

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 21st day of May, 1997 (the "Effective Date"), by and between Ninth Ward Savings Bank, F.S.B (the "Association"), a federally chartered mutual association, having its main office located at 400 Delaware Avenue, Wilmington, Delaware and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C., acting through its Northeast Regional Director or his/her designee ("Regional Director").

WHEREAS, the OTS is the primary federal regulator of the Association; and

WHEREAS, based on the Report of Examination dated September 30, 1996 ("ROE") the OTS is of the opinion that the Association has engaged in acts and practices 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: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (the "Board"), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations and (ii) 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:

1. Compliance With Laws & Regulations.

The Association shall take all necessary and appropriate actions to achieve compliance with Sections 563.176 of the OTS Regulations, 12 C.F.R. §§563.176 (regarding interest-rate risk management policies and procedures).

2. Business Plan.

August 15, RJS
RCA

A. No later than ~~July 1, 1997~~, ^{August 15, 1997}, the Board shall adopt a 3 year written business plan, covering calendar years 1997 through 1999. This plan shall be forwarded to the Regional Director for review and comment and shall address, at a minimum, goals and strategies for improving and sustaining the earnings of the Association without resort to nonrecurring profit items, including:

1. identification of the major areas in, and means by which, the Board will seek to: (i) improve the Association's operating performance and (ii) achieve and maintain adequate levels of capital, addressing:

(a) operating expenses (including management compensation),

(b) cost of funds, and

(c) asset growth.

2. ~~realistic and comprehensive budgets, including quarterly pro-forma financial statements for the first plan year (the quarterly pro-forma financial statements shall include, inter-alia, projections of each applicable regulatory capital ratio);~~

3. a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

B. 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. The review shall include a comparison of the actual performance of the institution to prior projections, and specifically address any material deviations. The business plan shall be updated at least annually (including quarterly pro-forma financial statements for the immediately ensuing plan year) no later than December 31, for the ensuing 3-year period and submitted to the Regional Director.

C. The Board shall obtain the assistance of qualified independent consultant(s) to assist in the formulation of the Business Plan required by this Section 2.

August 15, RJS
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September 15, RJS
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D. The ~~July 1~~, 1997 deadline contained in Section 2.A may be extended by the Regional Director until ~~August 1~~ 1997 if the Regional Director determines, in his sole discretion, that the Association has made substantial progress toward raising outside capital.

3. Interest Rate Risk Management.

A. Within 30 days of the Effective Date, the Board shall implement and periodically follow up on an interest rate risk policy that is: (i) consistent with 12 C.F.R. §§ 563.176 and Thrift Bulletins 13, 13-1 and 13-2 and (ii) designed to significantly reduce the Association's level of interest rate risk.

B. The policy shall articulate the Association's strategy(ies) for reducing interest rate risk.

C. The Board shall, at least quarterly, monitor the Association's progress (or lack thereof) toward reducing its exposure to interest rate risk to the level that has been determined to be acceptable.

4. Board of Director Meetings.

No later than 30 days of the Effective Date, the Board shall establish procedures governing meetings of the Board (and of committees of the Board), providing that:

A. ~~minutes of all Board and committee meetings are accurate in all material respects, contain sufficient detail to record all votes, deliberations of, and actions by the Board, including discussions held, policies and procedures approved, committee actions ratified and information reported to the Board by management, and~~

B. Board members are presented with sufficient information to make informed judgments about their responsibilities to oversee the performance of the institution. The Board shall compare the information currently provided to applicable information suggested in the Director Information Guidelines, published by the OTS in December, 1989 -- particularly focusing on "Product Pricing" (Page 36).

5. Changes in Directors or Executive Officers and Terms of Employment.

A. As required by Section 32 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1831i and Section 574.9 of the OTS Regulations, 12 C.F.R. § 574.9, the Association shall provide at least 30 days prior written notice of any changes to its directorate or executive officer staff to the OTS before the employment becomes effective.

B. 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 or senior executive officer of the Association or any subsidiary thereof, unless it first (i) provides a minimum of thirty days advance notice of a proposed transaction and (ii) receives a written notice of non-objection from the Regional Director.

6. 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 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 was found not to exist, and (ii) identify all notices of exemption or non-objection 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[s] adopted at the Board meeting. 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.

7. Definitions.

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, the Home Owners Loan Act ("HOLA"), the FDIA or OTS Memoranda. Any such technical words or terms used in this Directive 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.

8. 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.

9. Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Directive to be made upon, given or furnished to, delivered to, or filed with the OTS or the Association shall be in writing and mailed, first class or overnight courier, or means of electronic transmission, or physically delivered, and addressed as follows:

A. Regional Director
Office of Thrift Supervision
10 Exchange Place, 18th Floor
Jersey City, NJ 07302

B. Chief Executive Officer
Ninth Ward Savings Bank, F.S.B.
400 Delaware Avenue
Wilmington, DE 19801-1543

10. Duration, Termination or Suspension of Agreement.

A. This Agreement 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). The Regional Director will consider written requests to terminate the Agreement at any point after the first Report of Examination following execution of this Agreement has been transmitted to the Association.

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

11. Time Limits.

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

12. Effect of Headings.

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

13. 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/her sole discretion determines otherwise.

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

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 the OTS from ~~taking such action(s) that are appropriate in fulfilling the~~ responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

15. 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 any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

16. Signature of Directors.

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

17. Integration Clause.

This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

18. Enforceability of Agreement.

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

NINTH WARD SAVINGS BANK, F.S.B.

By:

15/

By:

15/

Robert C. Albanese
Regional Director

Ronald P. Crouch
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

15/

Director

Director

15/

Director

Director

FORM OF
CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Ninth Ward Savings Bank, F.S.B ("the Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on May 21, , 1997;
2. At said meeting a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that said Board and the Association have the intent to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS the Directors of the Association have read and considered the proposed Supervisory Agreement ("Agreement") which shall be attached to the minutes of this meeting; and

WHEREAS after due consideration, the Directors of the Association have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Association be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except Alan B. Levin) and all members of the Board of Directors (except Mr. Levin*) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 21st day of May, 1997.

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Name: Josephine B. Mauro
Title: Vice President/Secretary

(SEAL)

* Mr. Levin, while not present at the meeting, executed the Agreement the following day. Thus, all directors have executed the Agreement.