

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 21st day of May, 1992 (the "Effective Date"), by and between Dollar Savings Bank, SLA (the "Association"), a state chartered mutual association, having its main office located at 893 Franklin Avenue, Newark, New Jersey 07107 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) Section 1464(v)(1)(E) of the HOLA, 12 U.S.C. §1464(v)(1)(E) (regarding reports of condition);
 - (b) Sections 563.160 and 571.26 of the OTS Regulations, 12 C.F.R. §§563.160 and 571.26 (regarding classification of assets);
 - (c) Section 563.170(c) of the OTS Regulations, 12 C.F.R. §563.170(c) (regarding establishment and maintenance of records); and
 - (d) Section 571.3 of the OTS Regulations, 12 C.F.R. §571.3 (regarding interest rate-risk management).
- 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. OPERATING REQUIREMENTS

2.1. Business Plan.

A. Submission of Business Plan. No later than ninety (90) days of the Effective Date, the Association shall adopt a three (3) year business plan which has been approved by the Board. Such approval shall be documented in the Board minutes.

B. Contents. The business plan shall identify the major areas in, and means by which the Board will seek to improve the Association's operating performance. At a minimum, the plan shall address the following areas:

- (i) the Association's objectives, operating strategy and business philosophy (including time frames in which management is expected to accomplish the stated objectives and provisions for monitoring progress;

- (ii) the Association's present financial condition and risk profile (i.e. capital, earnings, credit risk, interest rate risk and liquidity risk);
- (iii) budget and budget review procedures that compare actual results with prior projections;
- (iv) interest rate risk management;
- (v) deposit solicitation strategies;
- (vi) projected sources and uses of funds;
- (vii) long term staffing requirements;
- (viii) asset growth;
- (ix) lending strategies;
- (x) asset/liability management;
- (xi) internal loan review program; and
- (xii) new business initiatives.

C. Review by Board. 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 Board shall in addition to such quarterly reviews, review the business plan annually to determine if revisions are required and shall revise the business plan accordingly.

2.2. Interest Rate Risk Management.

A. Policy and Procedures. No later than ninety (90) days of the Effective Date, the Board shall adopt and implement a revised interest rate risk management policy and procedures which are consistent with OTS Regulations 12 C.F.R. §§563.17 and 571.3 and OTS Thrift Bulletins Nos. 13, 13-1 and 13-2. Approval by the Board of such policy shall be documented in the Board minutes. The policy shall at a minimum provide for: (i) the accurate measuring and monitoring of interest rate risk; (ii) the assessment of the impact of varying interest rate scenarios on the market value of portfolio equity and net interest income; (iii) goals, strategies and timetables for reducing the Association's interest rate risk exposure; (iv) targeted gap ratios and procedures for monitoring the Association's progress towards achieving these ratios; and (v) a prudent limit on the amount of acceptable maximum change in the market value of portfolio equity as a result of possible changes in market interest rates.

B. Review by the Board. The Association shall prepare a report on a quarterly basis comparing actual interest rate risk exposure to the limits approved by the Board pursuant to Section 2.2(a). Such report shall be reviewed by the Board and the Board's review shall be documented in the Board minutes.

2.3. Management and Personnel Plan.

No later than ninety (90) days of the Effective Date, the Board shall adopt and implement a plan which shall ensure that the Association has capable and effective management and staff to carry out the affairs of the Association. Such plan shall include, at a minimum:

- (i) a written analysis and assessment of both the type and number of senior management and other positions needed to properly manage, supervise and carry out the affairs of the Association, taking into consideration any plans to expand the type of products offered by the Association;
- (ii) specification of the actions required to recruit, hire, and train any additional or replacement personnel with the ability, experience and other qualifications which the Board determines are necessary to fill the Association's deficiencies which arise at any time with respect to senior management and other staff; and
- (iii) steps which shall be taken to ensure the retention of qualified management and other staff and the timely and orderly filling of vacancies.

2.4. Establishment of Allowances.

A. Portfolio Evaluation Program. No later than ninety (90) days of the Effective Date, the Association shall adopt or modify, as the case may be, and implement a comprehensive portfolio asset review and classification policy which shall comply with the provisions of 12 C.F.R. §§563.160 and 571.26. Such policy shall at a minimum ensure: (i) the identification of problem assets and where appropriate, the classification of such assets; (ii) the proper reporting of the level of asset classifications; (iii) adequate valuation allowances to reflect credit risk in its portfolio; (iv) the obtaining of updated financial statements, property rent rolls, leases and related documentation at specified time periods; and (v) appointment of a management official responsible for carrying out such program who reports

directly to the Board.

B. Board of Directors Resolution. No later than twenty (20) days after the end of each calendar quarter, the Board shall adopt a resolution certifying that the Board has reviewed and determined that the level of general valuation allowances ("GVA's") and specific valuation allowances ("SVA's) reported on Schedule VA of the quarterly TFR appropriately reflect the level of current and anticipated credit exposure in the Association's portfolio. The Board shall consider and attach to the resolution:

- (i) a listing of all assets criticized as "loss", "doubtful", "substandard" or "special mention" (collectively, "Criticized Assets") in the most recent OTS Report of Examination and/or identified internally as a Criticized Asset and reported on Schedule TA of the TFR, including for each asset: (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
- (ii) an analysis of the adequacy of the Association's GVA's prepared by management.

C. Increased Valuation Allowances. No later than ninety (90) days of the Effective Date, if the Association has not already done so, it shall add the amount of \$104,000 to its GVA's to bring the aggregate GVA's to a minimum of \$296,000.

2.5. Asset Workout Policies/Asset Action Plans.

A. Policy and Procedures. No later than ninety (90) days of the Effective Date, the Board shall adopt and implement a comprehensive asset workout policy. The workout policy shall provide for, at a minimum:

- (i) identification of the personnel adequate to develop and implement asset action plans with respect to each asset referred to the workout group;
- (ii) the identification of all assets that will be referred to the asset workout group; including at a minimum, the prompt identification of all loans that are past due;

- (iii) a comprehensive analysis of all loan documents and related correspondence;
- (iv) a realistic analysis of: (a) the available cash flow to service the debt, (b) the value of any collateral and (c) the ability to enforce any guarantees;
- (v) an assessment of potential legal issues relating to the workout;
- (vi) based on the above, the development of an asset action plan for the workout of each asset referred to the workout group, including (a) a proposed timetable for each suggested action, (b) identification of the amounts (if any) of any additional disbursements planned or contemplated for each asset, and (c) a description of any contemplated modifications, extensions or renewals in connection with the asset; and
- (vii) documentation of written and verbal contacts with delinquent borrowers.

B. Review by the Board. The Board shall take steps to ensure that management is adhering to the asset collection policy. At a minimum, the Board shall: (i) designate a management official responsible for overseeing compliance with the asset collection policy; and (ii) require monthly reports from the management official as to the extent of the Association's compliance (or non-compliance) with the asset collection policy. Review by the Board of such monthly reports shall be documented in the Board minutes.

2.6. Books and Records.

The Association shall take all necessary steps 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. Accurate financial information shall be incorporated in all reports to the Board, and in any and all information supplied to the OTS, including the Association's Thrift Financial Reports. The Board shall take such action as will correct the continuous inaccuracies and late filings of the Thrift Financial Reports.

III. BOARD OF DIRECTORS

3.1. Compliance with Agreement.

A. The Board and the 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 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 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 Board.

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.

A. The Board has the ultimate responsibility for overseeing the safe and sound operation of the Association. Specifically, the Board shall: (i) establish policies, procedures and controls to ensure the safe and sound operation of the Association, including, but not limited to, those policies and procedures specifically required by this Agreement; (ii) monitor compliance with such policies and procedures as well as with the laws and regulations governing the Association; and (iii) more closely supervise management's performance.

B. In connection with the performance of his or her duty of care, each member of the Board of Directors, 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 which is applicable to the performance of his or her duties as a Director of the Association.

3.4. Minutes of Meetings

Within ninety (90) days of the Effective Date, the Board shall establish procedures to ensure that, with respect to meetings of the Board and of committees of the Board, minutes of all Board and committee meetings are accurate, contain sufficient detail, and are reviewed and adopted in a timely fashion. At a minimum, such procedures shall provide that:

- (i) each member of the Board receives draft copies of minutes of Board and committee meetings for review prior to each meeting and reads them individually prior to their being adopted;

- (ii) attendance at all meetings is accurately recorded; and
- (iii) all deliberations of the Board, including discussions held, policies and procedures approved, committee actions ratified and information reported to the Board by management is recorded.

3.5. Approval of Policies, Procedures and Loans.

A. No later than ninety (90) days of the Effective Date, the Board shall have approved all policies and procedures of the Association and such review and approval shall be recorded in the Board minutes. Thereafter, such policies and procedures shall be reviewed by the Board on an annual basis, as a minimum, and such review shall be recorded in the Board minutes.

B. No later than ninety (90) days of the Effective Date, the Board shall ratify the granting of any loans made from February 5, 1991 to the Effective Date and such ratification shall be recorded in the Board minutes.

C. From and after the Effective Date, the Association shall not make or commit to make any new loans without the prior review and approval of the Board, which review and approval shall be recorded in the Board minutes.

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, FDICIA, 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 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 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.

"Director" shall have the meaning set forth in Section 561.18 of the OTS Regulations, 12 C.F.R. § 561.18.

"FDIA" means the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1811 et seq.

"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.

"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).

"Report of Examination" means the Report of Examination of the Association conducted by the OTS, beginning February 10, 1992 and ending March 9, 1992 and any other report of examination conducted by the OTS either prior to or subsequent to such report of examination.

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

"State" means the state of New Jersey.

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:

(i) 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.

(ii) 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 893 Franklin Avenue, Newark, New Jersey 07107 or telecopied to (201) 483-6779 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, unless the Regional Director, in his sole discretion, decides 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 FDICIA or any regulation(s) promulgated thereunder relating to undercapitalized depository institutions 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.

C. As an Association chartered under State law and subject to regulation and supervision by a State regulatory authority, the Association may be subject to various restrictions imposed by the appropriate State regulatory authority. The Association must continue to comply with any such restrictions, notwithstanding the receipt by the Association of authorizations or notices of non-objection of the Regional Director, except to the extent that such restrictions have been deemed to be pre-empted by Federal law.

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.

4.11. Conflicts with Other Agreements.

In the event of any conflict between this Agreement and any other prior written agreements and understandings the terms and conditions of this Agreement shall be controlling unless otherwise directed by the Regional Director.

4.12. 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

DOLLAR SAVINGS BANK, SLA

By

By

15/
Name:

Title:

15/
Name: DAVID J. BREITKOPF
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

15/
Director

15/
Director

15/
Director

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Director

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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 DOLLAR 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 May 21, 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 Ira Geller) and all members of the Board of Directors (except Anthony Capriglione) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 21 day of May, 1992.

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Name:

Title: Secretary

(SEAL)