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OTS No. 7545

### SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 31 day of March, 1993 (the "Effective Date"), by and between Clover Federal Savings and Loan Association (the "Association"), a federally chartered mutual savings association, having its main office located at Route 130 & Merchantville Avenue, Pennsauken, New Jersey 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 OTS is the primary federal regulator of the Association; and

WHEREAS, based on the Report of Examination dated September 14, 1992 and Report of Compliance Examination dated October 7, 1992 (collectively "ROEs"), the OTS, represented by the Regional Director for the Northeast Region or his designee ("Regional Director") is of the opinion that the Association has engaged in acts and practices in operating the business of the Association that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association; and

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

WHEREAS, the Board of Directors of the Association (the "Board"), while neither admitting nor denying the matters contained in this Agreement or in the ROEs or that such grounds exist, wishes to cooperate with the OTS and to demonstrate that it has the intent to: (1) comply with all applicable federal laws and regulations and (2) engage in safe and sound practices.

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

## I. COMPLIANCE WITH LAWS AND REGULATIONS

1.1 The Association shall comply with the following Federal laws and regulations:

(a) the Bank Secrecy Act, 31 U.S.C. §§5313, 5314, 5315 and 5316, Section 563.177 of the OTS Regulations, 12 C.F.R. §563.177 and Section 103.29 of the regulations of the Department of the Treasury, 31 C.F.R. §103.29 (regarding procedures for monitoring Bank Secrecy Act compliance);

(b) the Bank Protection Act, 12 U.S.C. §1882 and Part 568 of the OTS Regulations, 12 C.F.R. §568.1 et seq. (regarding security procedures, including designation of a security officer);

(c) the Equal Credit Opportunity Act, 15 U.S.C. §1691(d)(1) and Section 202.9 of the regulations of the Federal Reserve Board ("FRB"), 12 C.F.R. §202.9 (regarding notification to credit applicants of decision regarding their application);

(d) the Electronic Funds Transfer Act, 15 U.S.C. §1693c, Section 533.1 of the OTS Regulations, 12 C.F.R. §533.1, and Section 205.7 of the FRB Regulations, 12 C.F.R. §205.7 (regarding disclosure of terms and conditions of the electronic fund transfer service);

(e) the Expedited Funds Availability Act, 12 U.S.C. §4004a, and Section 229.17 of the FRB Regulations, 12 C.F.R. §229.17 (regarding disclosure of policy as to when funds deposited in an account are available for withdrawal);

(f) Section 563.180(d) of the OTS Regulations, 12 C.F.R. §563.180(d) (regarding prompt notification to law enforcement authorities of known or suspected criminal acts);

(g) Section 564.3(a)(1) of the OTS Regulations, 12 C.F.R. §564.3(a)(1) (regarding the circumstances in which a State certified or licensed appraiser must be utilized in connection with real estate transactions); and

(h) Section 566.1 et seq. of the OTS Regulations, 12 C.F.R. §566.1 et seq. (regarding short term liquidity requirements - calculating compliance and maintenance of records verifying compliance with liquidity ratios).

## II. CORRECTIVE PROVISIONS

### 2.1 Director Responsibility

The Board of Directors is responsible for the safe and sound operation of the Association and supervision of management's performance. In order to fulfill these responsibilities, the Board shall, among other things, approve all policies governing the operations of the Association and do the following:

#### (i) Revised Attendance Policy

Within 60 days after the Effective Date, the Board shall 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. The meetings of the Board of Directors shall be held at least monthly; and

#### (ii) Board and Committee Minutes

Detailed minutes of all Board and committee meetings shall be maintained and recorded on a timely basis. The Secretary shall prepare 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 30 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.

### 2.2 Additions to the Board of Directors

Within 60 days after the Effective Date, the Association shall amend its bylaws to require that the Board of Directors shall be comprised of five members. Other than the Chief Executive Officer of the Association, who shall be a member of the Board, and the reelection of directors extant as of the Effective Date, all future additions to the Board shall be non-employee directors who do not have an ongoing

financial relationship with the Association subsequent to their appointment, other than ordinary and customary compensation paid to non-employee directors for service on the Board. No new person shall be appointed to, serve on, or be elected to the Board without the prior approval of the Regional Director and any such 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"). Within 60 days of the Effective Date, the Association shall submit to OTS, pursuant to Section 32 of the FDIA and TB 45, a candidate to become the fifth member of the Board.

### 2.3 Management Plan

No later than 60 days of the Effective Date, the Board shall provide to the OTS a plan designed to ensure that the Association has capable and effective management and staff to carry out the affairs of the Association. Such plan shall include the hiring of a full-time and qualified chief executive officer, to the extent not already done. As is required by Section 32 of the FDIA, 12 U.S.C. §1831i and OTS Thrift Bulletin Number 45, no person shall be appointed to the position of, serve as, or be hired as the chief executive officer without the prior approval of the Regional Director.

### 2.4 Business Plan

A. No later than 60 days after the hiring/appointment of the chief executive officer required by Section 2.3, the Association shall implement a three-year business plan which has been prepared by management and approved by the Board. Such approval shall be documented in the Board minutes. A copy of the plan shall be provided to the Regional Director within said 60 days.

B. The business plan, which shall contain target dates to the extent possible, shall, at a minimum, address the following areas: (i) the Association's objectives, operating strategy and business philosophy during the next three-year period; (ii) its present financial condition inclusive of programs to enhance otherwise unsatisfactory earnings performance; (iii) the budget; (iv) credit exposure; (v) regulatory capital position; (vi) profit composition; (vii) market penetration; (viii) interest rate risk management; (ix) deposit management strategies; (x) projected sources and uses of funds; (xi) asset/liability management; (xii) new business initiatives; (xiii) cost of funds; (xiv) valuation allowances; (xv) the viability of a stock conversion; and (xvi) methodologies to reduce non-interest expenses.

C. The business plan and its implementation by management shall be reviewed by the Board at least once during every calendar quarter and such review shall be documented in the Board minutes. During any such review, the Board shall determine if revisions are required and, if so, shall, with the assistance of management, revise the business plan accordingly.

## 2.5 Ensuring the Accuracy of the Thrift Financial Reports

No later than April 30, 1993, Kenneth J. Stephon shall perform a complete review of the Association's information and data gathering system related to the preparation of Thrift Financial Reports ("TFRs") and shall recommend to the Board any policies and procedures to assure the accuracy of TFRs prepared by the Association. The minutes of the Board shall document the Board's consideration of any such recommendations and its decision with respect thereto.

## 2.6 Training Policy

Within 90 days after the Effective Date, the Board shall adopt, and thereafter oversee compliance with, a written policy for directors, officers, and employees of the Association which policy shall be designed to enable such persons to comply with the statutes, regulations, and policies to which the Association is subject and by which its operations are governed. This policy should require, among other things, that management and staff be provided with ongoing training in the prevention and detection of crimes affecting the affairs and operations of a financial institution and in the requirements of the Bank Secrecy Act, 31 U.S.C. §5311 et seq., the Bank Protection Act, 12 U.S.C. §1881 et seq., the Equal Credit Opportunity Act, 15 U.S.C. §1691 et seq., the Electronic Funds Transfer Act, 15 U.S.C. §1693 et seq., the Expedited Funds Availability Act, 12 U.S.C. §4001 et seq., and the regulations promulgated thereunder.

## 2.7 Accounting for Delinquent Interest

The Association shall employ Generally Accepted Accounting Principles with regard to interest on delinquent loans.

## 2.8 Loan Collection Policy

A. Within 60 days after the Effective Date, the Board shall adopt and implement a loan collection policy which will assure effective and timely collection of monies due and owing to the Association on account of assets maintained in its loan portfolios. The policy, at a minimum, shall provide specific timeframes applicable to and provide for:

- (i) inclusion of planned repayment schedule in all loan files;
- (ii) development and monitoring of loan performance especially as regards indications of non-performance in all loan portfolios;
- (iii) prompt identification of all loans that are past due;
- (iv) delinquency follow-up procedures which are specific in nature, will facilitate the timely resolution of the delinquent loan, specify timeframes for taking action, and require written documentation

of the steps taken to cure the delinquency or perfect foreclosure or other remedial action;

- (v) collection and charge-off procedures;
- (vi) appropriate inspections and/or appraisal reviews are performed when setting and implementing the collection strategy;
- (vii) the ability to ascertain the status of the loan and the necessity of any required action to effect remedial action by the Association;
- (viii) prompt referrals to designated Association personnel and/or Legal Counsel for collection and/or foreclosure; and
- (ix) Board approval with regard to loans permitted to go beyond maturity or otherwise exceed loan terms.

B. The Board shall take steps to ensure that management is adhering to the loan collection policy. At a minimum, the Board shall: (i) designate a management official responsible for overseeing compliance with the loan collection policy and (ii) require quarterly reports from the management official as to the extent of the Association's compliance (or non-compliance) with the loan collection policy.

## 2.9 Problem Assets/Asset Action Plans

A. Within 60 days after the Effective Date, the Board of Directors shall adopt and implement a comprehensive asset policy which shall address and undertake to reverse the increase in the Association's classified assets. The policy shall provide for, at a minimum:

- (i) the identification of all assets that are classified either by the OTS or identified internally as a Classified Asset ("Asset");
- (ii) a comprehensive analysis of all loan documents and related correspondence pertinent to said Assets;
- (iii) a realistic analysis of the value of any collateral and the ability to enforce any guarantees;
- (iv) an assessment of potential legal issues relating to the workout; and
- (v) based on the above, the development of an asset action plan for the workout of each Asset, including a proposed timetable for each suggested action.

B. Each asset action plan shall contain a description of any contemplated modifications, extensions or renewals in connection with the Asset.

C. Within 60 days after the Effective Date, the Association shall establish written policies and procedures for modifications, extensions or renewals of troubled assets to ensure that (i) such modifications, extensions, or renewals of troubled loans are approved by the Board of Directors and (ii) that appropriate valuation allowances are established.

## 2.10 Compliance Program

Within 60 days after the Effective Date, the Board shall adopt and implement a comprehensive written compliance program designed to assure that the Association adheres to all statutory and regulatory requirements. As part of said program, the Board shall adopt specific policies and procedures to insure that the Association shall comply with the requirements of each of the Bank Secrecy Act, 31 U.S.C. §5311 et seq., the Bank Protection Act, 12 U.S.C. §1881 et seq., the Equal Credit Opportunity Act, 15 U.S.C. §1691 et seq., the Electronic Funds Transfer Act, 15 U.S.C. §1693 et seq., the Expedited Funds Availability Act, 12 U.S.C. §4001 et seq., and the regulations promulgated thereunder. Each such policy, at a minimum, shall provide for:

- (i) a periodic review and update of the said policy and procedure;
- (ii) the mandatory training of pertinent management and staff with respect to the said policy and procedures and applicable statutes and regulations;
- (iii) designation of a specific management official (which in the case of the Bank Protection Act shall be the "security officer" as required by Section 568.2 of the OTS Regulations, 12 C.F.R. §568.2) to monitor, oversee, and assure the Association's compliance with the said policy and procedures and applicable statutes and regulations and who shall report at least annually to the Board on the implementation, administration and effectiveness of the said policy and procedure and the Association's compliance therewith; and
- (iv) the promulgation and timely dissemination of disclosure statements and notifications required by statute or regulation and in a form and in substance as so mandated.

The Board should consult Compliance: A Self-Assessment Guide published by the OTS in developing its compliance policy and monitoring the Association's compliance therewith.

## 2.11 Community Reinvestment Act ("CRA")

A. Within 90 days after the Effective Date, the Board shall review its CRA statement and delineate the local community or communities that comprise the Association's entire community. Such delineation shall take into consideration the Association's lending patterns and shall be in accord with Section 563e.3 of the OTS Regulations, 12 C.F.R. §563e.3.

B. The Board shall assure that the Association develops and implements, and continues to develop and implement, programs and practices to ascertain and meet community credit needs, with particular emphasis regarding low- and moderate-income neighborhoods in the delineated communities and to advise the members of the communities of the specific types of credit available to it through the Association.

### III BOARD OF DIRECTORS

#### 3.1 Compliance with Agreement

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

B. The Board, on a quarterly 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 quarter, the Association has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance in all material respects 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 Business 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 during the first month immediately subsequent to 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 that to the best of its knowledge the statements with respect to compliance with the terms of this Agreement set forth in each Compliance Resolution are accurate in all material respects, 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.

#### IV. MISCELLANEOUS

##### 4.1 Definitions

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the terms used in this Agreement have the meanings assigned to them in this Section 4.1 and include the plural as well as the singular; (b) all accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, except that if such terms are defined in the Rules and Regulations of the OTS, such regulatory definitions shall be controlling; (c) all terms not otherwise defined herein that are defined in the HOLA, the FDIA, the Rules and Regulations of the OTS or its publicly available bulletins and Advisory Memoranda shall have the meanings assigned to them in such statutes, Rules and Regulations, Bulletins, and Advisory Memoranda; and (d) all technical words or terms not subject to a definition in this Agreement shall have the meanings that accord with the best custom and usage in the thrift and banking industries.

"Board Resolution" means a resolution duly adopted by the Board at a duly called and held meeting of the Board (or a Committee thereof) at which a quorum was present.

"Business Day" means any weekday excluding Federal holidays.

"Director" shall mean any current or former member of the Association's Board of Directors.

"FDIA" means the Federal Deposit Insurance Act, as amended.

"FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183.

"HOLA" means the Home Owners' Loan Act, as amended, 12 U.S.C. §§ 1461 et seq.

"Officer" shall have the meaning set forth in Section 561.35 of the OTS Regulations, 12 C.F.R. § 561.35.

"OTS" refers to the Office of Thrift Supervision, United States Department of the Treasury, or its successor.

"Regional Director" or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, and

refers to the Regional Director of the Northeast Region of OTS. All references to the Regional Director shall include the Regional Director and/or his designee(s).

"Savings Association" shall have the meaning set forth in Section 2(4) of the HOLA, 12 U.S.C. § 1462(4).

#### 4.2 Successor Statutes, Regulations, Guidance, Amendments

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 and references to successor provisions as they become applicable.

#### 4.3 Notices

A. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement 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, N.J. 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 Route 130 and Merchantville Avenue, Pennsauken, N.J. 08110 or telecopied to (609) 663-9205 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. Notice 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 Agreement, 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.

#### 4.4 Duration, Termination or Suspension of Agreement

A. This Agreement shall 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 or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

#### 4.5 Effect of Headings

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

#### 4.6 Separability Clause

In case any provision in this Agreement 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 sole discretion determines otherwise.

#### 4.7 No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted; FDICIA Controlling

A. Nothing in this Agreement 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, in any way, the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

B. To the extent that any provision of the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102-242, 105 Stat. 2236 (December 19, 1991) ("FDICIA") or any regulation(s) promulgated thereunder imposes more restrictive requirements than any provision contained in this Agreement (either expressly or through OTS interpretive Bulletins or policy statements), such provision(s) of the FDICIA or such regulation(s) shall be controlling.

#### 4.8 Successors in Interest/Benefit

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. Nothing in this Agreement, express or implied, shall give to



CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Clover Federal Savings and Loan Association, Pennsauken, New Jersey (the "Association") hereby certify that the following is a true copy of a resolution duly adopted by the Board of Directors of the Association at a duly called meeting of the Board of Directors held on March 31, 1993; and that at said meeting a quorum was present and voting throughout.

I further certify that the following resolution, which has not been rescinded or modified and which is presently in full force and effect, was adopted by the affirmative vote of at least a majority of the Directors:

RESOLUTION

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

WHEREAS, it is in the best interest of the Association to enter into the Agreement;

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

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

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 31st day of March, 1993.

[SEAL]

Name: 1/51  
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