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OTS No. >07934

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective on this 5th day of September 1991, ("the effective date") by and between Amsterdam Savings Bank, FSB ("Savings Bank" or "Amsterdam"), a federally-chartered mutual savings bank, having its principal office located at 11 Division Street, Amsterdam, New York and the Office of Thrift Supervision ("OTS"), an office within the Department of the Treasury, a department in the Executive Branch of the United States Government, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C.

WHEREAS, the Savings Bank is a Federally chartered mutual-form savings bank, the deposits of which are insured by the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation ("FDIC"), and is subject to Federal laws and regulations; and

WHEREAS, the OTS is the primary Federal regulator of the Savings Bank; and

WHEREAS, the OTS, represented by the Regional Director for the Northeast Region ("Regional Director"), is of the opinion that

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the Savings Bank has violated certain of the laws or regulations to which the Savings Bank is subject and has engaged in unsafe and unsound practices in conducting the business of the Savings Bank; and

WHEREAS, OTS is of the view that it is appropriate to take measures intended to ensure that the Savings Bank will: (1) comply with all applicable laws and regulations; (2) engage in safe and sound practices; and (3) maintain itself in a safe and sound condition; and

WHEREAS, OTS is of the view that such measures include requiring the Savings Bank to take the corrective actions that are set forth in this Agreement to remedy such violations and practices; and

WHEREAS, the Board of Trustees of the Savings Bank wishes to cooperate with the OTS and to demonstrate that it has the intent and ability to: (1) comply with all applicable laws and regulations; (2) engage in safe and sound practices; and (3) maintain the Savings Bank in a safe and sound condition, consistent with its fiduciary duties owed to the Savings Bank and its depositors; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Savings Bank is willing to enter into this Agreement;

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NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, and other good and sufficient consideration, the parties hereto agree as follows:

PART I REGULATORY VIOLATIONS

1.01 The Savings Bank shall not violate and shall not aid and abet any violation of:

(a) Section 563.160 of the OTS Regulations, 12 C.F.R.

§ 563.160 (regarding classification of assets and the establishment of prudent general and specific valuation allowances);

(b) Section 563.170(c) of the OTS Regulations, 12 C.F.R.

§ 563.170(c) (regarding the establishment and maintenance of records); and

(c) Section 571.19 of the OTS Regulations, 12 C.F.R.

§ 571.19 (regarding investment portfolio policy and accounting guidelines).

1.02 The Savings Bank shall use its best efforts, and shall document such efforts on at least a quarterly basis, to comply with: Section 563.190 of the OTS Regulations, 12 C.F.R. §563.190 (regarding bonds for trustees, officers, employees & agents).

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IT IS FURTHER AGREED THAT the Savings Bank shall take the following corrective actions:

PART II AFFIRMATIVE CORRECTIVE ACTION

2.01 Loss Classifications

Within ten (10) days of the effective date of this Agreement, the Savings Bank, if not already eliminated, shall eliminate from its books, by collection, charge-off or specific reserve, all assets or portions of assets classified "Loss" in the OTS Report of Examination dated October 9, 1990 and in the FDIC Report of Examination dated August 13, 1990 ("Reports of Examination"). The Savings Bank shall, on an ongoing basis, promptly eliminate from its books by collection, charge-off, or other appropriate entries, all assets or portions classified "Loss". In addition, the Savings Bank shall, within thirty (30) days of receipt of any official Report of Examination of the Savings Bank from either the OTS or the FDIC, eliminate from its books by collection, charge-off, or other appropriate entries, all assets or portions classified "Loss".

2.02 Lending Related Policies and Procedures

(a) Within sixty (60) days of the effective date of this Agreement, the Board shall review and revise all loan policies and lending procedures to assure that such provide prudent control

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over lending activities and appropriate underwriting guidelines. In particular, the Board shall focus on correcting those weaknesses depicted in the Reports of Examination, including but not limited to, the following:

The board shall establish and implement:

(i) guidelines regarding the timely designation of non-accrual status on past due loans;

(ii) appropriate timeframes for reappraisals;

(iii) a comprehensive internal loan review function;

(iv) a system which provides for the maintenance of proper loan documentation in support of the lending decision; and

(v) a system which provides for the receipt and review of updated financial information for loan monitoring.

(b) Additionally, neither Amsterdam nor its subsidiaries shall make or purchase or commit to make or purchase any loan(s) participation(s), or any other interest in any commercial real estate loan without first obtaining, at a minimum, the following listed credit information for the purpose of evaluating whether the borrower has adequately managed his/her financial affairs in the past, has had successful experiences with similar projects in

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the past, and has the financial strength and ability to service the loan in the future:

(i) a credit report from a credit bureau for sole proprietors and partnerships, or Dun & Bradstreet credit information for corporations;

(ii) a resume on the borrower prepared by the borrower, disclosing his prior real estate experience as well as names of financial institutions and individuals which Amsterdam may contact for the purpose of verifying information contained in the resume;

(iii) financial statement(s) of the borrower, or of the key personnel of borrower, if applicable;

(iv) tax returns of the borrower; and

(v) evidence of a personal interview with the borrower.

(c) Moreover, Amsterdam shall, at a minimum, maintain the following listed documentation at the savings bank for the purpose of evaluating the basis for joint ventures, loan approvals, the collectibility of loans, participations or any other interest in loans, and the viability of projects securing loans:

(i) all records and documentation required by Section

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563.170(c) of the OTS Regulations;

(ii) loan Request: amount, term, interest rate, repayment, prepayment, tax and insurance deposits;

(iii) borrower's name, address, financial statements, credit references and credit checks;

(iv) descriptions, location and cost of real estate security, actual or estimated cost of construction, if applicable;

(v) an appraisal report, prepared for and at the direction of Amsterdam or some other FDIC insured lender which holds at least ten percent of the total loan amount as its own asset, and prepared in accordance with OTS Regulation 564;

(vi) if loans are granted for construction, condominium conversion or similar purposes involving a change in the property and its subsequent sale, a report documenting the feasibility of the project as a profit making venture will be obtained as part of or separate from the appraisal;

(vii) written documentation of Amsterdam's review and evaluation of the appraisal report, feasibility study and borrower's financial statement;

(viii) a calculation of the borrower's cash investment in the

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real estate project;

(ix) an opinion as to whether the "loan" is a loan or a real estate investment pursuant to Generally Accepted Accounting Principles;

(x) a statement that the loan conforms to the lending authority conferred by the Savings Bank's board;

(xi) a legal description and a policy of title insurance or a certificate of title, or binder, as applicable;

(xii) a statement of ownership setting forth the names of all individuals, corporations, or partnerships that have more than a 10% beneficial interest in the property. Also, a disclosure if any trustee, officer of the Savings Bank or an affiliated person has had a beneficial interest in the land or security for the loan or joint venture;

(xiii) for acquisition, development or construction loans, information regarding the availability and cost of utility services, water, sewer, gas, electric, and telephone including but not limited to the following:

(1) the name of the supplier of the service;

(2) the amount of annexation and connection fees for

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entire project and per lot cost;

(3) The amount of capital improvements the developer must install in order to obtain service (e.g. main line extension, water storage tank, etc.); and

(4) the probable amount of time required to obtain services;

(xiv) for acquisition, development or construction loans, a comprehensive cash flow projection which contains data on the following, projected over the life of the project as quarter-year intervals: sales, expenditures broken down as to land, over-head, development, taxes and interest, marketing and maintenance; and calculation of the internal rate of return; and

(xv) for acquisition, development or construction loans, periodic reports which reflect current sales information, anticipated completion dates, cost-to-complete forecasts, the use to which funds disbursed have been put, the cost of work completed, the source of the funds required to complete the project, and the anticipated sales forecasts.

(d) This provision, 2.02, applies equally to loans, participations and any other interest in loans brokered to Amsterdam by one of its subsidiaries, or outside third parties, as well as to loans, participations and any other interest in loans

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originated by Amsterdam and its subsidiaries.

2.03 Criticized Assets Program

Within thirty (30) days of the effective date of this Agreement, the Board shall adopt and implement a written program for each asset adversely classified or listed as Special Mention in the Reports of Examination. Such program shall assess the status of each asset and provide the means and timing by which the cause(s) for which the classifications were accorded shall be eliminated. Additionally, the Board shall adopt and implement a similar program for any asset which was not criticized in the Reports of Examination but which shall subsequently be placed in a non-earning status or shall have become past due for more than 120 days, or which is adversely classified by the Savings Bank or in any subsequent OTS or FDIC Report of Examination. Furthermore, and in conjunction with the report required by paragraph 2.09 of this Agreement, the Savings Bank shall furnish a quarterly report to the OTS Regional Director which sets forth a copy of the program for each asset together with the progress achieved under each classified asset program.

2.04 Review of Adequacy of Reserves and Allowances

(a) Within thirty (30) days of the effective date of this Agreement, and not less than quarterly thereafter, the Board shall review the adequacy of the Savings Bank's reserves and allowances for loan losses considering the level of credit risk and the volume of adverse classifications depicted in the Reports of

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Examination, in each subsequent OTS or FDIC Report of Examination and in assets classified internally by the Savings Bank.

(b) Within thirty (30) days of the effective date of this Agreement, and not less than quarterly thereafter, the Board of Trustees of the Savings Bank shall adopt resolutions 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 OTS Thrift Financial Report ("TFR") appropriately reflects the level of current and anticipated credit exposure in the Savings Bank's portfolio. The Board shall consider and attach the following to the corporate resolution:

(i) a listing of all assets classified internally by the Savings Bank or those assets classified in the most recent OTS Report of Examination or FDIC Report of Examination as 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 Savings Bank's recorded investment (i.e. principal balance, plus accrued interest, plus or minus related discounts or premiums), (d) the amount classified as special mention, 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

(ii) an analysis of the adequacy of the Savings Bank's GVA's prepared by the Savings Bank's management.

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In conjunction with each such review, the Board shall direct management to make such changes to current earnings as are necessary to maintain adequate reserves and allowances. Particular attention shall be given to the maintenance of adequate allowances for assets classified Doubtful or Special Mention, and the timely recognition of identified losses.

2.05 Restrictions on Extensions of Credit

(a) Immediately upon the effective date of this Agreement, the Savings Bank shall not extend, directly or indirectly, any new or additional credit to, or for the benefit of, any borrower who is obligated on any loan that has been adversely classified internally by the Savings Bank, in the Reports of Examination or in any subsequent report of examination issued by the OTS or the FDIC while this Agreement remains in effect, so long as such loan remains classified or is uncollected. The prohibitions of this paragraph shall not apply if:

(i) the Savings Bank's failure to extend further credit to a classified borrower would be detrimental to the best interests of the Savings Bank;

(ii) a comparison with the written program adopted pursuant to paragraph 2.03 of this Agreement shows the Savings Bank's formal program to eliminate the basis of criticism of said classified loan is not compromised;

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(iii) prior to extending any credit, a majority of the board approves the extension of credit and certifies, in writing, the specific reasons why failure to do so would be substantially detrimental to the best interests of the Savings Bank. A copy of the certification shall be maintained in the credit file of the classified borrower; and

(iv) the OTS Regional Director is immediately notified in writing of the Board's certification referenced in subparagraph iii above along with reasons for the same.

(b) In no event shall the Savings Bank extend, directly or indirectly, any new or additional credit to, or for the benefit of, any borrower who is obligated to the Savings Bank on any extension of credit, or portion thereof, which has been specifically reserved or charged-off the books of the Savings Bank, in whole or in part.

2.06 Investment and Asset Liability Management Policies and Procedures

Within thirty (30) days of the effective date of this Agreement, the Board shall have reviewed and revised its investment and asset liability management policies and procedures to address the weaknesses detailed in the Reports of Examination. Copies of the revised policies shall be forwarded to OTS Regional Director upon his request. Particular attention shall be given to the requirements of Section 571.19 (b) of the OTS Regulations and

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OTS Thrift Bulletin #13. If the Board has forwarded to OTS prior to the date of this Agreement revised policies intended by the Board to meet the requirements of this Section, then no further submission will be required pursuant to this Section 2.06 prior to the Board's receipt of any comments with respect thereto by OTS.

2.07 Audit Policy

Within ninety (90) days of the effective date of this Agreement, the Board shall develop, adopt, and implement a comprehensive, written internal audit policy which shall specifically require an audit program of appropriate scope and frequency for the Savings Bank's operations. Such program shall specifically address those weaknesses detailed in the Reports of Examination.

2.08 Review Committee

Within thirty (30) days of the effective date of this Agreement, the Board shall appoint a committee to monitor the Savings Bank's progress in complying with this Agreement. Such committee shall be composed of at least three board members, a majority of whom shall not be officers of the Savings Bank. At quarterly intervals after the effective date of this Agreement, such committee shall present a written report to the Board detailing the actions taken, or to be taken, to secure compliance with this Agreement. Presentation and consideration of such report shall be fully documented in the minutes of the Board meetings.

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2.09 Compliance Resolutions

Within 10 (ten) days after the end of the last month of each calendar quarter, the Board of Trustees shall submit to the Regional Director a resolution signed by each trustee, certifying that, to the best of his or her knowledge and belief, and based on a prudent review, during the previous calendar quarter, the Savings Bank and its subsidiaries complied with each term of this Agreement. The resolution shall set forth any exceptions to any terms of this Agreement that were approved by the Regional Director. The Savings Bank shall submit to the Regional Director a copy of the the aforementioned resolution, beginning with the next regularly scheduled board of trustees meeting.

PART III GENERAL PROVISIONS

3.01 Definitions

(a) As used in this Agreement, the Regional Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d), 101 Stat. 183 (1989).

(b) Reference in this Agreement 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 of this Agreement and references to successor provisions as they become applicable.

(c) Technical words or terms used in this Agreement, for

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which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the HOLA, and the Federal Deposit Insurance Act ("FDIA"), as amended. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, and publicly available Bulletins and Advisory Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

3.02 Miscellaneous

(a) The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

(b) This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Regional Director.

(c) The effective date of this Agreement will be the date that it is signed by the Savings Bank's Board of Trustees.

(d) Although this Agreement requires the Board to submit certain proposed actions and programs for the review or comment by the OTS Regional Director, the Board has primary responsibility for the proper and sound management of the Savings Bank and is not in any way thereby relieved or excused from carrying out its duties. Additionally, while provisions of this Agreement are believed to form the basis of an appropriate corrective program,

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it does not purport to be all inclusive. In that regard, the Board is required to carefully review and consider all comments and criticisms contained within the Reports of Examination.

(e) Nothing contained herein shall prevent the OTS from taking such further action as may be deemed appropriate with regard to the foregoing or otherwise.

3.03 Enforceability of Agreement

The Savings Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes a valid and binding obligation of the Savings Bank. The Savings Bank understands and acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. § 1818, as amended.

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CERTIFICATE OF SECRETARY

OF

AMSTERDAM SAVINGS BANK, FSB

I, Paul H. Phillips, do hereby certify as follows:

1. I am the duly appointed Secretary of Amsterdam Savings Bank, FSB, (the "Savings Bank").
2. A duly called meeting of the Board of Trustees of the Savings Bank was held on September 5, 1991.
3. At that meeting, at which a quorum was present and voting throughout, the following resolutions which have not been rescinded or modified and which are presently in full force and effect, were adopted by the affirmative vote of at least a majority of the Trustees:

WHEREAS, all of the Trustees present have read and considered the proposed SUPERVISORY AGREEMENT of the Office of Thrift Supervision, an Office of the United States Department of the Treasury (the "Agreement"), a copy of which is attached to the minutes of this meeting, and

WHEREAS, it is in the best interest of the Savings Bank to enter into and consent to the issuance of the Agreement,

NOW, THEREFORE, BE IT RESOLVED, that the Agreement is hereby adopted and approved and the Trustees of the Savings Bank are hereby authorized and directed to execute the Agreement on behalf of the Savings Bank.

FURTHER RESOLVED, that the officers and employees of the Savings Bank are authorized and directed to take all necessary and appropriate action to implement immediately the terms of the Agreement and to cause the Savings Bank to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Savings Bank on this day of September, 1991.

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Name: _____

(SEAL)