

95104

OTS No. 2994

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 18th day of December, 1992 (the "Effective Date"), by and between Bankers Federal Savings, FSB (the "Association"), a federally chartered stock association, having its main office located at 110 William Street, 29th floor, New York, New York 10038 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 December 16, 1991 (the "1991 Report of Examination") 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 Association has corrected or has agreed to correct deficiencies noted in the 1991 Report of Examination and has demonstrated its willingness to cooperate with the OTS in this regard and the Board of Directors of the Association (the "Board") wishes to cooperate with the OTS and to demonstrate that they have the intent and ability to: (1) comply with all applicable 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, and other good and sufficient consideration, 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) Section 5(t) of the Home Owner's Loan Act, as amended ("HOLA"), 12 U.S.C. §1464(t) et seq. (regarding capital requirements);

(b) Section 11 of the HOLA, 12 U.S.C. §1468 (transactions with affiliates), Sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§371c and 371c-1, Federal Reserve Regulation 215.4, 12 C.F.R. §215.4 and Section 563.43 of the OTS Regulations (regarding banking affiliates/restrictions on transactions with affiliates and affiliated persons);

(c) Section 563.39 of the OTS Regulations, 12 C.F.R. §563.39 (regarding employment contracts);

(d) Sections 563.160 and 571.26 of the OTS Regulations, 12 C.F.R. §§563.160 and 571.26 (regarding classification of assets);

(e) Sections 563.170(c) and 563.233 of the OTS Regulations, 12 C.F.R. §563.170(c) and 563.233 (regarding establishment and maintenance of records);

(f) Section 563.172 of the OTS Regulations, 12 C.F.R. §563.172 (regarding re-evaluation of assets; adjustment of book value; adjustment charges);

(g) Sections 563.176 of the OTS Regulations, 12 C.F.R. §563.176 (regarding interest rate risk management procedures);

(h) Part 564 of the OTS Regulations, 12 C.F.R. §564.1 et seq. (regarding appraisals);

1.2. The requirements set forth in Section 1.1 that the Association conduct its business in conformity with the requirements of the Federal laws and regulations set forth therein shall not be construed as an authorization for the Association to engage in any activity permitted by said laws and regulations. Furthermore, to the extent that it is lawful for the Association or its affiliates to engage in such activities, they shall be subject to any stricter restrictions, limitations and requirements set forth in this Agreement.

II. RESTRICTIONS ON ACTIVITIES

2.1. Prohibition on Asset Growth

The Association shall not increase its Total Assets in any calendar quarter in excess of net interest credited on deposit liabilities during the quarter. For purposes of this Section 2.1, asset growth shall be measured at the end of each calendar quarter by comparing Total Assets at the end of the most recent calendar quarter against the Total Assets as of the end of the previous calendar quarter. The Regional Director reserves the right to determine that the Association is growing in an unsafe and unsound manner between measurement dates and to take appropriate action to restrict such growth.

2.2. Capital Distributions

The Association shall not make any capital distributions, except as provided in Section 38(d)(1) of the FDIA, 12 U.S.C. §1831o(d)(1) and Sections 563.134 and 565.6(a)(2)(i) of the OTS Regulations, 12 C.F.R. §§563.134 and 565.6(a)(2)(i).

2.3. Restrictions on Compensation, Benefits, and Operations.

A. Unless the Association (i) provides a minimum of ten days prior written notice of the proposed transaction/activity to the Regional Director (unless a longer period is specified by law, regulation or bulletin) and (ii) receives a written notice of non-objection of the Regional Director with respect to the proposed transaction/activity, the Association shall not directly or indirectly:

(1) enter into, renew, extend or revise any contractual arrangement with any Director, Executive Officer, Employee, Principal Shareholder or any other Institution-affiliated party of the Association or any Subsidiary thereof, except for contracts/revisions otherwise permitted by this Section 2.3;

(2) employ or appoint any person to serve as a Director or Executive Officer who is not so employed or appointed as of the Effective Date;

(3) 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.

B. The Association shall not pay any management fee to any person having control of the Association pursuant to 12 U.S.C. §12 U.S.C. §1831(o)(d)(2) and 12 C.F.R. §565.6(a).

C. Within thirty (30) days of the Effective Date, the Board shall revise and implement a policy governing the determination and payment of bonuses to Officers and Employees which addresses all of the comments appearing on Pages 13 to 14 of the Report of Examination dated December 16, 1991.

D. Prior to the Association making any payment relating to indemnification of a Director, Executive Officer or Employee (provided that such indemnification payment is not otherwise prohibited by Section 18(k) of the FDIA): (1) the Board shall adopt a resolution approving such payment as being in accordance with Section 545.121 of the OTS regulations; and (2) the Association shall notify the Regional Director no less than twenty (20) days prior to the date of payment of the Association's intent to make such payment, and shall include a copy of the Board Resolution approving payment. All proposed payments of advance indemnification shall, in addition, require the prior written notice of non-objection of the Regional Director.

E. The Association shall abide by the provisions of Section 337.6 of the FDIC Regulations (to be codified at 12 C.F.R. §337.6).

2.4. Liquidity Requirement/Borrowing Capacity

A. The Association shall at all times maintain liquid assets (as defined in 12 C.F.R. § 566.1(g)) in accordance with the requirements of 12 C.F.R. Part 566; and

B. The Association shall, at all times, maintain sufficient unpledged assets (giving effect to the applicable margin requirements or "haircut" requirements) that will enable it to secure advances by the Federal Home Loan Bank of New York or a Federal Reserve Bank of New York in an amount which, when added to the Association's credit facilities not then drawn on, will equal not less than 10.0% of total unconsolidated assets, as reported in the most recent monthly report to the OTS (Schedule SC - Line 60). For purposes of this Section 2.4 "unpledged assets" may include liquid assets as defined in Section 566.1(g) of the OTS Regulations that are used to meet the Association's liquidity requirement.

C. The Association shall promptly notify the Regional Director of any violation of this Section 2.4.

2.5 Association To Use Best Efforts To Impose
Restrictions/Requirements On Subsidiaries

The Association shall cause all Subsidiaries in which the Association owns a majority of the stock to abide by the restrictions, limitations or requirements imposed on the Association by this Agreement. The Association shall also vote its shares, use its influence and otherwise use its best efforts to impose the same restriction on any Subsidiary of which the Association owns a minority of the stock. The Association shall promptly notify the Regional Director in the event that the actions of any Subsidiary would contravene the restrictions, limitations or requirements of this Agreement if undertaken directly by the Association.

III. OPERATING REQUIREMENTS

3.1. Actions Taken With Respect to Regulatory Violations.

Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Board shall provide a written explanation to the OTS setting forth the reasons why previously promised corrective action, if any, has not been successfully completed.

3.2. Internal Audit.

A. Chief Internal Auditor. Within sixty (60) days of the Effective Date, if, and to the extent that it has not already done so, the Board shall provide that the internal audit function in all areas of Association activities is effectively and adequately supervised by a chief internal auditor who maintains an active, ongoing and continuous involvement in the audit process, including but not limited to, participation in field audits. The Board, at its option, may either (i) provide the present chief internal auditor with adequate training necessary to oversee and supervise the internal audit function in all areas of Association activities or (ii) hire a new chief internal auditor to oversee and supervise the internal audit function.

B. Department Staff. Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Audit Committee shall assess and report to the Board on whether the internal audit department is staffed sufficiently to carry out its responsibilities to perform the internal audit function. The Board shall either provide for (i) training to the current staff and/or (ii) the hiring of additional staff, so that the internal audit department is adequately staffed with experienced persons capable of performing the internal audit function. Such assessment and report shall be documented in writing and shall be attached to the minutes of the Board meeting at which it is considered by the Board.

C. Policies and Procedures. Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Board shall adopt and implement an internal audit policy and procedures. Such policy shall address all of the comments appearing on pages 17 through 23 of the 1991 Report of Examination, and at a minimum, shall ensure that: (i) the Audit Committee is composed only of outside directors and meetings of the Audit Committee are free from the influence of management; (ii) audit reports and work papers are sufficiently detailed; (iii) reports to the Audit Committee contain sufficient detail to adequately inform the members of the Audit Committee of audit findings; (iv) management responds promptly and effectively to the recommendations made by the internal audit department and the Audit Committee; (v) internal audit department staff do not participate in the development of policies and procedures of the Association; and (vi) the Audit Committee meets at least monthly and minutes (including documents submitted to the Audit Committee for its consideration) of those meetings are kept.

3.3. Internal Loan Review

Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Board shall adopt and implement an internal loan review policy and procedures which shall address all of the comments appearing on pages 34 through 36 of the 1991 Report of Examination, and at a minimum, shall ensure: (i) adequate and appropriate staffing of the internal loan review function; (ii) the appointment of a management official responsible for carrying out the program who is independent of the lending function and reports directly to the Board and/or the Audit Committee; (iii) the independence of the loan review function so that it is free of all potential conflicts of interest, including the lack of involvement in the internal loan review function by any individual responsible for the granting or administration of loans; and (iv) the direct reporting of the loan review function to the Board and/or the Audit Committee.

3.4. Valuation Allowance Policy

A. Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Board shall adopt and implement revised policies and procedures for (1) asset classification (internal loan review) which provides that: (a) the Association reports properly the level of asset classifications in accordance with 12 C.F.R. §571.26; and (b) specific risk factors are taken into account relative to all asset categories; and (2) general and specific valuation allowances which provides that adequate valuation allowances are maintained at all times at sufficient levels to address the credit risk in the Association's loan portfolio.

B. Within thirty (30) days of the Effective Date and within thirty (30) days after the end of each calendar quarter, the Board shall provide OTS with a corporate resolution certifying that to the best of their knowledge and belief and based upon their review of reports and analyses of management and independent consultants, if any, the Board has determined that the level of general valuation allowances and specific valuation allowances reported on Schedule VA of the quarterly Thrift Financial Report appropriately reflects 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 summary of all classified assets as reported on Schedule TA of the Thrift Financial Report, in the same format as appears on pages A-12.1 through A-12.87 of the 1991 Report of Examination. Such classified asset summaries shall include classified assets which have been paid off, disposed of or written off since the previous quarterly submission of the Thrift Financial Report. The summary should include, for each asset, a brief synopsis of each major loan listed including (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 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

(2) an analysis of the adequacy of the Association's general valuation allowances prepared by the Association's management.

3.5. Financial Reporting

The Board shall continue to take all steps necessary to ensure the accuracy of its books and records as required by 12 C.F.R. §563.170(c) and 12 C.F.R. §563.233 for the purpose of, inter alia, providing the OTS with access to a complete and accurate record of its operations. In addition, the Board shall take all steps necessary to ensure that accurate and current financial information shall be incorporated in all (i) reports to the Board, (ii) information supplied to the OTS, including the Association's Thrift Financial Reports, (iii) proxy statements, (iv) filings with the Securities and Exchange Commission, (v) reports issued to shareholders, and (vi) press releases.

3.6. Appraisals

A. If, and to the extent that it has not already done so, the Association shall immediately obtain appraisals, prepared by independent appraisers, for the properties listed on pages 32-34 of the 1991 Report of Examination. In addition, the Association shall obtain new appraisals for: (i) newly acquired REO; (ii) loans deemed to be insubstance foreclosures; and (iii) loans which have outdated appraisals.

B. Within thirty (30) days of the Effective Date and every month thereafter, the Association shall provide OTS with a report of the results of the appraisals required by Section 3.6(A), including: (i) the date of each such appraisal; (ii) the market value as determined by such appraisal; and (iii) whether additional specific and/or general valuation allowances are required.

C. Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Association shall: (i) conduct the annual review of approved appraisers in accordance with 12 C.F.R. §564.8(c)(3) and the Association's own appraisal policy and procedures; (ii) present the findings of such review to the Board; and (iii) submit to the OTS written evidence documenting that such review was performed by the Association and presented to the Board.

3.7. Policies and Procedures

Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Board shall revise or establish, approve, adopt and implement the following policies and procedures, addressing the comments from the 1991 Report of Examination in the following areas: (i) asset workout (Page 34); (ii) investments, including asset securitization (Pages 37-38); (iii) business plan (Page 44); and (iv) employment practices. Such policies and procedures shall be reviewed by the Board on an annual basis, at a minimum, and such review shall be documented in the Board minutes.

IV. **EMPLOYMENT AND CONSULTING AGREEMENTS**

4.1. Employment Agreements

A. Within thirty (30) days of the Effective Date, the Board shall revise, as necessary, all employment agreements to ensure that such agreements are in accordance with Sections 18(k), 32 and 38 of the FDIA, 12 U.S.C. §§1828(k), 1831i and 1831o; Sections 563.39 and 563.161(b) of the OTS Regulations, 12 C.F.R. §563.39 and 563.161(b); OTS Thrift Bulletin 45; and OTS Regulatory Bulletin 27.

B. Within thirty (30) days of the Effective Date, the Association shall submit to the OTS revised employment agreements for James Randall and Louis Orgera and revised termination agreements for Edward Powers, Robert E. Reiner and Gerard Perri, which revisions shall address the comments noted on Pages 11 and 12 of the 1991 Report of Examination and ensure that such agreements are in accordance with federal law and regulations.

4.2. Consulting Agreements

A. Within thirty (30) days of the Effective Date, the Association shall prepare and submit to the Board a list of all consultants, including investment bankers, attorneys, accountants and other third parties, hired to provide services to the Association, outside of the normal course of business, together with a detailed description and analysis of the services currently being provided by such outside consultants. Within thirty (30) days of the Effective Date of this Agreement, the Board shall review such list, determine whether the services currently being performed by outside consultants would be better and more economically performed by the hiring of additional internal staff and adopt and implement a policy with respect to the use of outside consultants. Review of the Association's report and the Board analysis and conclusions shall be recorded in the Board minutes.

B. In the event that the Board decides, pursuant to its review under Section 4.2(A) to continue the services of any outside consultants, outside of the normal course of business, the Association shall formalize such services in a written agreement, which agreement shall be in conformity with the provisions of Thrift Bulletin 50 and shall be submitted to the OTS for prior written notice of non-objection pursuant to the provisions of Thrift Bulletin 50. In addition, the Association shall not enter into, renew, or revise any contractual or fee arrangement with any outside consultants, outside of the normal course of business, without the prior written notice of non-objection of the Regional Director. All requests for non-objection pursuant to this Section 4.2(B) shall specify the proposed terms and requirements of the arrangement, including, but not limited to, a description of the services to be performed and the fees to be paid.

4.3 Employee Expenses

Within thirty (30) days of the Effective Date, if, and to the extent that it has not already done so, the Board shall adopt and implement a policy and procedures regarding the payment of expenses incurred by Officers and Employees which address all of the comments appearing on Pages 23 to 24 of the 1991 Report of Examination and which, at a minimum, shall ensure

that: (i) only expenses for which there is a legitimate business purpose are reimbursed; (ii) the business purpose of expenses are properly documented; (iii) purchases are processed through purchase requisitions and accompanied by a proper authorized approval; (iv) memberships in organizations are clearly related to a legitimate business purpose; and (v) adequate internal controls are instituted to ensure that all expenses are prudent, are for legitimate business purposes, and are properly authorized and documented.

4.4. Director Emeritus Plan.

No Director shall receive any benefits pursuant to the "Director Emeritus Plan" of the Association unless (i) they have rendered services to the Association commensurate with the benefit; and (ii) obtained the prior written non-objection of the Regional Director. The Association shall immediately submit a request for non-objection to the OTS with respect to Director Wick Allison, which request shall be accompanied by a detailed description of the services previously provided and to be provided in the future. If and to the extent that it has not already done so, no later than thirty (30) days of the Effective Date, the Board shall institute procedures whereby a detailed record of all services provided by Directors under the Director Emeritus Plan is maintained and available at any time for inspection by the OTS.

V. TRANSACTIONS WITH AFFILIATED PERSONS

5.1 Loans to Affiliated Persons and Potential Conflicts of Interest.

A. As of the Effective Date, the Association shall not, without the prior written notice of non-objection of the Regional Director, Make or Modify any loans to (i) any Affiliated Person or (ii) any entity in which Director Fred Gould has an interest. In the event that the Association proposes to Make or Modify any of the types of loans specified in this Section 5.1(a), the Association must provide documentation showing that: (i) such transaction is on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the Association as those prevailing at the time for comparable transactions with or involving persons other than those specified in this Section 5.1(A); (ii) such transaction is on an arms-length standard; and (iii) all appropriate underwriting standards have been complied with, including, but not limited to, verification of income and sources of repayment.

B. The requirements specified in this Section 5.1 are in addition to and in no way are a substitute for any applicable laws and regulations, including without limitation

Section 22(h) of the Federal Reserve Act, the Federal Reserve Board's Regulation O and Section 563.43 of the OTS Regulations.

5.2 Remedial Action.

A. If and to the extent that the Board has not already done so prior to the Effective Date, the Board shall immediately initiate efforts to:

(1) confirm that the proposed agreement between the Association and BRT Realty, a company owned by Director Fred Gould, was never effective;

(2) confirm that (i) Directors Jane Maas and Wick Allison paid to the Association the credit report and appraisal fees at the time such loans were made and Director Todd Poland has paid the credit report and appraisal fees which were not billed by the Association at the time of the granting of the loan, all as more particularly described on Pages 9 and 10 of the 1991 Report of Examination (the "Director Loans"); and (ii) the Director Loans were made on terms consistent with those then being made by the Association to the general public.

B. If, and to the extent that it has not already done so, the Association shall submit to the OTS within thirty (30) days of the Effective Date, written evidence of the actions it has taken or proposes to take in order to comply with the provisions of this Section 5.2.

VI. BOARD OF DIRECTORS

6.1. Compliance with Agreement.

A. The Board and Executive Officers 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 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 Resolutions 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.

6.2. Director Responsibility Continues.

Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

6.3. Information Submitted to Board.

Each member of the Board as part of the performance of his or her duty of care, shall become familiar with the contents of the Director Information Guidelines, published by OTS in December, 1989 and delivered to each member of the Board, and shall obtain and consider the kinds of information set forth therein which is applicable to the performance of his or her duties as a Director.

6.4. Review of Policies and Procedures.

Approval by the Board of all policies and procedures, including those adopted pursuant to this Agreement, shall be recorded in the Board minutes. Thereafter, such policies and procedures will be reviewed by the Board on an annual basis, at a minimum, and such review shall be documented in the Board minutes.

VII. MISCELLANEOUS

7.1. 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 7.1 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 FDICIA, 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.

"Advisory Memoranda" refers to inter alia, R Memoranda and T Memoranda issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Affiliate" shall have the meaning set forth in Section 563.41(b)(1) of the OTS Regulations, 12 C.F.R. § 563.41(b)(1).

"Affiliated Person" shall mean (i) "affiliated person" as that term is defined in Section 561.5 of the OTS Regulations, except that the term "immediate family", as defined in Section 561.24 of the OTS Regulations and as used in Section 561.5 of the OTS Regulations, shall include all members of such immediate family regardless of whether they live in the same home as such person; (ii) to the extent not already included in clause (i) of this definition, "principal shareholder" as that term is defined in subsection 215.2(1) of Regulation O; and (iii) to the extent not already included in clause (i) of this definition, "related interest" as that term is defined in subsection 215.2(m) of Regulation O.

"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.

"Compensation" means any payment of money or provision of any other thing of value in consideration of employment, including, but not limited to: (i) the amount of taxable compensation reportable in accordance with the Internal Revenue Code of 1986 as amended; (ii) salary reduction

amounts set aside under any qualified employee benefit plan established under Sections 401(k) or 125 of the Internal Revenue Code; and (iii) other amounts deferred under any non-qualified deferred compensation plan, to the extent that such amounts are paid, set aside, or deferred by the Association or any majority-owned Subsidiary thereof.

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

"Employee" shall mean any individual employed by the Association who is not an Officer.

"Executive Officer" shall have the meaning set forth in Section 215.2(d) of the Federal Reserve Board Rules and Regulations, 12 C.F.R. §215.2(d). In addition, the term shall include: (i) all individuals who previously served in that capacity and (ii) all Officers whose total Compensation is equal to or exceeds \$65,000 on an annual basis. The Association shall immediately notify the Regional Director of any change in the composition of its Executive Officers.

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

"FDICIA" means the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102-242, 105 Stat. 2236.

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

"FNMA" refers to the Federal National Mortgage Association.

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

"Institution-affiliated party" shall have the meaning set forth in Section 3(u) of the FDIA, 12 U.S.C. §1813(u).

"Make" means (i) in the context of making a loan, to enter into a binding obligation (whether or not memorialized in writing) to provide loan funds; and (ii) the obtaining of a lender's interest in a pre-existing debt whether through a purchase, swap, or otherwise.

"Modify" means to modify, extend or otherwise restructure a loan.

"1991 Report of Examination" means the report of examination of the Association conducted by the OTS, beginning December 16, 1991 and concluding May 15, 1992.

"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.

"Principal Shareholder" shall have the meaning set forth in Section 22(h)(9)(F) of the Federal Reserve Act, 12 U.S.C. §375b(9)(F).

"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).

"REO" means real property obtained by the Association through foreclosure or deed in lieu of foreclosure.

"Report of Examination" means any report of examination conducted by the OTS either prior to or subsequent to such report of examination.

"State" means the state of New York.

"Subsidiary" or "Subsidiaries" shall have the meaning set forth in Section 567.1(dd) of the OTS Regulations, 12 C.F.R. § 567.1(dd), and subsidiaries of such entities.

"Total Assets" shall have the meaning set forth in Section 567.1(ff) of the OTS Regulations.

7.2. 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.

7.3. 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, New Jersey 07302, or telecopied to (201) 413-7543 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 110 William Street, 29th floor, New York, New York 10038 or telecopied to (212) 267-0936 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 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.

7.4. 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 (including any authorized designee thereof) in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

7.5. Effect of Headings.

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

7.6. 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.

7.7. 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 is appropriate in fulfilling the responsibilities placed upon it by law.

B. To the extent that any provision of 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.

7.8. 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 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 Agreement.

7.9. 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.

7.10. 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.

7.11. Conflicts with Other Agreements.

In the event of any conflict between this Agreement or any other prior written agreements and understandings, the terms and conditions of this Agreement shall be controlling unless otherwise directed by the Regional Director. Notwithstanding the provisions of the immediately preceding sentence, all other enforcement and supervisory actions taken by the OTS with respect to the Association shall remain in full force and effect.

7.12. OTS Notice of Non-Objection

The OTS, in the exercise of its discretion, may from time to time, provide the Association with a written notice of

non-objection to permit activities otherwise prohibited hereby. The Association may request of the OTS the issuance of such written notice(s) of non-objection. Such requests must be submitted in writing to the Regional Director. The OTS will not process such requests unless they are accompanied by such documentation and information as the OTS may deem appropriate. The minutes of the Board shall reflect that the Board, upon due inquiry, has determined the proposed activity to be in the best interests of the Association and has authorized the activity contingent upon OTS non-objection.

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

BANKERS FEDERAL SAVINGS, FSB

By:

By:

15/
Name: Angelo A. Vigna
Title: Regional Director

15/
Name: _____
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

15/

Director

15/

Director

Director

15/

Director