

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
Cross County Federal Savings)
Bank)
Middle Village, New York)

Re: No. NE93-33

Date: August 25, 1993

STIPULATION AND CONSENT TO THE ENTRY OF AN
ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Cross County Federal Savings Bank, Middle Village, New York pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b); and

WHEREAS, Cross County Federal Savings Bank desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding hereby stipulates and agrees to the following terms:

1. Jurisdiction (a) Cross County Federal Savings Bank is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b) and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

(b) Pursuant to section 8(b) of the FDIA, 12 U.S.C. § 1818(b), the appropriate Federal banking agency may issue a cease and desist order against any insured depository institution that engages in unsafe or unsound practices in conducting its business and/or violates a rule or regulator.

(c) Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking agency" to maintain an administrative proceeding against such a savings association. Therefore, Cross County Federal Savings Bank is subject to the jurisdiction of the OTS to initiate and maintain

an administrative proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

2. OTS Findings of Fact Based on the findings of the Report of Examination of the Association dated November 16, 1992 ("ROE"), the OTS is of the opinion that the issuance of the Order to Cease and Desist of even date is necessary and appropriate to correct and remedy the conditions resulting from any violations or practices described in the ROE.
3. Consent Without admitting or denying the OTS Findings of Fact set forth in paragraph 2 hereof or the findings in the ROE, Cross County Federal Savings Bank consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.
4. Finality The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director of designee for the Northeast Region, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).
5. Waivers (a) Cross County Federal Savings Bank waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

(b) Cross County Federal Savings Bank acknowledges and agrees that the consent to the entry of the Order are for the purposes of resolving the OTS enforcement matter only, and to not resolve, affect or preclude any other civil or criminal proceeding which may be or has been brought by the OTS or another governmental entity.
6. Signature of Directors Each Director signing this Stipulation attests that s/he voted in favor of a resolution authorizing the execution of the Stipulation.

WHEREFORE, Cross County Federal Savings Bank, by a majority of its directors, execute this Stipulation and Consent to the Entry of an Order to Cease and Desist, intending to be legally bound hereby.

Cross County Federal Savings Bank
by a majority of its directors

Accepted by:
Office of Thrift Supervision

By: /S/
Director Name

 /S/
Angelo A. Vigna
Regional Director
Northeast Region

 /S/
Director Name

Date: 8/25/13

 /S/
Director Name

 /S/
Director Name

 /S/
Director Name

 /S/
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ORDER TO CEASE AND DESIST

WHEREAS, Cross County Federal Savings Bank, Middle Village, New York (the "Association") OTS Docket Number 05066 has executed a Stipulation and Consent to the Entry of an Order to Cease and Desist ("Stipulation") based on the Report of Examination dated November 16, 1992 (the "ROE") by and through its board of directors ("Board"), the provisions of which are incorporated herein by reference; and

WHEREAS, Cross County Federal Savings Bank, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) without admitting or denying the OTS Findings of Fact set forth therein or in the ROE;

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist on behalf of the OTS where Cross County Federal Savings Bank has consented to the issuance of the Order.

NOW THEREFORE, IT IS ORDERED THAT Cross County Federal Savings Bank and its directors, officers, employees, and agents, shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any unsafe or unsound practice or any violation of:

(a) Section 563.160(d) of the OTS Regulations, 12 C.F.R. Section 563.160(d) (regarding establishing of valuation allowances);

(b) Section 563.170(c)(1)(iv) of the OTS Regulations, 12 C.F.R. Section 563.172(c)(1)(iv) (regarding required appraisals); and

(c) Section 563.172 of the OTS Regulations, 12 C.F.R. Section 563.172 (regarding re-evaluation of real estate owned.

IT IS FURTHER ORDERED that:

I. CORRECTIVE PROVISIONS

1.1 Director Responsibility; Oversight

The Board has the ultimate responsibility for overseeing the safe and sound operation of the Association. The Board shall take a more active role in overseeing the business and affairs of the Association but the Board shall neither amend nor permit the amending of the charter or bylaws of the Association without the prior approval of the Regional Director. Specifically, the Board shall establish policies, procedures and controls to ensure the safe and sound operation of the Association, monitor compliance with such policies and procedures, as well as with the laws and regulations governing the Association, and more closely supervise management's performance. All policies of the Board and of the Association shall be in writing. Within 30 days after the Effective Date, the Board shall adopt a binding resolution stating that the Board's policy is to require that each member of the Board is to act prudently and diligently in the oversight of the conduct of the Association's affairs. Each Board member shall abide by such policy.

Additional steps to increase the Board's oversight of the Association shall include, but not be limited to, the following:

The meetings of the Board shall be held at least monthly and each Board member shall actively and fully participate at such meetings. If a Board member is unable to attend any such meeting s/he shall inform the chairman of the meeting by letter of the reason for non-attendance, letter shall be made a part of the minutes of any any such meeting. Detailed minutes of all Board and committee meetings shall be maintained and recorded on a timely basis. There shall be prepared in advance, and the Board or committee shall follow, a detailed written agenda at each meeting. Such agenda shall not preclude consideration of any other matter. All such minutes, which must be properly signed, shall fully and comprehensively: (1) reflect

discussions held and dissenting views and opinions proffered by Board member(s); (2) document important matters considered; (3) delineate both policies and procedures approved and exceptions to approved policies and procedures; (4) recite information reported by management to the Board; (5) recite the results of all votes taken and indicate how each member of the Board voted; and (6) be filed with the Regional Director within 10 days of their adoption by the Board.

Management's reports to the Board shall be comprehensive and apprise the Board of management's activities and the Board minutes shall describe the Board's review, analysis, and discussion of said reports.

1.2 Changes in Directors or Executive Officers; Terms of Employment and Golden Parachute Payments

A. No new person shall be appointed to, serve on, or be elected to the Board and no new person shall be employed, or act, as a senior executive officer of the Association without (a) the Association giving at least 30 days prior written notice of such proposed appointment, election or employment to the Regional Director, and (b) the prior approval of the Regional Director, and any such employment, appointment, service, or election shall be in accord with the requirements of Section 32 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. §1831i and OTS Thrift Bulletin Number 45 ("TB 45"). In the event of the resignation of any director or senior executive officer, the Association shall provide written notice thereof within 3 days of such resignation to the Regional Director.

B. All future additions to the Board shall be non-employee directors who will not have subsequent to their appointment, nor have had, a financial relationship with the Association (except as a depositor) other than ordinary and customary compensation paid to non-employee directors for service on the Board and shall be an "Independent Director". For the purposes of this Section 1.2B, "Independent Director" shall mean a person who complies with all of the conditions set forth in the previous sentence and who, in addition: (a) will not subsequent to their appointment, nor prior thereto, be or have been a member of the immediate family (spouse or other immediate family member of the person or his/her spouse) of a director or a senior executive officer, (b) will not subsequent to their appointment or prior thereto have or have had a business, professional or financial relationship with any person who is, at the time of their appointment or has been at any time within a 10 year period immediately preceding their appointment, a

director or senior executive officer of the Association; or (c) will not subsequent to their appointment or prior thereto have or have had a personal affiliation the nature of which may reasonably be concluded to have the potential to interfere with the reasonable exercise of their fiduciary duties, with any person who is at the time of their appointment or has been at any time within a 10 year period immediately preceding their appointment, a director or senior executive officer of the Association. Within 45 days of the Effective Date, the Association shall submit to OTS a candidate to become the seventh member of the Board. Said candidate shall have either banking or financial management expertise.

C. Pursuant OTS Regulatory Bulletin 27a, the Association shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director, senior executive officer, of the Association or any subsidiary thereof, unless it first (i) provides a minimum of 30 days advance notice of the proposed transaction and (ii) receives a written notice of non-objection from the Regional Director.

D. The Association shall not make any "golden parachute payment", as that term is defined in Section 18(k) of the FDIA, 12 U.S.C. § 1828(k), and as it may be further defined in regulations adopted by the Federal Deposit Insurance Corporation ("FDIC") under that authority, unless it first (i) provides a minimum of 30 days advance notice of the proposed payment and (ii) receives a written notice of non-objection from the Regional Director with regard thereto.

1.3 Retention of a Management Consultant

No later than 30 days after the Effective Date, and subject to the prior written approval of the Regional Director, the Board shall engage the services of a management consultant ("Consultant") who shall undertake to perform a study of the Association's Board and management. The study, the purposes of which are to assess the capability and effectiveness of the Association's board, management, and staff to carry out the affairs of the Association and to make recommendations for improvements with regard thereto, shall include, at a minimum:

(a) a written analysis and description, taking into consideration any plans to expand the type of products offered by the Association, of (i) the type and number of senior management and other positions needed to properly manage, supervise and carry out the affairs of the Association, and (ii) an appropriate operational and organizational structure for the Association's staff; and

(b) a written analysis and assessment of (i) the depth and capabilities of the Association's existing Board members, (ii) the depth and capabilities of the Association's existing senior management, (iii) the need for additional senior management and other staff, and (iv) the need for any changes in the composition of the Board and/or senior management.

The Consultant shall complete the study within 30 days of its engagement and forward its report and recommendations to the Board and to OTS within 15 days thereafter. The Board, within 30 days of its receipt of the report, shall advise OTS of its analysis of the Consultant's findings and recommendations and its planned course of action to implement the Consultant's recommendations. To the extent the Board determines not to implement or is unable to implement any of the Consultant's recommendations, in whole or in part, the Board shall promptly advise the Regional Director of such matter and, with particularity, its reasoning therefor.

1.4 Internal Audit

(a) Program

No later than 60 days of the Effective Date, the Board shall adopt and implement an internal audit program. The program at a minimum shall:

(1) enable the Board to effectively monitor the implementation of its policies and procedures including all policies and procedures prescribed by this Agreement;

(2) assure that the Association complies with the August 14, 1990 Order issued by OTS regarding Michael Cousin and Max Fodera; and

(3) require periodic review and testing regarding physical and accounting controls.

Approval of the program by the Board shall be documented in the Board minutes. The internal auditor shall participate in the formulation and revision of the program and Association policies and procedures.

(b) Reports

The Internal Audit Department ("IAD") shall, on a quarterly basis, prepare a report for the Board which shall, at a minimum, discuss: (i) the scope of the review; (ii) whether the Association

is in compliance with its policies and procedures and outstanding OTS Orders and Directives; (iii) whether the internal controls system is effective; (iv) any exceptions noted during the review; and (v) the response of management to the exceptions.

(c) Review of the IAD

The Board shall review the quarterly report specified in Section 1.4(b) and such review shall be documented in the Board minutes. The Board shall establish an Audit Committee to oversee the IAD.

(d) Audit Committee

The Audit Committee required to be established by Section 1.4(c) shall be comprised of three directors, at least two of which must have have banking or financial management expertise. No member of the Audit Committee shall be either an officer of the Association or a relative of an officer, director, or other employee of the Association or any affiliate thereof. No person shall serve as a member of the Audit Committee without the prior approval of the Regional Director.

(e) Staffing

The Board shall assure both that the IAD is, and continues to be, sufficiently staffed with qualified personnel to oversee the Association's compliance with said internal audit policy and that the IAD receives such ongoing training as is necessary to assure its effectiveness.

1.5 Budget

A. Within 60 days of the Effective Date, the Board shall adopt and implement a new budget for the current fiscal year. The budget process shall include, among other things, preparation of proforma statements of condition, operations, changes in equity, cash flows, and sources and uses of funds.

B. The Board shall review and compare the budget to actual operating results on a quarterly basis and shall document its review in the Board minutes. Variances from the budget shall be explained and documented in the Board minutes. Material variances shall be analyzed and explained, and when necessary, budget assumptions adjusted.

1.6 Establishment of Allowances

(a) Portfolio Evaluation Program

Within 30 days after the Effective Date, the Association shall adopt/modify and implement a comprehensive portfolio evaluation program ("Program") that ensures: (i) the proper reporting of assets described as "Loss", "Doubtful", or "Substandard" (collectively "Classified Assets") and (ii) the establishment of appropriate valuation allowances to reflect credit risk in its portfolio (including contingencies). The Program shall take into account specific risk factors relative to all asset categories and particularly assure that due consideration is given to the costs associated with real estate owned including foreclosure, maintenance, marketing, and disposition expenses. The Program shall, inter alia, name a management official responsible for carrying out the program that: (i) is independent of the loan approval, origination and appraisal processes and functions; and (ii) reports directly to the Board.

(b) Board of Directors Resolution

Within 20 days after the due date for the quarterly TFR, the Board of Directors shall adopt a corporate resolution certifying that the Board has reviewed and determined that the level of general valuation allowances ("GVA's") and specific valuation allowances ("SVA's") reported on Schedule VA of the quarterly TFR appropriately reflect the level of current and anticipated credit exposure in the Association's portfolio. The Board shall consider and attach to the corporate resolution:

(1) a listing of all Classified Assets in the most recent OTS Report of Examination and/or identified internally as a Classified Asset and reported on Schedule TA of the TFR, including for each asset: (a) the loan or other identification number, (b) the borrower or title of the asset, (c) the association's recorded investment (i.e. principal balance, plus accrued interest, plus or minus related discounts or premiums), (d) the amount classified as substandard, doubtful or loss, (e) specific valuation allowances established against the asset and (f) the carrying amount of the asset (recorded investment minus loss allowances) and

(2) an analysis of the adequacy of the Association's GVA's prepared by management.

1.7 Interest Rate Risk Management

Pursuant to and in accordance with Sections 563.176 and 571.3 of the OTS Regulations, 12 C.F.R. §§ 563.176 and 571.3 and Thrift Bulletin 13, the Association's Asset Liability Committee shall, on a quarterly basis, meet for the purpose of reviewing the Association's interest rate position and, within 10 days thereof, shall forward the minutes of the meeting and any recommendations to the Board.

1.8 Appraisals

A. With respect to the appraisals to be effected of the classified assets listed on page 17 of the OTS Examination Report dated November 16, 1992, and within 30 days of the Effective Date and every month thereafter, the Association shall provide OTS with a report of the results of the said appraisals including: (i) the date of each such appraisal; (ii) the market value as determined by such appraisal; and (iii) whether additional valuation allowances are required.

B. Within 60 days of the Effective Date, the Association shall implement an effective policy regarding its appraisal program consistent with 12 C.F.R. §§563.170, 563.172, 564.1 and 571.1 et seq. The Association shall consider, as a reference in establishing its appraisal policy, the "Appraisal Policy and Procedures Guide", dated November 1990 and written by Gregg A. Hoefer, MAI, Department of the Treasury, Office of Thrift Supervision, Seattle, Washington (a copy thereof is attached hereto). At a minimum, such policy shall include the designation by the Association of one or more qualified individual(s) whose responsibility shall be to: (i) ensure that the Association is in compliance with the appraisal regulations; (ii) review all appraisal reports submitted to the Bank on classified assets; and (iii) document such review in the loan files.

1.9 Loan Underwriting Policy

Within 60 days of the Effective Date, the Board shall adopt and implement a formal written policy covering each type of loan made by the Association. Such policy should include at a minimum the following requirements:

(a) all loans originated, renewed, modified or restructured shall comply with all regulations and established internal policies;

(b) all loan documentation shall be properly prepared, recorded and reviewed by counsel prior to disbursement of funds;

(c) all credit files shall contain the loan purpose, planned repayment schedule and disposition of loan proceeds;

(d) current financial statements, operating statements, and rent rolls (collectively referred to as "Statements") shall be obtained and analyzed prior to disbursement of funds, and updated Statements shall be obtained on an annual basis for all commercial borrowers;

(e) all loan files shall contain financial and valuation analyses prior to the time funds are disbursed;

(f) loans shall not be permitted to go beyond maturity, or otherwise exceed loan terms, without appropriate board action;

(g) loan files shall contain evidence of appropriate approvals and disclosures by the approving loan officer, committee and board of directors;

(h) reasons for deviation from loan policies and procedures shall be documented and brought to the Board for review and approval; and

(i) the Board shall review and ratify all loan committee actions and decisions.

1.10 Supervisory Directives

The Supervisory Directives issued by OTS on January 29, 1993 and on February 4, 1993, are superseded as of the Effective Date hereof. The Supervisory Directives issued by OTS on March 12, 1993 and on March 30, 1993, are not incorporated herein or superseded by this Order and, as is provided for therein, remain in place until amended or terminated.

II. BOARD OF DIRECTORS

2.1 Compliance with Order

A. The Board and officers of the Association shall take immediate action to cause the Association to comply with the terms of this Order and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Order.

B. The Board, on a monthly basis, shall adopt a board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption issued by the Regional Director that were outstanding as of the date of its adoption.

C. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such Director's reasoning for opposing or abstaining.

D. No later than the 25th Calendar Day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolution adopted at the Board meeting of each month in such calendar quarter. The Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Association.

III. MISCELLANEOUS

3.1 Definitions

All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

3.2 Successor Statutes, Regulations, Guidance, Amendments

Reference in this Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

3.3 Notices

A. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Order to be made upon, given or furnished to, delivered to, or filed with:

(1) the OTS by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place, 18th Floor, Jersey City, New Jersey 07302 or telecopied to (201) 413-5842 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

(2) the Association by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Association at 79-18 Eliot Avenue, Middle Village, New York 11379 or telecopied to (718) 651-4686 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

3.4 Duration, Termination or Suspension of Order

A. This Order shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

B. The Regional Director in his/her sole discretion, may, by written notice, suspend any or all provisions of this Order.

3.5 Time Limits

Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

3.6 Effect of Headings

The Section headings herein are for convenience only and shall not affect the construction hereof.

3.7 Separability Clause

In case any provision in this Order is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

3.8 No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

Nothing in this Order shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

3.9 Successors in Interest/Benefit

The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Order.

THE OFFICE OF THRIFT SUPERVISION
By:

/S/

Ange~~lo~~ A. Vigna
Regional Director, Northeast Region