

94997

OTS No. 02246

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 16th day of March, 1992 (the "Effective Date"), by and between Glen Rock Savings Bank, SLA (the "Association"), a state chartered mutual savings association, having its main office located in Glen Rock, 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, the OTS, represented by the Regional Director for the Northeast Region ("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; (2) engage in safe and sound practices; and (3) maintain itself in a safe and sound condition; and

WHEREAS, 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; (2) engage in safe and sound practices; and (3) maintain the Association in a safe and sound condition.

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). 12 C.F.R. § 563.170(c) (establishment and maintenance of records);

(b). 12 C.F.R. § 563.176 (interest rate risk management procedures);

(c). 12 C.F.R. § 563.233(b) (accounting principles and procedures);

(d). 12 C.F.R. § 571.19(b)(1) (content of investment policy and strategies);

(e). 12 C.F.R. § 563.160 (classification of certain assets);
and

(f). 12 U.S.C. § 1464(v) (reports of condition).

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. Further, 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. CORRECTIVE PROVISIONS

2.1. Business Plan. Within 45 days after the Effective Date of this Order, the Association shall revise its business plan to encompass all critical aspects of long range planning, including but not limited to (i) identifying the means by which to implement the goals set forth in the plan (including enhancement of capital), (ii) providing complete financial projections and the basis therefor and (iii) fully integrating the budget, any interest rate parameters and the appropriate strategies and guidelines from the interest rate risk management policy.

2.2. Interest Rate Risk Management Policy. Within 45 days after the Effective Date of this Order, the Association shall revise its interest rate risk management policy in accordance with 12 C.F.R. § 563.176, as clarified and interpreted by 12 C.F.R. § 571.3 and OTS Thrift Bulletin 13, which shall be reviewed and approved by the Board. The policy shall include, without limitation, specific provisions for the accurate measuring and monitoring of interest rate risk, an interest rate risk strategy (which should be an integral part of the business plan), the assessment of the impact of varying

interest rate scenarios on earnings and capital and limits on the Association's interest rate exposure. Management and the board should establish goals with respect to the parameters of interest rate risk they deem satisfactory for the safe and sound operation of the Association. Management must review the exposure of the Association to interest rate risk on at least a quarterly basis. Management must report to the Board on at least a quarterly basis with respect to interest rate risk exposure and the board must document its reviews in its minutes.

2.3. (a). Consultant's Report. Within 30 days from the Effective Date of this Order, the Board shall commission a well-qualified independent party (such independent party being subject to the prior written approval of the Regional Director), to prepare a written analysis and assessment of the Association's senior management and staffing needs ("Consultant Report"), and submit such Consultant Report to the Regional Director, which shall include at a minimum:

(1). identification of the type and number of senior officers needed to properly manage and supervise the affairs of the Association;

(2). evaluation of each senior officer of the Association to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Association's policies and practices (including policies and practices established pursuant to this Order) and maintenance of the Association in a safe and sound condition;

(3). an analysis of senior management's strengths and weaknesses, including an assessment of the organizational structure, and its ability to effectively manage and resolve current problems confronting the Association;

(4). an analysis of the need to segregate certain management oversight functions, including functions relating to underwriting, accounting, investment and loan review; and

(5). an analysis of the system of internal controls, (including reports to management and the Board) currently in place with respect to all areas of the Association's operations and recommendations concerning additional controls and procedures that are necessary to ensure compliance with laws and regulations applicable to the Association and the operation of the Association in a safe and sound manner.

(b). Other Consultant Advice. In addition, if necessary, the Association shall engage the consultant commissioned pursuant to subsection 9(a) above to assist the Association to comply with any other requirements under this Order, including the interest rate risk management policy and the investment policy.

(c). Management Plan. After consultation with the OTS, the

management of the Association shall devise a written plan of action to implement the findings of the Consultant Report including a plan to recruit and hire any additional or replacement personnel with the ability, experience and other qualifications (the "Management Plan"), which the Board determines are necessary to fill the Association's officer and senior staff positions. The Board shall approve the written Management Plan and such approval shall be recorded in the minutes of the Board. Any modification of the Management Plan shall become effective when approved by the Board, and such approval shall be recorded in the minutes of the Board. The Board shall notify the Regional Director of all approved material modifications to the Management Plan. The Association, its Board and senior officers shall implement and follow the Management Plan and any subsequent modification thereto.

2.3. Investment Policy. (a). Within 45 days after the Effective Date of this Order, the Association must revise its investment policy to conform fully to the investment portfolio policy and accounting guidelines set forth in 12 C.F.R. § 571.19 and Section 220 of the OTS Regulatory Handbook of Thrift Activities. The policy should authorize specific vehicles intended for inclusion in the investment portfolio and should establish aggregate limits for each. In addition, the Association must establish proper internal controls to ensure the integrity of the investment portfolio management and supporting staff, including segregation of duties so that persons executing transactions are prohibited from confirming and recording them. The policy should also require the submission and independent review of brokerage transaction confirmation receipts. The policy should also provide that management of the Association provide periodic summaries of the investment portfolio to the Board.

(b). In addition, the investment policy must provide that the Association shall not engage in the activity of buying mortgage-backed securities, unless (i) the Association develops a formal written policy setting forth the terms and conditions that would govern the mortgage-backed securities activities in which it proposes to engage, (ii) submits such policy to the Regional Director and (iii) obtains the written approval of the Regional Director prior to engaging in such activities.

2.4. Asset Review Policy. Within 45 days after the Effective Date of this Order, the Association must revise and the Board must approve, the written asset review policy in accordance with 12 C.F.R. § 563.160 and Thrift Bulletin 3 (Internal Loan Review). At a minimum, the policy should provide that the personnel responsible for asset review are independent of the lending personnel (including senior lending officers) and that the asset review personnel report directly to the Board.

2.5. Woodbine/Sandy Oaks. Within 10 days after the Effective Date of this Order, the Association and the Board shall account for the investment of the Association in Woodbine, Inc. in accordance with generally accepted accounting principles ("GAAP").

2.6. GAAP. Within 10 days after the Effective Date of this Order, the Association must accrue interest in conformity with GAAP. In particular, the Association must discontinue the practice of accruing interest income for any loan more than 90 days past due.

III. BOARD OF DIRECTORS

3.1. Compliance with Agreement.

(a). The Board and the executive 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 monthly 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 month, 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.

3.2. Director Responsibility.

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.

3.3. Duty of Care.

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 shall obtain and consider the kinds of information set forth therein that is applicable to the performance of his or her duties as a Director 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, FIRREA, 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.

"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).

"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.

"Bulletins" refers to, inter alia, Regulatory Bulletins, Thrift Bulletins, and PA Bulletins, issued by the staff (or agents) of the OTS (or its predecessors in interest).

"Business Day" means any weekday excluding Federal holidays.

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

"FHLMC" refers to the Federal Home Loan Mortgage Corporation.

"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.

"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, Jersey City NJ 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 P.O. Box 128, Glen Rock, New Jersey 07452 or telecopied to (201) 652-2097 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.

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 or his designee, 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.

4.7. No Violations of Law, Rule, Regulation or Policy Statement Authorized.

Nothing in this Agreement shall be construed as allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject.

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 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.

4.9. 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.

4.10. 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.

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

THE ASSOCIATION

By

By:

15/
Name: Robert C. Albanese
Title: Regional Deputy Director

15/
Name: Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

15/
Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Glen Rock Savings Bank, SLA (the "Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on March 11, 1992;
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 and ability to: (1) comply with all applicable laws and regulations; (2) engage in safe and sound practices; and (3) maintain the Association in a safe and sound condition; 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 None) and all members of the Board of Directors (except None) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 11th day of March, 1992.

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Name: HENRY P. INGRASSIA

Title: Assistant Secretary

(SEAL)