

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: CN 08-16
)	
AMTRUST FINANCIAL CORPORATION)	Effective Date: November 19, 2008
)	
Cleveland, Ohio)	
OTS Docket No. H0299)	

ORDER TO CEASE AND DESIST

WHEREAS, AMTRUST FINANCIAL CORPORATION, Cleveland, Ohio, OTS Docket No. H0299 (Holding Company), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Holding Company, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 USC § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Central Region (Regional Director), is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Debt Limitations

1. **As of the Effective Date** of this Order, the Holding Company and its non-depository

subsidiaries shall not incur, issue, renew, or rollover any debt, increase any current lines of credit, or guarantee the debt of any entity, without at least thirty (30) days prior written notice to the Regional Director and receipt of written non-objection from OTS. In the event no written objection is raised by the Regional Director during the thirty (30) day notice period, the Holding Company may proceed with the transaction.

Dividend and Stock Repurchase Restrictions

2. As of the Effective Date of this Order, the Holding Company shall not declare or pay any dividends or repurchase or redeem any capital stock without at least thirty (30) days prior written notice to the Regional Director and receipt of written non-objection from OTS. In the event no written objection is raised by the Regional Director during the thirty (30) day notice period, the Holding Company may proceed with the transaction.

Loan and Investment Restrictions

3. As of the Effective Date of this Order and until the minimum capital requirements required by paragraph 4 below are attained, the Holding Company shall not make new loans or investments beyond outstanding and binding commitments.

Capital Plan

4. (a) Within forty-five (45) days, the Holding Company shall submit to the Regional Director for approval a detailed capital plan to attain no later than December 31, 2008 and maintain at the Holding Company's wholly-owned savings association subsidiary, AmTrust Bank, Cleveland, Ohio, OTS Docket No. 04072 (Association), (i) Tier 1 (Core) Capital Ratio of at least seven percent (7%) and (ii) Total Risk-Based Capital Ratio of at least twelve percent (12 %).

(b) The Board shall monitor and review the sufficiency of the Association's capital position in relation to the Association's risk profile on a quarterly basis and shall reflect such reviews in the minutes of the Board meetings.

Management Changes

5. As of the Effective Date of this Order, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 CFR Part 563, Subpart H, (12 CFR §§563.550 through 563.590).

Employment Contracts and Compensation Arrangements

6. As of the Effective Date of this Order, the Holding Company shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits for any director or Senior Executive Officer of the Holding Company, without at least thirty (30) days prior written notice to the Regional Director and receipt of written non-objection from OTS. In the event no written objection is raised by the Regional Director during the thirty (30) day notice period, the Holding Company may proceed with the transaction. The notice to OTS shall include a copy of the proposed employment contract or compensation arrangement, or a detailed written description of the compensation arrangement to be offered to such director or Senior Executive Officer, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to OTS fully complies with the requirements set forth at 12 CFR Part 359, 12 CFR §§ 563.39 and 563.161(b), and 12 CFR Part 570 – Appendix A.

Severance and Indemnification Payments

7. As of the Effective Date of this Order, the Holding Company shall not make any golden parachute payment¹ or prohibited indemnification payment² unless, with respect to each such

¹ The term "golden parachute payment" is defined at 12 CFR § 359.1(f).

payment, the Holding Company has complied with the requirements of 12 CFR Part 359 and, with respect to indemnification payments, the Holding Company has complied with the requirements of 12 CFR § 545.121.

Association Order to Cease and Desist

8. The Board shall ensure that the Association complies with all of the terms of its Order to Cease and Desist issued by OTS on November 19, 2008.

Effective Date, Incorporation of Stipulation

9. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration

10. This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

Time Calculations

11. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

12. The Regional Director may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices

13. All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

14. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S

² The term "prohibited indemnification payment" is defined at 12 CFR § 359.1(l).

mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- a. **To OTS:**
Thomas A. Barnes, Regional Director
Office of Thrift Supervision
One South Wacker Drive Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5002

- b. **To the Holding Company:**
Gerald Goldberg, Chairman of the Board
AmTrust Financial Corporation
1801 East Ninth Street, Suite 200
Cleveland, Ohio 44114
Facsimile: (216) 588-7838

No Violations Authorized

15. Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Thomas A. Barnes
Regional Director, Central Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: CN 08-16
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AMTRUST FINANCIAL)	Effective Date: November 19, 2008
CORPORATION)	
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Cleveland, Ohio)	
OTS Docket No. H0299)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed AMTRUST FINANCIAL CORPORATION, Cleveland, Ohio, OTS Docket No. H-0299 (Holding Company) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company pursuant to 12 USC § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings and loan association holding company has consented to the issuance of an order; and

WHEREAS, the Holding Company desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction

- a. The Holding Company is a “savings and loan holding company” within the meaning of 12 USC § 1813(w)(3) and 12 USC § 1467a.
- b. Pursuant to 12 USC § 1818(b)(9), the “appropriate Federal banking agency” may initiate a cease and desist proceeding against a savings and loan holding company in the same manner and to the same extent as against a savings association for regulatory violations and unsafe and unsound acts or practices.
- c. Pursuant to 12 USC § 1813(q)(4), the Director of the OTS is the “appropriate Federal Banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, the Holding Company is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 USC § 1818(b)(1) and (b)(9).

2. OTS Findings of Fact

Based on findings set forth in the limited report of examination of the Holding Company issued on October 16, 2008, OTS finds that the Holding Company has engaged in unsafe and unsound banking practices, including the failure of the Holding Company to meet the specific capital enhancement and preservation requirements contained within the Holding Company’s business plan that has resulted in the Holding Company’s wholly-owned savings association subsidiary, AmTrust Bank, Cleveland, Ohio, OTS Docket No. 04072 (Association), operating with an unsafe level of adversely classified assets relative to existing core capital plus allowances for loan and lease losses.

3. Consent

The Holding Company consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). The Holding Company further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality

The Order is issued by OTS under 12 USC § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 USC § 1818(i).

5. Waivers

The Holding Company waives the following:

- a. The right to be served with a written notice of OTS's charges against it as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- b. The right to an administrative hearing of OTS's charges as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 USC § 1818(h), or otherwise to challenge the validity of the Order; and
- d. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting the Holding Company if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. Other Governmental Actions Not Affected

The Holding Company acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

8. Miscellaneous

- a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;
- b. If any provision of this Stipulation and/or the Order 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 or her sole discretion determines otherwise;
- c. All references to OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;
- d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

- e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and
- f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

9. Signature of Directors/Board Resolution

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance of the Order and the execution of the Stipulation.

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WHEREFORE, the Holding Company, by its directors, executes this Stipulation.

**AMTRUST FINANCIAL CORPORATION
Cleveland, Ohio**

By: _____ /s/
Gerald Goldberg
Chairman

_____/s/
Anat Bird, Director

_____/s/
Joseph A. Campanella, Director

_____/s/
Thomas A. Hamilton, Jr., Director

_____/s/
William H. Heller, Director

_____/s/
Peter Goldberg, Director

Robert Goldberg, Director

Richard L. Osborne, Director

Jon H. Outcalt, Director

Jacob I. Rosenbaum, Director

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Thomas A. Barnes
Regional Director, Central Region

Date: See Effective Date on page 1