RICO Litigation on the terms and conditions hereinafter set forth and the OTS has agreed to incorporate such Settlement Agreement onto an order and/or consent to judgment in the Administrative Proceeding; provided that nothing contained herein shall affect any liability of Van Dam in the State Litigation.

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Payments

1.1. Van Dam shall pay to the Association, or its nominee, the sum of TWO HUNDRED TWENTY-FIVE THOUSAND AND 00/100 in the manner set forth in Sections 1.1.1. and 1.1.2.

1.1.1. Twenty-Five Thousand and 00/100 (\$25,000.00) Dollars (the "Partnership Obligation") shall be payable only out of the net cash flow, dividends, salary or other cash distributions paid to Van Dam (except as provided in Section 6 hereof) arising out of, or attributable to, his legal, equitable or beneficial interests in Emperor, Inc., a New Jersey corporation, which holds a fifty percent (50%) partnership interest in Emperor Associates, a New Jersey joint venture which owns or

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controls real property located in Paterson, New Jersey (the "Emperor Project"), Two Sears Drive Associates, a partnership and the owner of Two Sears Drive, ^{Paramus} Hasbrouck Heights, New Jersey, and C&C Investment Co., a New Jersey partnership, which is the owner of real and personal property located at Darwin Avenue, Rutherford, New Jersey; provided that the Association, or its nominee shall be paid such dividends or distributions prior to Van Dam being able to retain any such distribution. In the event no dividends or distributions are made by the above-mentioned entities, no monies shall be due the Association under this Section 1.1.1. except as provided in Section 6 hereof, and provided further that in the event a distribution is made to Van Dam in lieu of cash, such shall be the property of the Association until equivalent cash is paid to the Association. In the event Van Dam or any law firm of which he is a member, employee or partner in any capacity receives legal fees from the aforementioned entities such fees shall not be considered as distributions under this Section 1.1.1. provided that (a) Van Dam gives written notice to the Association and OTS within ten (10) days of the receipt of such fees together with appropriate records justifying such fees; (b) the fees are deemed reasonable by the Association and the OTS and, (c) such fees are not being given to Van Dam or such law firm in lieu of, or in substitution of, a distribution.

1.1.2. Two Hundred Thousand and 00/100 (\$200,000.00) Dollars by Van Dam paying to the Association, or its

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nominee, .50 of each dollar of Gross Income (as defined herein) of Van Dam over and above Eighty Thousand and 00/100 Dollars (\$80,000.00) for each year of this Agreement until these obligations ("Income Obligations") are paid in full. For purposes of this Agreement, Gross Income shall be defined as all monies earned, receipted or collected by Van Dam, including all income or receipts derived by dividend, inheritance or gifts, or in any other manner whatsoever and whether or not subject to any federal, state or local taxes, and prior to payment of any taxes for each calendar year, and whether in the form of cash or otherwise. Monies paid to the Association by Van Dam under Section 1.1.1. shall not be considered as gross income for purposes of calculating Gross Income under this Section 1.1.2. until the Partnership Obligation has been paid in full at which time all such distributions shall be included in the calculation of Gross Income.

1.2. All payments of Partnership Obligations shall be made no later than ten (10) days after receipt of such payments by Van Dam.

1.3. Except as provided in Section 2.1 hereof, all payments of Income Obligations shall be made on the earlier of (a) April 30 of each year or (b) within ten (10) days of the expiration of any calendar quarter after Gross Income for any calendar year exceeds Eighty Thousand and 00/100 (\$80,000.00) Dollars, ~~except for payments due for 1991 earnings which shall not be due until ten (10) days after filing of Van Dam's federal~~

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Handwritten signature

~~income tax return for 1991.~~

DHVD

2. Financial Statements; Tax Returns

2.1. Van Dam shall file, or cause to be filed, his federal and state income tax returns for the immediately preceding calendar year no later than April 15 of each year of this Agreement. A copy of such returns, together with a copy of all state and local tax returns, if any, shall be forwarded and delivered to the Chief Financial Officer of the Association no later than April 30 of each year. Notwithstanding the foregoing, if Van Dam is unable to file a federal income tax return for reasons beyond his control by April 15th of any year, then, and in such event, Van Dam shall deliver a true and correct copy of any requests for extension filed with the Internal Revenue Service, and as to any filing or extension requested on April 15 of any year shall accompany such delivery with payment of an amount equal to ninety percent (90%) of Van Dam's good faith estimate of monies owed to the Association under Section 1.1.2. hereof and in the event that Van Dam underestimates sums due the Association by an amount in excess of ten percent (10%) of the total due the Association, Van Dam shall pay interest on such sums at the rate of fifteen percent (15%) per annum or the maximum legal rate of interest if lower than fifteen percent (15%), from April 15 of any year up to and including the date payment is actually made to the

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Association. All federal income tax returns shall be accompanied by a certification of Van Dam in form and content reasonably satisfactory to counsel for the Association that the returns forwarded to the Association are true and correct copies of returns filed with the appropriate taxing authorities, and that the returns fairly state the reportable income of Van Dam for the period in question.

2.2. Van Dam shall deliver to the Chief Financial Officer of the Association a copy of his 1991 federal and state tax returns no later than ten (10) days after filing the same.

2.3. Within thirty (30) days of this Agreement, Van Dam shall deliver to the Chief Financial Officer of the Association and to the OTS a financial statement in form and substance satisfactory to OTS and the Association, prepared by Van Dam and certified by him to be true and correct as of the date prepared (the "Initial Financial Statement") together with a certification setting forth his Gross Income from January 1, 1991 through December 31, 1991 and from January 1, 1992 through and including April 30, 1992. All sums shown to be due and owing the Association under Sections 1.1.1 and/or 1.1.2 hereof will be paid immediately by Van Dam for income earned in 1991 or 1992 as the case may be.

2.4. By April 30 of each year of this Agreement, Van Dam shall forward and deliver to the Chief Financial Officer of the Association and the OTS a Statement of Financial Condition in form and content satisfactory to the OTS and the Chief Financial

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Officer, prepared by Van Dam and certified by him to be true and correct as of the date prepared (the "Annual Financial Statement") together with a certification from Van Dam certifying his Gross Income for the preceding calendar year, provided that if Van Dam is unable to determine his Gross Income due to reasons beyond his control, he shall certify his good faith estimate of his Gross Income and when his federal tax return has been filed he will deliver promptly a final certification of his Gross Income to the OTS and to the Chief Financial Officer of the Association and the OTS.

2.5. The Association and PFC acknowledge that the evaluation of certain assets which are, or may be scheduled, on the Initial Financial Statement or the Annual Financial Statements, are based on Van Dam's good faith determination of such value. In the event it is ever determined that Van Dam intentionally or maliciously failed to schedule a material asset on either the Initial Financial Statement or any Annual Financial Statements, or in the event that Van Dam's estimate of the value of any asset was intentionally and materially false, Van Dam shall be deemed in default of this Agreement and shall be subject to the remedies of PFC and the Association set forth in Section 6 hereof, or any other remedies or cause of action at law or in equity available to PFC, the Association, or the OTS.

3. Security

3.1. As security for the Partnership Obligations and the Income Obligations and all other covenants of Van Dam

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hereunder Van Dam shall collaterally assign to the Association or its nominee all of his right, title and interest as a partner and/or stockholder in, to and under Emperor, Inc., C&C Investment Co., and Two Sears Drive Associates, pursuant to a Collateral Assignment of Partnership Interests or a Pledge Agreement, whichever may be applicable, in form and substance satisfactory to counsel for the Association. Simultaneously, Van Dam shall execute and deliver UCC-1's in form and substance satisfactory to counsel for the Association and appropriate for filing and shall deliver to counsel for the Association written consents of all partnerships to such Collateral Assignment and/or all stockholders to the Pledge Agreement, such consents to be in form and substance satisfactory in all respects to counsel for the Association.

3.2. Notwithstanding anything contained herein or elsewhere to the contrary, in the event the Association restructures or refinances its loan secured by the Emperor Project, Van Dam shall transfer to the new owner of the Emperor Project all of his right, title and interest in Emperor, Inc. without further consideration other than that paid by the Purchaser to Emperor, Inc. In the event the Association does not refinance the Emperor Project, Van Dam shall transfer to the Association, or its nominee, all of his right, title and interest in, to and under Emperor, Inc. All such documents transferring such interest to the Association, or its nominee shall be in form and content satisfactory to counsel for the Association; provided that the Association shall not be obligated to accept title unless

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and until it receives an agreement or other written evidence satisfactory to the Board of Directors of the Association from the OTS stating that the Association may treat such ownership interest as real estate owned for all regulatory reporting purposes, and that such asset or interest shall not be treated as an investment.

3.3. As additional security for his obligations hereunder Van Dam shall pledge his Stock (as herein defined) to the Association, subject to the terms of the Bergen Pledge.

4. Bankruptcy

Van Dam hereby acknowledges that the actions complained of in the RICO Litigation and the Administrative Proceeding arise out of conduct by him within the meaning of §523(a)(2)(4) of the Bankruptcy Code (11 U.S.C. §523), and hence, liability arising therefrom is not dischargeable in any bankruptcy or insolvency proceedings.

5. Corporate Authority

By execution of this Agreement, the Association and PFC represent to Van Dam that the officers executing this Agreement on their behalf have all necessary or appropriate corporate authority to execute and deliver this Agreement.

6. Defaults

6.1. In the event that Van Dam defaults under any of the terms, covenants or conditions of this Agreement, including, without limitation, payments due for the Partnership Obligations and/or the Income Obligations (an Event of Default) then, in any such event PFC or the Association shall have the right to

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accelerate all payments due under the Partnership Obligations and/or the Income Obligations with or without notice, as if the same were due and payable immediately and seek to recover the same in any manner permitted at law, or in equity, and charge interest on all unpaid amounts at the lower of the maximum legal rate or twelve percent (12%) from the date of the Event of Default until fully paid; and/or

6.2. Collect all Gross Income from Van Dam in excess of Fifty Thousand and 00/100 Dollars (\$50,000.00) per annum until the Partnership Obligations and the Income Obligations, together with interest as provided in Section 6.1 hereof shall be paid in full; and/or

6.3. Charge a late charge to defer the cost of collection equal to five percent (5%) of the Partnership Obligation or Income Obligation then remaining to be paid.

6.4. Take any action to realize on any property given by Van Dam to secure his obligations hereunder, a default under any Collateral Assignment or Partnership Interests or any Pledge Agreement shall be a default hereunder, and a default hereunder shall be a default hereunder.

6.4. All such remedies may be pursued singly, concurrently or cumulative to the extent permitted by law.

7. Other Gross Income; Prepayments; Interest

7.1. Notwithstanding anything contained herein or elsewhere to the contrary, if Van Dam's Gross Income exceeds Two Hundred Thousand and 00/100 Dollars (\$200,000.00) for any calendar

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year all sums over such amount up to, but not ~~excluding~~ ^{including} Twenty-Five Thousand and 00/100 Dollars (\$25,000.00) shall be paid to the Association and credited to the Income Obligations until fully paid.

7.2. Except as provided in Section 6 hereof interest shall not be charged on the Partnership Obligations and/or the Income Obligations.

7.3. The Partnership Obligation and the Income Obligation may be prepaid at any time without penalty or premium.

8. Costs of Collection

In the Event of Default or otherwise if the Association is compelled to turn the matter over to an attorney for collection, Van Dam shall pay all costs arising out of, or attributable to, such collection including all attorneys' fees or costs incurred by the Association, PFC and/or the OTS.

9. Stock

9.1. Van Dam hereby represents and warrants to the Association and PFC that he is the legal and/or beneficial owner of ⁸²¹⁴~~8,714~~ shares of stock of PFC (the "Stock"). The Stock is pledged pursuant to an Agreement dated 11/28/88 to Bergen Commercial Bank, which Agreement is not in default as of the date hereof (the "Bergen Pledge"). Subject to the terms of the Bergen Pledge, Van Dam hereby grants to the Board of Directors of Polifly an irrevocable power of attorney and proxy to vote on his behalf and in his stead the Stock such power being coupled with an interest. The proxy shall be in effect until Van Dam sells the Stock

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pursuant to the terms hereof. Upon execution of this Agreement and/or any pledge of stock required by this Agreement and/or the irrevocable proxy, Van Dam shall notify in writing Bergen Commercial Bank of the terms hereof and thereof and forward a copy of such written notice to the Chief Financial Officer of the Association, certified by Van Dam to be true and correct.

9.2. In the event Van Dam desires to sell the Stock, or any portion thereof, Van Dam hereby grants to PFC and/or the Association a right of first refusal to acquire the Stock, or any portion thereof, offered for sale by giving written notice to PFC and the Association of his intention to sell such Stock, in which event either PFC and/or the Association shall have two (2) days to notify Van Dam of its intention to acquire such Stock at the then market price. In the event neither the Association nor PFC desires to exercise their right of first refusal, then, and in such event, Van Dam shall have ten (10) days to consummate such sale, and if such sale is not consummated within such ten (10) day period, then, the right of first refusal granted to the Association and PFC hereunder shall again be in full force and effect, and the Stock, or such portion thereof sought to be sold, shall not be sold without first offering the Stock to PFC or the Association as provided herein.

9.3. Notwithstanding anything contained herein or elsewhere to the contrary, Van Dam shall not sell or assign or transfer in any manner the Stock to those persons set forth on Schedule A attached hereto and made a part hereof, or to any

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entity in which any such persons has an ownership interest of any kind; provided that nothing contained in this Section 9.3 shall inhibit or prohibit Van Dam from selling the Stock through an independent, third party broker into the open market (subject to the rights of PFC and the Association hereunder).

9.4. Upon the termination of the Bergen Pledge, Van Dam shall surrender the certificates evidencing the Stock to the surety of PFC and the following legend shall be inscribed thereon:

The Shares represented by this certificate may not be sold, assigned, transferred, given, pledged, hypothecated, encumbered, alienated or otherwise disposed of except in compliance with a Settlement Agreement dated May 12, 1992.

9.5. A default by Van Dam under the Bergen Pledge shall be deemed a default hereunder and under any agreement given to secure the Income Obligations or the Partnership Obligation.

9.6. Van Dam shall obtain and deliver to counsel for the Association the consent of all of the partners of Two Sears Drive Associates and C&C Investment Co. to the Collateral Assignment of Partnership Interests to be executed by Van Dam pursuant to the terms of this Agreement, and the consent of all stockholders of Emperor, Inc. to the pledge of Van Dam's interest in the stock of Emperor, Inc. if requested by counsel for the Association. All such consents must be satisfactory in all respects to counsel for the Association.

10. Miscellaneous

10.1. This Agreement and the rights, duties and obligations of the parties hereunder shall not be effective until

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the Association receives either (a) written notice of non-objection from the OTS (the "Non-Objection Letter"), or (b) has been notified by the OTS in writing that the OTS and/or Van Dam have executed, delivered and filed a Stipulation and Consent to Issuance of Cease and Desist Order, Order of Prohibition, Order for Restitution and Order Pursuant to 12 C.F.R. §513 in form and substance satisfactory to OTS and incorporating the terms hereof and that such other orders, stipulations and consents as OTS deems necessary have been entered, executed, filed and/or delivered (collectively, the "OTS Orders"). If such written notices are not received by the Association by May 31, 1992, then this Agreement shall be null and void and all rights, duties and obligations of the parties hereunder shall cease and terminate.

10.2. Van Dam will not be dismissed as a defendant in the State Litigation or any other action instituted against him as a defendant, third-party defendant, cross defendant or cross claimant.

10.3. This Agreement may not be modified, altered or changed in any manner except in writing executed by the parties hereto. This Agreement represents the entire understanding of the parties with respect to the matters set forth herein.

10.4. This Agreement is being executed and delivered in the State of New Jersey and shall be governed and construed in accordance with the laws of the State of New Jersey.

10.5. Any notices required hereunder must be sent by certified mail, return receipt requested, or by a nationally

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recognized courier service to the addresses set forth below or to such other address as a party of this Agreement may advise other parties by written notice as provided herein:

Polifly Financial Corporation
730 River Road
New Milford, NJ 07646
Att: Sandra L. Coulthart, Vice President

With a copy to:

Edward G. Fitzgerald, Esquire
Spector Gadon & Rosen, P.C.
1700 Market St., 29th Flr.
Philadelphia, PA 19103

Polifly Savings and Loan Association
730 River Road
New Milford, NJ 07646
Att: Sandra L. Coulthart, Vice President

With a copy to:

Edward G. Fitzgerald, Esquire
Spector Gadon & Rosen, P.C.
1700 Market St., 29th Flr.
Philadelphia, PA 19103

David Van Dam
Hartmann, Brooks & Van Dam
Two Sears Drive
P.O. Box 1188
Paramus, NJ 07653

With a copy to:

Peter Doyne, Esquire
Ferro, Doyne, Labella & Logerfo
27 Warren Street
Hackensack, NJ 07601

10.6 In the event that any provision or covenant of this Agreement is deemed invalid or unenforceable, then, in such event all other terms and conditions of this Agreement shall remain in full force and effect.

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10.7. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, personal representatives, successors and assigns.

10.8. This Agreement shall not be effective unless and until the Board of Directors of PFC and the Association approves the terms hereof.

10.9. The existing terms and provisions of this Settlement Agreement are confidential and neither party shall, nor shall they permit any officer or director to disclose any of the terms and provisions hereof except (a) to their counsel, independent certified public accountants, and/or (b) to the extent required by the Securities and Exchange Act of 1934, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 or the Crimes Control Act of 1990 and/or any other federal or state statute regulation; and/or (c) to the extent required or approved in any judicial or administrative proceedings in which a party hereto is involved, provided that if a party is required to disclose the existing terms or provisions of this Settlement Agreement, such party shall provide prompt written notice to the other parties hereto so that such other parties may seek a protective order or other appropriate relief. Notwithstanding the foregoing, PFC, the Association or its counsel in connection with any litigation in which they are or may become a party may disclose the terms of this Settlement Agreement to another litigant in such action, provided that such disclosure is limited to information that has become public knowledge by way of a press

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Exhibit "A"

Schedule of Restricted Stock Purchasers

1. Walter G. Winne
2. Peter G. Banta
3. Joseph A. Rizzi
4. Robert A. Hetherington
5. Joseph L. Basralian
6. John R. Veltri
7. Robert K. Raynor
8. Anthony W. Graceffo
9. Raymong R. Hough
10. Joseph A. Pollina
11. Harvey D. Brooks
12. Stephen P. Sinisi
13. Stephen P. Radics
14. Gregg B. Van Dam
15. Theodore L. Van Dam
16. David H. Van Dam
17. T. Thomas Van Dam
18. Robert K. Hartmann
19. Patricia D. Hartmann a/k/a P. Denise Lorden
20. Robert M. Hartmann
21. Amy Hartmann
22. Jill A. Hartmann
23. Kurt Hartmann
24. Robert K. Hartmann Trust No. 1

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STATE OF NEW JERSEY

:

COUNTY OF

Bergen

:

SS

:

On this, the 12 day of May, 1992, before me, a
~~Notary Public~~ ^{att-at-law} for the State of New Jersey, residing in the City
and County of Bergen, personally appeared Jared Van Der
known to me to be the person whose name is subscribed to the
within Agreement and acknowledged that [he/she] executed the same
for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and
official seal.



Notary Public

att-at-law

STATE OF NEW JERSEY :
 : SS
COUNTY OF _____ :

On this, the ____ day of _____, 1992, before me, a Notary Public for the State of New Jersey, residing in the City and County of _____, personally appeared _____ of [corporation] known to me to be the person whose name is subscribed to the within Agreement as [corporation] and acknowledged that [he/she] executed the same on behalf of [corporation] for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

STATE OF NEW JERSEY :
 : SS
COUNTY OF _____ :

On this, the ____ day of _____, 1992, before me, a Notary Public for the State of New Jersey, residing in the City and County of _____, personally appeared _____ of [corporation] known to me to be the person whose name is subscribed to the within Agreement as [corporation] and acknowledged that [he/she] executed the same on behalf of [corporation] for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

MODIFICATION TO SETTLEMENT AGREEMENT

AMENDMENT made this 11th day of August, 1992 by and among David Van Dam, an individual having an office address at Two Sears Drive, P.O. Box 1188, Paramus, New Jersey, 07653 ("Van Dam"), Polifly Financial Corporation, a New Jersey Corporation having an address at 730 River Road, New Milford, New Jersey, 07646 ("PFC") and Polifly Savings and Loan Association, a New Jersey Savings and Loan association having an address at 730 River Road, New Milford, New Jersey, 07646 (the "Association").

Background

On or about May 12, 1992, PFC, the Association and Van Dam executed a Settlement Agreement (the "Settlement Agreement") which purported to settle certain matters and disputes between the parties in connection with litigation instituted by PFC and the Association and captioned Polifly Financial Corporation and Polifly Savings and Loan Association v. Robert K. Hartmann, Gregg B. Van Dam et al U.S.D.C., DNJ, CA No. 91-2774 (NHP) (hereinafter referred to as the "Federal Litigation") and Polifly Financial Corporation and Polifly Savings and Loan Association v. Winne, Banta, Basralian et al Superior Court, Trial Division, Bergen County, New Jersey (No. BER-L-11147-91) (hereinafter referred to as the "State Litigation"). Pursuant to the terms of the Settlement Agreement Van Dam delivered to the Association and to the Office of Thrift Supervision ("OTS") a copy of financial statements certified by him to be true and correct as of June 23,

1992 (the "Initial Financial Statements"). Upon review of the Initial Financial Statements the parties have agreed to modify the terms and conditions of the Settlement Agreement by providing for the payment of certain sums by Van Dam to the Association for payments of Income Obligation (as defined in the Settlement Agreement) for Gross Income (as defined in the Settlement Agreement) earned or received by Van Dam for calendar year 1991.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

Agreement

1. Van Dam shall pay to the Association Fifteen Thousand and 00/100 Dollars (\$15,000.00) within five (5) days of consummation of the conditions set forth in Section 4 hereof (the "Initial Payment").

2. The Initial Payments shall be applied against payment of Income Obligations due by Van Dam under Section 1.1.2 of the Settlement Agreement for income derived or accrued for calendar year 1991. No further payment shall be payable by Van Dam for income earned or received for 1991. To the extent that such payment is in excess of that which would be otherwise due to the Association, such excess shall be applied to the last payment of the Income Obligation.

3. Van Dam shall not be obligated to sign or execute any further certifications for income received in 1991 pursuant to

Section 2.4 of the Settlement Agreement.

4. This Amendment is conditioned upon the approval of the Board of Directors of PFC and the Association, and upon the approval and delivery to Van Dam of an executed copy of a Stipulation and Consent to Issuance of Cease and Desist Order, Order of Prohibition, Order for Restitution and Order Pursuant to 12 CFR §513 which Order incorporates the terms and conditions of the Settlement Agreement and this Amendment. If such approvals are not received by August 30, 1992, then, and in such event, upon written notice by the Association and/or PFC to Van Dam the Settlement Agreement, as amended by this Amendment, shall become null and void and all rights, duties and obligations of the parties herein shall cease and terminate.

5. Notwithstanding anything contained herein or in the Settlement Agreement to the contrary, Van Dam shall not seek indemnification from PFC and/or the Association in any manner for his activities, or conduct, either individually, or as a member of the firm of Hartmann, Brooks and Van Dam, or the firm of Hartmann, Brooks, Van Dam and Sinisi, P.C. under any provision of any bylaws or articles of incorporation of PFC, the Association or any subsidiaries of either of them or under any law, statute or regulation which would purport to give or grant rights of indemnification, of whatsoever kind or nature, to Van Dam.

6. PFC and the Association agree that they will institute no further legal action against Van Dam provided that

such agreement shall not affect any claims of PFC (and/or the Association and/or any of their subsidiaries) that have been raised, or that could be raised in the State Litigation or in a certain suit designated as Polifly Financial Corporation et al v. Fidelity and Deposit Company of Maryland, U.S.D.C., DNJ (No. 91-3952(MTB)).

7. This Amendment and the Settlement Agreement constitute the entire agreement of the parties in connection with the matters referred to herein and therein and may not be further modified, altered or changed in any manner except in writing executed by the parties hereto and thereto.

8. This Amendment is being executed and delivered in the State of New Jersey and shall be governed and construed in accordance with the laws of the State of New Jersey.

9. Any notices required hereunder must be sent by certified mail, return receipt requested, or by a nationally recognized courier service to the persons and addresses set forth in the Settlement Agreement. In the event that any provision or covenant of this Amendment is deemed invalid or unenforceable, then, in such event, all other terms and conditions of this Amendment shall remain in full force and effect to the extent that the unenforceability of such term does not materially alter or amend the obligations of the parties hereto.

10. This Amendment shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

11. The terms of the Confidentiality provisions of
s400/40027-001/dvd72092

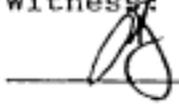
Section 10.9 of the Settlement Agreement shall also apply to this Amendment.

EXECUTED this 11th day August, 1992.

Witness:

DAVID VAN DAM

/S/



Individually

POLIFLY SAVINGS AND LOAN ASSOCIATION

/S/

By:

(Vice) President

Attest:

/S/

(Assistant) Secretary

CORPORATE SEAL

POLIFLY FINANCIAL CORPORATION

/S/

By:

(Vice) President

Attest:

/S/

(Assistant) Secretary

CORPORATE SEAL

STATE OF NEW JERSEY, COUNTY OF BERGEN SS:
I CERTIFY that on August 14, 1992,

Sandy L. Courtneat personally came
before me and acknowledged under oath, to my satisfaction, that
this person;

- (a) is named in and personally signed this document; and
- (b) signed, sealed and delivered this document as his or
her act and deed.

/S/

(Print name and title below signature)

Alice Jaeger, Asst. Secretary

STATE OF NEW JERSEY, COUNTY OF
I CERTIFY that on

SS:
, 1992,

personally came
before me and acknowledged under oath, to my satisfaction, that
this person;

- (a) is named in and personally signed this document; and
- (b) signed, sealed and delivered this document as his or
her act and deed.

(Print name and title below signature)

STATE OF NEW JERSEY, COUNTY OF
I CERTIFY that on

SS:
, 1992,

personally came
before me and acknowledged under oath, to my satisfaction, that
this person;

- (a) is named in and personally signed this document; and
- (b) signed, sealed and delivered this document as his or
her act and deed.

(Print name and title below signature)