

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 16TH day of March 1990, by and between American Savings and Loan Association (OTS No. 4080) NY, NY ("Institution" or "American"), and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written Agreement" entered into with the OTS within the meaning of Section 8 of the Federal Deposit Insurance Act, 12 U.S.C. § 1818, as amended by Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), §§ 902 and 907, 103 Stat. 183 (1989).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, and has engaged in unsafe or unsound practices in conducting the business of the Institution, thereby providing grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease-and-desist proceedings against the Institution on the subjects covered by this Agreement for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such cease-and-desist proceedings.

NOW, THEREFORE, in consideration of the above, it is agreed between the parties hereto as follows:

1. Lending

- (a) Neither American nor its subsidiaries shall make, invest in, purchase, or commit to make, invest in, purchase, any interest in multi-family loans, construction loans, or overdraft loans except for qualifying mortgage loans which have a risk weight factor of 50% or less;
- (b) Notwithstanding paragraph (a), American may extend the maturity date, refinance or otherwise modify (including the replacement and substitution of borrowers) the terms and conditions of existing or legally committed to, as of the date of the Supervisory Directive dated December 6, 1989, multi-family loans not permitted to be made under paragraph (a) or constructions loans if, and only if, prior to any

such extension, refinancing or modification, the following conditions have been satisfied. Revisions as regards existing loans should be consistent with the strategies, policies and procedures developed with the external consultant pursuant to Section 6(b)(ii) hereof.

(i) American's Board of Directors (or a duly authorized Committee thereof) by adoption of a Board Resolution has approved the extension, refinancing or modification; and
(ii) by the end of the tenth Business Day following the delivery of certified true copy of the aforesaid Board Resolution (and documents relating thereto) to the Assistant Director of OTS, American has not received from the Assistant Director of OTS or his designee a written notice of objection to the extension, refinancing or modification.

- (c) Within 45 days of the effective date of this Agreement American shall develop, implement and submit same to the Assistant Director of OTS or his designee for his review a comprehensive construction lending policy;

2. Commitments

Within 7 business days of the effective date of this Agreement, the Institution shall provide to the Assistant Director or his designee a list of all legally binding loan commitments that existed as of December 6, 1989, and provide a schedule of the monthly estimated disbursements for such commitments.

- (a) The list of such commitments submitted pursuant to this Paragraph shall include:
- (i) The type of commitment (including whether firm or standby), the date American entered into the commitment and the total amount of the commitment;
 - (ii) The identity of the borrower;
 - (iii) The identity of the seller;
 - (iv) The effective date of the commitment;
 - (v) The amount of other outstanding loans to the borrower;
 - (vi) The security property, if any, its location and current appraised value;
 - (vii) The date of anticipated funding;

- (viii) The amount of any commitment fee received and the date received; and
- (ix) The portion of interest and fees funded by loan proceeds, if any.
- (b) The Institution shall submit with this list a written opinion from independent counsel that he/she has reviewed the terms of each commitment that addresses whether such commitment constitutes a legally binding obligation of the Institution that could be enforced in a court of law by the party to whom the commitment is made.

3. Asset Quality

- (a) American shall establish a plan, in conjunction with the outside consultant (see paragraph 6 of this Agreement) engaged, for managing and reducing its problem assets to a level acceptable to the Assistant Director or his designee.
- (b) American shall submit, to the Assistant Director or his designee on a monthly basis, a detailed status report on the Institution's problem assets and the internal loan review report provided the board of directors.

4. Policies and Procedures

- (a) Within 45 days of the effective date of this Agreement, American shall develop and implement written multi-family and non-residential mortgage loan underwriting standards which will include, at a minimum, the following information for the purpose of evaluating whether the borrower has adequately managed its financial affairs in the past, has had successful experience with similar projects in the past, and has the financial strength and ability to service the loan in the future without undue reliance on the collateral value of the security property:
 - (i) all records and documentation required by section 563.161 of the regulations applicable to all savings institutions ("savings institution regulations")(formerly at 12 c.f.r. § 563.17 to be recodified at 12 c.f.r. § 563.161.)
 - (ii) a credit report which is no more than two months old from a credit bureau for sole proprietors and partnerships, or Dun & Bradstreet credit information for corporations;
 - (iii) a written signed statement by an institution employee explaining all outstanding derogatory items in the credit report described in 4(a)(ii).

- (iv) which requires that the borrower submit a comprehensive annual cash flow projection prepared by the borrower and reviewed by management of the institution which demonstrates the ability to meet loan obligations without undue reliance placed on the collateral value of the security property.
- (v) a written, signed statement by an institution employee, evidencing his or her analysis of the credit reports and financial statements indicating that the borrower(s) and guarantor(s) have sufficient assets and cash flow to meet their obligations in the loan, investment or guarantee without undue reliance on the collateral value of the security property;
- (vi) a statement by management of the institution that the loan conforms to lending authority conferred by the institution's board as well as to the applicable underwriting policy guidelines established by same;
- (vii) a policy of title insurance or a certificate of title or binder as applicable;

In connection with construction loans American's loan underwriting standards described above in paragraph 4(a) shall require at a minimum the following information:

- (i) documentation evidencing that necessary government permits, licenses and other approvals for starting construction have been obtained;
- (ii) a written budget supplied by the developer detailing costs of all construction categories (separated into "hard cost" and "soft cost" sub-categories) on a monthly, phase-by-phase, and building-by-building basis and supported by analysis of all materials, labor and services involved and anticipated monthly draws from each construction category account;
- (iii) projected construction schedules with anticipated completion dates;
- (iv) a written market feasibility study prepared by a qualified professional which demonstrates that the property securing the loan can be sold in a reasonable time period and at a sufficient price to repay the loan, according to its terms and conditions and the ability of the project's cash flow to meet loan obligations;
- (v) periodic on-site inspection reports, containing sufficient information to indicate that the project is progressing

according to schedule and that the work for which the disbursement is being sought has been completed;

- (vi) written documentation evidencing each material purchase in excess of \$1,000;
 - (vii) list of all contractors or subcontractors to be used.
 - (viii) periodic reports reflecting current sales information, anticipated completion dates, cost-to-complete forecasts, the use to which funds disbursed have been put, the cost of work completed on the project and the anticipated sales forecasts;
- (b) American shall establish and implement a system of internal loan review and classification, to monitor the loan origination process and maintain a continuous evaluation of the quality and profitability of the loan portfolio with commensurate asset classification and adequate maintenance of valuation allowances;
 - (c) American shall develop and implement a detailed one (1) and three (3) year business plan and annual operating budget;
 - (d) American shall develop and implement an interest rate risk policy pursuant to Section 563.176 of the Savings Institution Regulations (formerly 12 C.F.R. 563.17-6 to be recodified at 12 CFR § 563.176) and OTS Thrift Bulletin 13;
 - (e) American shall develop and implement a board approved policy to guide its mortgage banking operations;
 - (f) American shall develop and implement a policy to assure the Institutions compliance with Federal Reserve Board Regulation CC.; and
 - (g) American shall develop and implement an internal audit program.

5. Appraisals

- (a) Within 45 days of the effective date of this Agreement American shall develop, implement, and adhere to an appraisal policy which meets the requirements contained in Section 563.171 of the Savings Institution Regulations (formerly 12 C.F.R. § 563.17.-1a to be recodified at 12 C.F.R. § 563.171). At a minimum, the following appraisal practices must be maintained:
 - (i) All appraisal reports shall be prepared exclusively for the Institution by an independent and qualified approved

appraiser approved by the Institutions board of directors and shall be prepared in accordance with generally accepted professional real estate valuation standards;

- (ii) All appraisal reports shall contain sufficient data to substantiate the market value of the security property being appraised, including, but not limited to:
 - (a) An accurate legal description of property;
 - (b) An identification of the appraised property rights;
 - (c) Photograph(s) of the subject property;
 - (d) A floor plan or sketch, when appropriate and feasible;
 - (e) A properly documented and supported estimate of both the highest and best use of the site, as if vacant and available, and as presently, or proposed to be improved;
 - (f) The date the appraisal was prepared by appraiser, which shall be no more than 60 days before the date of it's use by the Institution in the underwriting process;
 - (g) Adequate data and reasoning to support the value conclusion, including the direct sales comparison approach, income approach, and the cost approach, unless the appraiser adequately explains exclusion of one or more approaches to value;
 - (h) The final reconciliation and value estimate;
 - (i) The assumptions and limiting conditions; and
 - (j) The appraiser's certification and signature.

(iii) The Institutions board of directors shall designate at least one qualified Institution employee to review all appraisal reports submitted to the Institution for compliance with American's approved appraisal policy.

- (b) American shall appraise each parcel of real estate owned at the time of the Institution's acquisition of such property in accordance with Section 563.172 of the Savings Institution Regulations (formerly 12 C.F.R. § 563.17-2 to be recodified at 12 C.F.R. 563.172. Such appraisal shall be prepared in accordance to the requirements of section (a) of this paragraph;

6. External Consultant

(a) Within 7 business days of the effective date of this Agreement, the board of directors will form an Audit Committee, composed of at least three directors of the Institution who are independent of management and free from any relationship that would interfere with the exercise of independent judgment as a committee member. This Audit committee shall:

(i) Contact no less than three accounting and/or thrift or real estate consulting firms, within 10 business days of the effective date of this Agreement for the purpose of securing bids on providing consulting services to American to assist the institution in establishing a plan for managing and reducing its problem assets;

(ii) Contract with one such firm ("the consultant"), subject to the prior review and non-objection of the engagement contract by the Assistant Director or his designee to begin its assessment no more than 45 business days after the date of this Agreement; (it is understood pursuant to this paragraph, that the Assistant Director or his designee, will review a proposed engagement contract and inform the institution of the decision regarding such within five business days of the date of receipt of a proposed engagement contract).

(iii) Require that the consultant provide periodic engagement assessment reports to the Assistant Director or his designee.

b. The Audit Committee will direct the consultant to address the following:

(i) Internal Controls

Review and/or help develop, and implement the Institution's policies and procedures for each of the following to ensure that controls are in place so that the Institution can operate in a safe and sound manner:

- (a) Loan Underwriting,
- (b) Real Estate Appraisal,
- (c) Asset Classification,
- (d) Internal Loan Review, and
- (e) Internal Audit.

(ii) Problem Assets

Review the Institutions level of problem assets, and work with management in the development and implementation of a plan to workout each such problem asset.

The consultant should refer to the Institution's latest regulatory report of examination as of July 24, 1989 and supervisory letter dated December 7, 1989 as well as the external audit report dated October 30, 1989 to ascertain the material deficiencies currently existing in each of the above areas.

Upon the review by the Assistant Director or his designee of the consultant's recommended strategies and/or policies and procedures the institution's board of directors shall, consistent with its fiduciary responsibilities, formally approve and implement such strategies and/or policies and procedures. The board should notify the Assistant Director or his designee within seven (7) business days of its formal approval(s) in this regard.

7. Pre-existing Commitments

Nothing in this Agreement shall be construed as precluding American from honoring legally binding commitments to make, grant or purchase loans where said commitments were entered into prior to December 6, 1989 provided: (a) that American obtains a written conclusion from its counsel that the commitment is legally binding upon American and cannot be avoided without causing a breach of said commitments, and (b) the honoring of such commitment will not cause American to otherwise violate any laws or regulations applicable to it.

8. Board of Director Meeting Minutes

Within 5 business days after each board of directors' or board committee meeting, the institution shall submit to the Assistant Director or his designee a copy of the minutes of each board of directors' or board committee meeting and all management reports of the Institution submitted to the board of directors or committee(s) thereof.

9. Definitions

- (a) As used in this Agreement, the District Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d).
- (b) As used in this Agreement, the term "set" means a group of loans, participations, investments, securities or other assets related by being sold, pledged to, purchased from, or exchanged with one borrower as defined in Section 563.93 (a)(1) of the Savings Institution Regulations (formerly 12 C.F.R. 563.9-3 (a)(1) to be recodified at 12 C.F.R. § 563.93)

- (c) As used in this Agreement, the term "savings association" shall have the meaning set forth in Section 2(4) of the Home Owners Loan Act of 1933 ("HOLA") as amended by Section 301 of the FIRREA.
- (d) As used in this Agreement, the term "affiliate" shall have the meaning set forth in Section 23A of the Federal Reserve Act, 12 U.S.C. § 371c(b).
- (e) As used in this Agreement, the term "problem assets" shall mean any asset which has been classified either internally or externally and/or is delinquent.
- (f) 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 pursuant to Section 401(h) of the FIRREA, and references to successor provisions as they become applicable.
- (g) Assistant Director means any employee at the New York District of the OTS who has been assigned the responsibility for monitoring and supervising the Association.
- (h) All technical words or terms used in this Agreement, for 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, and the HOLA, and Federal Deposit Insurance Act ("FDIA", as amended ("FDIA")), as amended.

Any such technical words or terms used in this Agreement 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.

10. Miscellaneous Provisions

- (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 District Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through the District Director, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

AMERICAN SAVINGS AND LOAN ASSOCIATION

By:

ISI
Director GEORGE J. RUGGIERI

ISI
Director JOHN G. BRESLIN

ISI
Director HARRY AMER

ISI
Director DANIEL GEREMIA

ISI
Director ANTHONY T. SCAFA

ISI
Director DOROTHEA R. PAPE

Director JOHN A. KINNAIRD (ABSENT)

Director _____

OFFICE OF THRIFT SUPERVISION

By:

ISI
District Director for Designee

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of American Savings and Loan Association (OTS No. 4080) N.Y., N.Y. ("Institution") hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting duly called and held on MARCH 16, 1990; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect.

RESOLUTION

WHEREAS the directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and has engaged in unsafe and unsound practices and that such violations and practices provide grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS; and

WHEREAS the said directors have been informed that the OTS will forbear from the initiation of such cease-and-desist proceedings on the subjects covered in the attached Supervisory Agreement ("Agreement") if the Agreement is executed by the Institution for so long as the Institution complies with the Agreement; and

WHEREAS the directors of the Institution have read and considered the Agreement attached to the minutes of the meeting of the board of directors held on MARCH 16, 1990; and

WHEREAS after due consideration, the directors of the Institution have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation.

Now, therefore be it RESOLVED, that the Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the board of directors of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of

AMERICAN SAVINGS AND LOAN ASSOCIATION, this
16 day of MARCH, 1990.

15/

Secretary DOROTHEA R. PAPE