#2013-033
AA-NE-13-15

AGREEMENT BY AND BETWEEN
Hometown Bank of the Hudson Valley
Walden, New York
and
The Comptroller of the Currency

Hometown Bank of the Hudson Valley, Walden, New York ("Bank") and the Comptroller of the Currency of the United States of America ("Comptroller") wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found, as described in the Report of Examination with a start date of November 5, 2012 ("ROE"), unsafe and unsound banking practices relating to credit risk management, asset quality, and management at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors ("Board"), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 C.F.R. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a "written agreement" within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank to be designated as in "troubled condition," as set forth in 12 C.F.R. Part 163, Subpart H, unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank to not be eligible for "expedited treatment" pursuant to 12 C.F.R. § 116.5, unless otherwise informed in writing by the Comptroller. Among other things, this means that the Bank shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 163.141, without first filing an application pursuant to 12 C.F.R. § 163.143(a) and receiving the prior written approval of the OCC.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Rita J. Kuehn, Assistant Deputy Comptroller
Office of the Comptroller of the Currency
New York Field Office
340 Madison Avenue, Fourth Floor
New York, New York 10173

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment,

the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within ninety (90) days of the date of this Agreement and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Agreement, including any relevant documentation;

(b) actions taken to comply with each Article of this Agreement; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, including all required written policies, programs, procedures, and supporting documentation, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

BOARD TO ENSURE COMPETENT BOARD AND MANAGEMENT

(1) Within sixty (60) days, the Board shall review and assess the qualifications of each senior executive officer (as the term "senior executive officer" is defined in 12 C.F.R. §163.555(4)) and ensure that the Bank has competent management in place on a full-time basis in all senior executive officer positions to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner. The Board shall:

(a) review the capabilities of the Bank's senior executive officers to perform present and anticipated duties, and the Board will determine whether management changes will be made;

(b) assess each of these officers' experience, other qualifications and performance compared to the position's description, duties and responsibilities; and

(c) address whether all critical managerial responsibilities and risk areas are covered by the current senior executive officers' job descriptions and adjust the job descriptions as necessary.

(2) Within sixty (60) days, the Board shall review and assess the qualifications of each director and ensure that the Bank has a competent Board of Directors in place.

(3) If the Board determines that an officer subject to assessment under Paragraph (1) of this Article will continue in his/her position but that the officer's depth of skills needs improvement, the Board will within sixty (60) days of that determination develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Bank. At a minimum the written program shall include:

(a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;

(b) a program to improve the effectiveness of the officer;

(c) objectives by which the officer's effectiveness will be measured; and

(d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

(4) If a position mentioned in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, the Board shall within ninety (90) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(5) Prior to the appointment of any individual to an executive officer position, or as a director, the Board shall submit to the Assistant Deputy Comptroller the following information:

(a) a written notice as required by 12 C.F.R. Part 163, Subpart H—Notice of Change of Director or Senior Executive Officer;

(b) the information specified in Section 720 of the OTS Applications Handbook, "Officer and Director Approvals";

(c) a written statement of the Board's reasons for selecting the proposed officer; and

(d) a written description of the proposed officer's duties and responsibilities.

(6) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. Appointments of directors and senior executive officers, as defined in 12 C.F.R. § 163.555, are subject to the requirements set forth in 12 C.F.R. Part 163, Subpart H—Notice of Change of Director or Senior Executive Officer. For individuals that are not senior executive officers or directors, the requirement to submit information and the prior disapproval provisions of this Paragraph (6) are based on the authority

of 12 U.S.C. § 1818(b)(6)(E).[1] However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(7) Within sixty (60) days, the Board shall develop, and thereafter implement, a formal written management succession plan that shall, at a minimum:

(a) identify present and future management and staffing requirements for each area of the Bank, including, but not limited to, identification of critical staff positions at the Bank;

(b) outline strategies to promote the retention and continuity of capable management, including, but not limited to:

(i) outline strategies to ensure both temporary and permanent qualified replacement of critical staff positions; and

(ii) address whether the Bank has internal expertise and development capabilities to fill vacancies in critical staff positions or whether the Bank must resort to external recruitment; and

(c) provide for annual review and assessment of the succession plan to ensure it meets the requirements of Paragraphs (a) and (b).

ARTICLE IV

RISK MANAGEMENT

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written risk management program to include, at a minimum, the following:

[1] For submissions that are based on the authority of 12 U.S.C. § 1818(b)(6)(E), there is no requirement that the Assistant Deputy Comptroller complete his/her review and act on any such information within ninety (90) days.

(a) identification of existing credit, liquidity, operational, and compliance risks, and a written analysis of those risks;

(b) action plans and time frames to reduce risks where exposure is high, particularly with regard to credit risk, which impacts directly on liquidity, compliance, strategic, and reputation risks, as more fully discussed in the ROE; and

(c) policies, procedures or standards which limit the degree of risk the Board is willing to incur, consistent with the strategic plan and the Bank's financial condition. This includes analyzing and limiting the risks associated with any new lines of business which the Board undertakes. The procedures shall ensure that strategic direction and risk tolerances are effectively communicated and followed throughout the Bank and shall describe the actions to be taken where noncompliance with risk policies is identified.

The risk management program shall be consistent with the "Bank Supervision Process" booklet of the *Comptroller's Handbook.*

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE V

CAPITAL PLAN

(1) Within thirty (30) days, the Board shall forward to the Assistant Deputy Comptroller for review a revised, written Capital Plan for the Bank, consistent with OCC

Bulletin 2012-16, “Guidance for Evaluating Capital Planning and Adequacy,” and the Bank’s Profit Plan as required by Article XII covering at least a three-year period. At the next Board meeting following receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Capital Plan. The Capital Plan shall:

(a) establish internal capital ratios that are consistent with regulatory definitions and provide for the maintenance of capital that is sufficient in relation to the Bank’s risk profile, strategic direction, and its regulatory capital requirements;

(b) identify and evaluate all material risks;

(c) identify and establish a strategy to strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank’s overall risk and complexity; and

(d) include detailed quarterly financial projections.

(2) The Board shall adopt and the Bank shall immediately implement and adhere to the Capital Plan. The Board shall review and update the Bank’s Capital Plan at least annually and more frequently if necessary or if requested by the Assistant Deputy Comptroller.

ARTICLE VI

CREDIT RISK

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the high level of credit risk in the Bank. The program shall include, but not be limited to:

(a) procedures to strengthen credit underwriting, particularly in the construction and development ("C&D") portfolio;

(b) procedures to strengthen management of lending operations and to maintain an adequate, qualified staff in all lending operational areas; and

(c) procedures for strengthening collections.

(2) At least quarterly, the Board shall prepare a written assessment of the bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VII

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to improve the Bank's credit risk identification practices and eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

(a) credit risk rating definitions consistent with applicable regulatory guidance, including income accrual status;

(b) procedures to ensure accurate and timely risk grades, including loss recognition, and identification of nonaccrual loans and troubled debt restructurings;

(c) procedures for early problem loan identification;

(d) an identification of the expected sources of repayment;

(e) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;

(f) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;

(g) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;

(h) ensuring loan officer and credit administration accountability for failure to assign accurate and timely risk grades on loans, including recognition of nonaccrual status, under their respective supervision; and

(i) implementation of an effective training program for all lending staff.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(4) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

(a) the status of each criticized asset or criticized portion thereof that equals or exceeds one hundred thousand ($100,000);

(b) management's adherence to the program adopted pursuant to this Article;

(c) the status and effectiveness of the written program; and

(d) the need to revise the program or take alternative action.

(5) The review shall be completed in a format similar to Appendix A, attached hereto.

(6) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed one hundred thousand ($100,000) only if each of the following conditions is met:

(a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

(b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE VIII

CREDIT ADMINISTRATION PRACTICES AND OTHER REAL ESTATE OWNED PRACTICES

(1) Within ninety (90) days, the Board shall develop a written program to improve the Bank's credit administration practices and implement specific actions outlined in the ROE. The program shall include, but not be limited to, policies, procedures, and controls as necessary to ensure:

(a) the Bank's appraisal and evaluation program complies with 12 C.F.R. Part 164, 12 C.F.R. § 160.172, OCC Bulletin 2010-42, "Interagency Appraisal and Evaluation Guidelines", OTS Examination Handbook § 208, "Asset Quality: Real Estate Appraisal", OCC Bulletin 2000-20, "Uniform Retail Credit Classification and Account Management Policy", and the "Rating Credit Risk" booklet of the *Comptroller's Handbook*;[2]

(b) loans are properly monitored to include periodic receipt, analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's and guarantor's financial condition and repayment ability, including, but not limited to: annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;

[2] OCC Bulletin 2012-2, "OTS Integration: Rescission of OTS Documents" (Jan. 6, 2012) rescinded OTS Regulatory Bulletin 37-58 and Section 260 of the OTS Examination Handbook, "Classification of Assets," which conveyed the Federal Financial Institutions Examination Council's "Uniform Retail Credit Classification and Account Management Policy". The rescission of these documents replaces them with the OCC's conveyances of the FFIEC's Uniform Retail Credit Classification and Account Management Policy which were distributed in OCC Bulletin 2000-20 and the "Rating Credit Risk" booklet of the *Comptroller's Handbook*, respectively.

(c) timely and effective follow-up and implementation of loan review findings and exceptions, including, but not limited to, the improvement of systems used to track and analyze all exceptions such that all exceptions are identified, aggregated, reported, and properly approved;

(d) extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information and performing and documenting analysis of the borrower's financial position and all expected repayment sources (including a global cash flow analysis for any guarantor with multiple businesses or real estate holdings) when necessary, including but not limited to, the potential impact of contingent liabilities;

(e) implementation of a formal process to evaluate whether additional extensions of credit should be granted to marginal borrowers;

(f) conformance with loan policy requirements; and

(g) revision of other real estate owned ("OREO") accounting policies and procedures to ensure compliance with applicable accounting and regulatory requirements.

(2) The Board Shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE IX

LOAN WORKOUT COMMITTEE

(1) Within ninety (90) days, the Board shall strengthen the Loan Workout Committee for the purpose of restoring and reclaiming classified assets, including commercial real estate loans, consistent with OCC Bulletin 2009-32, "Policy Statement on Prudent Commercial Real Estate Loan Workouts."

(2) Within ninety (90) days, the Board shall identify and employ an individual with demonstrated experience and skills in managing a bank workout program to manage the Loan Workout Committee. This individual shall report to the Board and shall be independent of the Bank's credit origination function.

(3) The Loan Workout Committee shall take all steps necessary to improve the operation of the Bank's workout function including, but not limited to:

(a) the establishment of policies and procedures to distinguish assets that shall be managed by the Loan Workout Committee from assets that shall be managed by the originating unit;

(b) the establishment of policies and procedures to require assets that remain with the originating unit are managed according to the standards of the Loan Workout Committee;

(c) the development and implementation of management information systems to track workloads and staffing requirements within the Loan Workout Committee; and

(d) the development and implementation of management information systems to measure the success of workout activities.

(4) The Board shall ensure that the Loan Workout Committee receives staffing and funding support necessary to maintain its sound operation.

ARTICLE X

LOAN REVIEW

(1) By no later than September 30, 2013, the Bank shall engage an independent external firm specializing in loan review to complete, at least twice a year, a sufficient review relative to the Bank's risk profile, of the Bank's loan portfolio(s), particularly loan participations, to assure the timely identification and categorization of problem credits pursuant to the program established pursuant to Article VII. The Bank shall require that: (i) the external loan review firm, in completing its review of the Bank's loan portfolio(s), use a loan grading system consistent with the requirements of 12 C.F.R. § 160.160 (Asset Classification) and the guidelines set forth in the "Rating Credit Risk" booklet of the *Comptroller's Handbook*; and (ii) the findings and recommendations of the external loan review shall be set forth in a written report to the Board that includes, at a minimum, conclusions regarding:

(a) the overall quality of the loan and lease portfolios;

(b) the appropriateness and accuracy of risk grades and accrual decisions;

(c) the identification, type, rating, and amount of problem loans and leases;

(d) the identification and amount of delinquent loans and leases;

(e) credit and collateral documentation exceptions;

(f) the identification and status of credit-related violations of law, rule, or regulation;

(g) loans not in conformance with the Bank's lending policies, and exceptions to the Bank's lending policies;

(h) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (g) of this Article; and

(i) concentrations of credit.

(2) The Board shall evaluate the Bank's external loan review firm's performance on a quarterly basis to ensure objectives are met and the scope, quality, and timelines are adequate and in conformance with the "Rating Credit Risk" booklet of the *Comptroller's Handbook*.

(3) The Board shall evaluate loan review report(s) on a quarterly basis and ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(4) The Board shall submit a copy of loan review reports to the Assistant Deputy Comptroller upon receipt.

ARTICLE XI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within thirty (30) days, in the Board shall develop, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL"). The ALLL policies and procedures shall be consistent with generally accepted accounting principles, the guidance set forth in OCC Bulletin 2006-47, the "Allowance for Loan and Lease Losses" booklet of the *Comptroller's Handbook*, and the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006, and shall address the corrective actions prescribed in the ROE that are related to the ALLL, and shall at a minimum include:

(a) results of the Bank's internal and external loan reviews;

(b) a standard method of adjusting and applying the Bank's historical loan loss experience and also considering ratio analysis;

(c) procedures for considering all relevant qualitative and environmental factors as outlined in relevant regulatory guidance;

(d) qualitative factor adjustments in each homogeneous pool to reflect credit underwriting and management practices in place at the Bank;

(e) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with ASC 310-10, Accounting by Creditors for Impairment of Loans;

(f) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with ASC 450-20, Accounting for Loss Contingencies;

(g) procedures for validating the ALLL methodology; and

(h) a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Reports for the ALLL. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Call Reports, through additional provision expense.

(2) Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XII

PROFIT PLAN

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

(a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;

(b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;

(c) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections;

(d) a description of the operating assumptions that form the basis for major projected income and expense components; and

(e) an assessment of the resources necessary to meet objectives, including staffing levels and management's qualifications to support the Bank's strategic goals and earnings improvement initiatives.

(2) The Board shall prepare annual budgets as described in Paragraph (1) above for each year this Formal Agreement remains in effect. The budget for each year shall be completed by or before November 30, of the preceding year.

(3) The Board shall require management to prepare written comparisons of its balance sheet and profit and loss statement to the profit plan projections on a quarterly basis.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE XIII

BANK SECRECY ACT INTERNAL CONTROLS

(1) Within ninety (90) days of the date of this Agreement, in response to the risks assessed as set forth in the ROE and the corrective actions prescribed therein, the Board shall revise and thereafter ensure Bank adherence to a written program of policies and procedures to provide for compliance with Bank Secrecy Act ("BSA"), as amended (31 U.S.C. §§ 5311 et seq.) and the regulations promulgated thereunder at 31 C.F.R. Part 1020 and 12 C.F.R. § 163.177 (collectively referred to as the "Bank Secrecy Act" or "BSA") and for the appropriate identification and monitoring of transactions that pose greater than normal risk for compliance with the BSA. The revisions shall include, but not be limited to, the following:

(a) procedures designed to ensure that the Bank implements an effective automated system for the monitoring of cash transactions occurring over multiple day periods that is sufficient to detect structuring of cash transactions; and

(b) risk-based customer due diligence (CDD) procedures that are consistent with the guidance set forth in the FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual and address the corrective actions prescribed in the ROE that are related to CDD.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to implement and adhere to the program developed pursuant to this Article.

ARTICLE XIV

<u>VIOLATIONS OF LAW</u>

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The quarterly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within ninety (90) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE XV

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) Reference in this Agreement to provisions of statutes, regulations and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the date hereof and references to successor provisions as they become applicable.

(6) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

(a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;

(c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(7) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any

officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

/s/

Rita J. Kuehn Assistant Deputy Comptroller New York Field Office	March 7, 2013 Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/	3/7/2013
Joseph Horan	Date
/s/	3/7/2013
Steven Howell	Date
/s/	3/7/2013
Gerald Jacobowitz	Date
/s/	3/7/2013
Graham Jamison	Date
/s/	3/7/2013
Stephen Sabine	Date
/s/	3/7/2013
Kenneth Schliphack	Date
/s/	3/7/2013
Curt Schoeberl	Date